

# STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND ANNOUNCES 2017 THIRD QUARTER RESULTS WITH STRONG SAME PROPERTY NOI GROWTH OF 3.3%



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Toronto – **November 9 , 2017** – Starlight U.S. Multi-Family (No. 5) Core Fund (TSX.V: STUS.A, STUS.U) (the “Fund”) today announced its results of operations and financial condition for the three months ended September 30, 2017 (the “Third Quarter”). The Fund commenced operations on October 18, 2016 after the exchange of limited partnership units of Starlight U.S. Multi-Family Core Fund, Starlight U.S. Multi-Family (No. 2) Core Fund, Starlight U.S. Multi-Family (No. 3) Core Fund, and Starlight U.S. Multi-Family (No. 4) Core Fund (collectively the “Arrangement Funds”) and common shares of Campar Capital Corporation for limited partnership units (“units”) of the Fund and following the closing of its initial public offering.

All amounts in this press release are in thousands of United States (“U.S.”) dollars unless otherwise stated. All references to “C\$” are to Canadian dollars. The forecast figures represent the financial forecast (the “Forecast”) as set out in the Fund’s final long form prospectus dated October 12, 2016.

## Highlights for the Third Quarter and Nine Months Ended September 30, 2017

- Continued its program to strategically recycle capital into apartment communities that are sized to maximize efficiencies, lower the average age of its portfolio and enhance the Fund’s geographical diversification.
  - Acquired Copperfield Apartments in Nashville, Tennessee, a 288 suite Class “A” apartment community built in 2015. This acquisition represents the Fund’s first investment in the high growth market of Nashville.
  - The Fund sold The Reserve at Jones Road in Houston, Texas for \$14,350 less transaction costs of \$243. The proceeds from the sale were used to repay the outstanding mortgage balance with the remainder expected to be reinvested in the acquisition of a property on a tax deferred basis. (See Subsequent Events)
- Entered into a variable rate collar contract to provide protection from the impact of any potential weakening of the U.S. dollar on the Fund’s Canadian dollar distributions. The 12-month contract allows the Fund to exchange U.S. denominated currency each month within a range of C\$1.33 to C\$1.3850 to fund Canadian dollar distributions.
- Recognized an \$81,154 fair value increase on its properties during the Third Quarter. The increase was driven by capitalization rate compression and by net operating income (“NOI”) increases across the portfolio.
- Net income and comprehensive income for the Third Quarter was \$40,941, driven by the fair value increases across the portfolio. For the nine months ended September 30, 2017, net income and comprehensive income was \$48,553.
- Interest coverage ratio was strong at 2.10 times for the Third Quarter and indebtedness to gross book value reduced to 63.0% as at September 30, 2017 from 65.4% as at December 31, 2016.
- Adjusted Funds From Operations (“AFFO”) payout ratio for the nine months ended September 30, 2017 was 90.5% as compared to Forecast for the same period of 81.5%.



Evan Kirsh, President of Starlight U.S. Multi-family commented, “We continue to execute on our strategy of portfolio diversification and improving the overall vintage of the assets in the Fund while focusing on assets that are economically sized to maximize efficiencies. We believe that this strategy will service the Fund well and allow it to outperform the market.”

**Property Highlights for the Third Quarter and Nine Months Ended September 30, 2017  
include the comparative period in which the properties were owned by the Arrangement Funds:**

- Same property average monthly rent (“AMR”) increased by 1.6% during the Third Quarter reflecting strong growth specifically in Dallas, Texas; Orlando / Tampa, Florida; and Raleigh, North Carolina.
- Portfolio average market rent (“AMR”) increased by 1.2% to \$1,188 during the Third Quarter driven by increases of greater than 4.0% in Dallas, Texas; Orlando / Tampa, Florida; and Charlotte / Raleigh, North Carolina. Economic occupancy remained stable at 93.1% for the three months ended September 30, 2017.
- Same property NOI at \$10,516 for the three months ended September 30, 2017, was a 3.3% increase over the corresponding period in 2016 and NOI margin at 56.2% was a 100 basis point improvement driven by significant margin increases in the Atlanta, Georgia; Dallas, Texas; Orlando / Tampa, Florida; and Raleigh, North Carolina markets due to rental rate growth, stable occupancy and effective management of property operating costs.
- NOI for the three months ended September 30, 2017 was \$14,192, a 26.5% increase over the corresponding period in 2016 and the NOI margin at 55.6% represented a 90 basis point improvement.
- NOI at \$42,184 was a 26.5% increase over the corresponding nine month period in 2016 and the NOI margin at 56.7% was a 130 basis point improvement.
- Same property NOI at \$29,723 for the nine months ended September 30, 2017 was a 3.2% increase over the corresponding period in 2016 and the NOI margin at 56.8% was a 110 basis point improvement.



## Financial Condition and Operating Results

	As at September 30, 2017	As at December 31, 2016
<b>Operational Information</b>		
Number of properties	23	23
Total suites	6,980	6,792
Weighted average portfolio occupancy %	92.6%	93.1%
AMR (in actual dollars)	\$ 1,188	\$ 1,167
Average monthly rent per square foot (in actual dollars)	\$ 1.23	\$ 1.21
<b>Summary of Financial Information</b>		
Gross Book Value	\$1,215,444	\$1,056,414
Indebtedness	\$766,158	\$691,088
Indebtedness to gross book value <sup>(1)</sup>	63.04%	65.42%
Weighted average mortgage interest rate	3.27%	2.90%
Weighted average mortgage term to maturity	3.65 years	4.23 years
	Three months ended September 30, 2017	Nine months ended September 30, 2017
<b>Summary of Financial Information</b>		
Revenue from property operations	\$25,507	\$74,329
Property operating costs	\$7,048	\$19,743
Property taxes	\$4,267	\$12,439
NOI	\$14,192	\$42,184
Net income and comprehensive income	\$40,941	\$48,553
FFO	\$6,146	\$16,797
FFO per unit - basic and diluted	\$0.13	\$0.34
AFFO	\$6,267	\$20,344
AFFO per unit - basic and diluted	\$0.13	\$0.41
Interest coverage ratio	2.10 x	2.24 x
Indebtedness coverage Ratio	1.91 x	2.05 x
FFO payout ratio	100.1%	109.6%
AFFO payout ratio	98.1%	90.5%
Weighted average units Outstanding (000s) - basic and diluted	49,024	49,126
<b>Notes:</b>		
(1) Defined as indebtedness divided by gross book value.		
(2) Revenue from property operations, property operating costs and property taxes include amounts relating to The Reserve at Jones Road which is designated 'held for sale' during the three months ended September 30, 2017.		



## Financial Condition and Operating Results

The Fund's AMR at September 30, 2017 was \$1,188, an increase of \$14 or 1.2% from September 30, 2016. The Fund's AMR at \$1,188 represents both an affordable and defensive rent level given the relatively high average incomes in the Fund's markets. Same property AMR growth was 1.6%. Economic occupancy for the Third Quarter was 92.8%, within the Fund's targeted range. Revenue from property operations for the Third Quarter at \$25,507 was 24.4% higher than the corresponding period in 2016, due to growth from acquisitions net of dispositions and rental rate growth across the portfolio. For the nine months ended September 30, 2017, revenue was \$74,386 or 23.5% above the corresponding period in 2016.

NOI for the Third Quarter at \$14,192 was 26.5% above the same quarter in the prior year and the NOI margin was 55.6%, a 90 basis point increase. For the nine months ended September 30, 2017, NOI increased by \$8,794 or 26.3% to \$42,184 and NOI margin increased by 130 basis points to 56.7%.

Same property NOI for the Third Quarter was \$10,516, a 3.3% increase over the same period in 2016 and the same property NOI margin was 56.2%, a 100 basis point increase. Same property NOI for the nine months ended September 30, 2017 at \$29,723 was a 3.2% increase over the corresponding period in 2016 and the NOI margin at 56.8% was a 110 basis point improvement.

AFFO payout ratio was 98.1% (Forecast – 81.5%) during the Third Quarter and 90.5% (Forecast – 81.5%) for the nine months ended September 30, 2017. The increase was predominately due to increases in finance costs resulting from increases in 30-day LIBOR and lower NOI partly due to the timing of dispositions and acquisitions. The Fund considers AFFO to be an important measure in determining the sustainability of future distributions to be paid to Unitholders.

Reconciliation of cash provided by operating activities determined in accordance with IFRS to AFFO for the three and nine months ended September 30, 2017 is provided below:

	Three months ended September 30, 2017	Nine months ended September 30, 2017
<b>Cash provided by operating activities</b>	\$ 13,976	\$ 38,658
Less: interest paid	(6,379)	(16,925)
<b>Cash provided by operating activities - including interest paid</b>	7,597	21,733
Add / (Deduct):		
Change in non-cash operating working capital	(633)	(2,644)
Change in restricted cash	3,245	4,209
One-time Plan of Arrangement costs	-	152
Fair value adjustment of investment properties including IFRIC 21	(4,023)	(2,902)
Realized foreign exchange gain	552	1,020
Unrealized foreign exchange loss	(85)	(132)
Current taxes - U.S. withholding taxes	12	36
Service fees related to class A and class U units	154	473
Purchase of Interest rate cap agreement	0	54
Sustaining capital expenditures and suite renovation reserve	(552)	(1,656)
<b>AFFO</b>	<b>\$ 6,267</b>	<b>\$ 20,344</b>



## Financial Position

As at September 30, 2017, the Fund's indebtedness to gross book value was 63.0%, a reduction from 65.4% as at December 31, 2016. The Fund had strong interest coverage and indebtedness coverage ratios for the Third Quarter of 2.10 and 1.91 times, respectively. The weighted average interest rate on the Fund's mortgages payable was 3.27% and the weighted average term to maturity was 3.65 years as at September 30, 2017.

## Subsequent Events

On October 18, 2017, the Fund extended the term of the credit facility to October 19, 2018 and reduced tranche B available funds to C\$8,000. In addition, the interest rate was reduced to the prime rate plus 2.15% (previously prime plus 3.39%) or the banker's acceptance ("BA") stamping fee plus 3.15% (previously BA stamping fee plus 4.39%).

On October 26, 2017, the Fund announced the TSX-V had accepted the renewal of the existing normal course issuer bid ("NCIB") commencing November 1, 2017, to remain in effect until the earlier of (i) October 31, 2018 or (ii) the date on which the Fund has purchased the maximum number of units permitted under the NCIB. Under the NCIB, the Fund may purchase for cancellation up to a maximum of 1,396,448 class A units and 157,189 class U units, representing 10% of the Fund's public float of class A units and class U units, respectively. The Fund may not purchase more than 2% of the issued and outstanding class A units or class U units during any 30 day period, which as at October 26, 2017, represented 281,264 class A units and 31,635 class U units, respectively.

On October 27, 2017, the Fund sold The Reserve at Jones Road in Houston, Texas for \$14,350 less transaction costs of \$243. The proceeds from the sale were used to repay the outstanding mortgage balance with the remainder expected to be reinvested in the acquisition of a property on a tax deferred basis.

On October 31, 2017 the mortgage loan secured on Boardwalk Med Center was repaid and Boardwalk Med Center was added to the pool of properties securing the Fund's revolving credit facility. The net proceeds were approximately \$5,500.

## About Starlight U.S. Multi-Family (No. 5) Core Fund

The Fund is a limited partnership formed under the *Limited Partnerships Act* (Ontario) for the primary purpose of indirectly acquiring, owning and operating a portfolio of diversified income producing rental properties in the U.S. multi-family real estate market. The Fund currently owns 22 properties, consisting of 6,866 suites with an average year of completion in 2011.

For the Fund's complete condensed consolidated interim financial statements and management's discussion and analysis ("MD&A") for the Third Quarter and for the nine months ended September 30, 2017, and any other information relating to the Fund, please visit [www.sedar.com](http://www.sedar.com). Further details regarding the Fund's unit performance and distributions, market conditions where the Fund's properties are located, performance by the Fund's properties and a capital investment update are also available in the Fund's November 2017 Newsletter which is available on the Fund's profile at [www.starlightus.com](http://www.starlightus.com).



## **Non-IFRS Financial Measures**

The Fund's condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain terms used in this press release including NOI, "same property", AFFO, indebtedness, gross book value, AMR, indebtedness to gross book value, interest coverage ratio and indebtedness coverage ratio (collectively, the "non-IFRS measures") as well as other measures discussed elsewhere in this press release, do not have a standardized definition prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other reporting issuers. The Fund uses these measures to better assess the Fund's underlying performance and financial position and provides these additional measures so that investors may do the same. Details on non-IFRS measures are set out in the Fund's MD&A for the Third Quarter and are available on the Fund's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Forward-looking Statements**

Certain statements contained in this press release constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information is provided for the purposes of assisting the reader in understanding the Fund's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, acquisitions, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, acquisitions, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, AMR, taxes, the Fund's use of its NCIB, and plans and objectives of or involving the Fund. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking information necessarily involves known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the Fund's control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results.



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 properties for acquisition and the price at which such properties may be acquired; the availability of mortgage financing and current interest rates; the extent of competition for properties; the population of multi-family real estate market participants; assumptions about the markets in which the Fund operates; the ability of Starlight Group Property Holdings Inc., the manager of the Fund, to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws.

Although the Fund believes the expectations reflected in such forward-looking information are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information.

Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing for such properties, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information as there can be no assurance that actual results will be consistent with such forward-looking information.

The forward-looking information included in this press release relate only to events or information as of the date on which the statements are made in this press release. Except as specifically required by applicable Canadian law, the Fund undertakes no obligation to update or revise publicly any forward-looking information, 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.

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