



NEWSLETTER NOVEMBER 2018

Starlight U.S. Multi-Family (No. 5) Core Fund (the “Fund”) is listed on the TSX Venture Exchange (TSXV: STUS.A/STUS.U). The Fund currently owns 7,289 suites in 23 apartment communities with a 2012 average vintage (the “Properties”). The Fund is sponsored and asset managed by a wholly-owned subsidiary of Starlight Group Property Holdings Inc. (the “Manager”). The Fund’s mandate is to invest in recently constructed, stabilized, Class “A”, institutional quality multi-family properties in growth markets in the United States (“U.S.”). The Fund’s primary objective is to generate stable monthly cash distributions for its unitholders and enhance the value of its assets through active management.

Third quarter 2018 average monthly rent growth was 3.4% (same property – 1.8%) in comparison to the same period in the prior year and same property net operating income growth was 3.2% (excluding prior year property tax adjustments), in comparison to the same period in the prior year.



Spectra North (Phoenix, AZ 2012)



The Views at Coolray Field (Atlanta, GA 2015)



The Callie (Dallas, TX 2016)



Altis at Grand Cypress (Tampa, FL 2014)



The Allure (Austin, TX 2012)



Altis at Sand Lake (Orlando, FL 2016)

Significant Events

On October 31, 2018, the Fund entered into an agreement for a new pooled mortgage secured by all 23 Properties for total proceeds of approximately U.S.\$800,450,000 which is comprised of three tranches (the "Mortgage Refinancing") as follows:

- U.S.\$400,225,000 six year tranche with interest fixed at 3.92% and interest only payments for five years;
- U.S.\$240,135,000 seven year tranche with interest fixed at 3.95% and interest only payments for five years; and
- U.S.\$160,090,000 five year tranche with interest at LIBOR + 1.15% and interest only payments for three years.

The Mortgage Refinancing is carries a weighted average interest rate of 3.84% (a reduction of 52 bp based on LIBOR at October 31, 2018) and a weighted average term to maturity of 6.1 years.

On October 31, 2018, the Fund entered into a third amending agreement to its credit facility with a Canadian chartered bank which allows the Fund to borrow up to U.S.\$120,000,000 at an initial rate of 3.50% over LIBOR and a one-year term.

Unit Information and Distributions

Monthly Distributions

Since inception, the Fund has paid monthly distributions equal to 6.5% on an annualized basis, with the exception of Class H units which are equal to 3.5% on an annualized basis.

CDN\$0.05417
per Class A Unit

CDN\$0.05417
per Class C Unit

CDN\$0.05417
per Class D Unit

US\$0.05417
per Class E Unit

CDN\$0.05417
per Class F Unit

CDN\$0.02917
per Class H Unit

US\$0.05417
per Class U Unit

U.S. Multi-Family Market Trends

National Occupancy Levels and Home Ownership Rates

According to the U.S. Bureau of Labor Statistics, the U.S. unemployment rate was lower in September 2018 at 3.7%. The Fund's target demographic, the 20 to 34-year-old cohort, has continued to fuel apartment rental demand for newly constructed apartments. According to the U.S. Census Bureau, home ownership was 64.4% in the third quarter of 2018. Apartment occupancy rates and rental growth continue to be strong with MPF Research reporting third quarter 2018 U.S. apartment occupancy of 95.8%. Year-over-year rent growth across these markets was 2.9%.

Metropolitan Market Information

The Fund owns 7,289 suites in 23 properties located in 13 cities across eight states. The following table highlights the key macroeconomic and property data in each city and sub-market.

Market	Period ¹ ending September Year over Year Job Growth	Unemployment ¹ Rate	Occupancy ²	Last 12 ² Months Rental Growth	One Year ² Occupancy Forecast	One Year ² Rental Growth Forecast
Atlanta-Sandy Springs-Roswell	+2.2%	3.1%	95.2%	3.8%	94.3%	3.3%
Northeast Atlanta			94.2%	2.5%	92.9%	
Northeast Gwinnett County			96.1%	5.7%	94.4%	
Austin	+3.9%	2.9%	95.2%	2.6%	94.5%	2.3%
Round Rock/Georgetown			94.9%	0.8%	94.6%	
Near North Austin			95.1%	1.5%	93.9%	
Cedar Park			95.8%	2.8%	94.5%	
Charlotte	+2.4%	2.9%	95.6%	2.9%	94.3%	4.1%
UNC Charlotte			95.0%	4.5%	93.2%	
Dallas Fort Worth	+3.0%	3.4%	95.1%	1.7%	94.4%	2.2%
Allen/McKinney			94.7%	0.4%	93.9%	
Northeast Dallas			94.5%	2.5%	92.9%	
Denver/Boulder	+2.7%	3.0%	95.5%	2.3%	94.8%	3.0%
Thornton/Northglenn			94.9%	4.0%	94.4%	
Houston	+4.3%	4.1%	93.8%	3.6%	93.4%	4.3%
Bear Creek			94.5%	3.9%	94.0%	
Humble/Kingwood			94.7%	4.3%	94.1%	
Las Vegas	+3.6%	4.7%	95.6%	6.7%	95.1%	5.8%
South Las Vegas			96.1%	7.8%	95.4%	
Nashville	+1.7%	3.0%	95.4%	1.8%	95.2%	3.5%
Murfreesboro/Smyrna			96.4%	2.5%	95.5%	
Orlando	+5.9%	2.7%	96.8%	6.6%	96.3%	4.6%
Kissimmee/Osceola County			97.3%	6.3%	97.1%	
Sanford/Lake Mary			96.6%	4.0%	95.9%	
East Orange County			96.5%	6.9%	95.7%	
Phoenix	+3.8%	4.2%	95.6%	6.3%	94.9%	3.4%
Deer Valley			95.2%	3.7%	94.8%	
Raleigh/Durham	+3.3%	2.7%	95.2%	2.8%	95.2%	2.4%
South Cary/Apex			95.4%	1.0%	95.6%	
San Antonio	+0.9%	3.3%	93.8%	1.6%	93.5%	2.3%
Medical Center			93.0%	1.6%	92.8%	
Tampa	+3.9%	2.9%	96.0%	4.9%	95.2%	3.7%
New Tampa/East Pasco County			95.8%	3.6%	95.6%	

Sources: 1 – United States Bureau of Labor Statistics

2 – RealPage Apartment Market

Investment Market Update

Commercial real estate investment demand continues to be strong nationally. There is significant demand from real estate private equity firms that have recently raised funds. Capitalization rates for suburban, Class "A", multi-family real estate in the Fund's metropolitan markets are approximately 4.25% to 5.25%, depending on the quality and location of the apartment community.

Ten Year U.S. Treasury bonds were yielding approximately 3.19% as at November 8, 2018. Lender spreads have compressed to offset increases in treasury yields and all-in interest rates continue to remain low versus historical levels with debt readily available at lower leverage levels.

Property Improvements

Boardwalk Med Center began construction on the clubhouse redesign project that will be completed in the fourth quarter of 2018. Falls at Copper Lake completed the installation of a modern front monument sign with its newly redesigned logo. At Pure Living, the exterior of the property was painted and a full renovation of the dog park was completed in Q3 2018. At The Village at Marquee Station, clubhouse and pool renovations were completed in the third quarter of 2018. At The Allure, swimming pool area upgrades are ongoing with an expected completion of the fourth quarter of 2018.

The Manager continues to undertake in-suite upgrades including the installation of plank flooring, kitchen backsplash, bathroom framed mirror, smart technology thermostats and screened in porches where possible throughout the portfolio in order to generate rental premiums of U.S.\$50-\$100 per suite per month.

Property Management and Rental Rates

Property Management

The Fund benefits from the local real estate expertise and market intelligence of best-in-class property managers. Alliance Residential Company, the seventh largest third-party manager in the U.S., provides property management for seven properties totaling 2,324 suites. The Pinnacle Family of Companies, the third largest third-party manager in the U.S., provides property management for six properties totaling 2,147 suites. Greystar Real Estate Partners, the largest third-party, multi-family property manager in the U.S. provides property management for six properties totaling 1,911 suites. The Altman Companies, a third-party manager in the U.S. with local market expertise and experience, provides property management for two properties totaling 619 suites. High 5 Realty Advisors, LLC a local third-party manager in the U.S. with local market expertise and experience, provides property management for one property with a total of 288 suites.

Implementation of Yield Management Software

The Manager continues to utilize yield management software at all of its Properties. This software provides updated pricing on a daily basis, optimizing asking rents and renewal rents in real time, based on supply and demand for different suite types. This rental rate optimization system is similar to those employed by the hotel and airline industries to manage their room rates and flight prices.

Ancillary Services Update

The Manager continues to maximize ancillary revenue by ensuring the ancillary rates are at market levels. Privacy yards for select suites are being installed at Alexander Village, The Falls at Eagle Creek, Palm Valley Apartments, Soho Parkway Apartments, Travesia Apartments, City North at Sunrise Ranch, Copperfield Apartments, Falls at Copper Lake and The Village at Marquee Station which generate approximately \$100 per month of additional ancillary income per yard. All properties continue to offer trash pick-up services.

The Manager has implemented a new cable contract at Properties. The new agreement provides high quality, wireless internet and multiple premium television channels under an arrangement where the Manager will purchase internet and cable from the provider and resell to residents.

Outlook

The Manager believes the portfolio will continue to benefit from strong demand for residential rental accommodation based on the quality of its apartment communities, low unemployment rates and strong job growth. The performance of the U.S. economy, home ownership rates and local markets continue to support improved multi-family real estate fundamentals. The Fund expects to continue to produce consistent investment returns for unitholders.

For more information visit www.starlightus.com or contact:

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This Newsletter contains statements that may constitute forward-looking information within the meaning of Canadian securities laws and which reflect current expectations of the Fund's management regarding future events, including statements concerning: the payment of distributions; the value of the Properties; the trading price of units; national and local real estate market conditions and economic variables; rental rates; occupancy rates; currency exchange rates; the potential results from yield management software; and type, timing and cost of capital improvements.

The forward-looking statements involve risks and uncertainties, including those discussed in the Fund's materials filed with the Canadian securities regulatory authorities from time to time at www.sedar.com, which could cause the actual results and performance of the Fund to differ materially from the forward-looking statements contained in this Newsletter. Those risks and uncertainties include, among other things, risks related to: the reliance on the Manager; the experience of the Fund's officers and directors; real estate ownership; substitutes for residential real estate rental suites; government regulation; financing; interest rate fluctuations; reliance on property management; competition for real property tenants; fluctuations in capitalization rates; U.S. market factors; and currency exchange rates.

Information contained in forward-looking information is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the inventory of multi-family real estate properties; the availability of mortgage financing and current interest rates; the extent of competition between properties; the population of multi-family real estate market participants; assumptions about the markets in which the Fund intends to or does operate; the ability of the Manager to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws. Readers are cautioned against placing undue reliance on forward-looking statements. Except as required by applicable Canadian securities laws, neither the Fund nor the Manager undertakes any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

This newsletter contains statistical data, market research and industry forecasts that were obtained from government and industry publications and reports or are based on estimates derived from such publications and reports and the Manager's knowledge of, and experience in, the markets in which the Fund operates. Actual outcomes may vary materially from those forecast in such publications or reports. While the Fund and its Manager believe this data to be reliable, market and industry data cannot be verified due to limits on the availability and reliability of data inputs and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy, currency and completeness of this information cannot be guaranteed.