

# Starlight Capital Global Real Estate 2025 Update

September 2025



**Dennis Mitchell,  
MBA, CFA, CBV**

Chief Executive Officer and  
Chief Investment Officer

The Starlight Global Real Estate Fund is a concentrated portfolio of 24 high-quality real estate companies with a track record of increasing their distributions annually. Year-to-date the portfolio has generated 13 distribution increases (19 in 2024) with an average increase of 5.9% (5.9% in 2024). The portfolio currently yields 6.7% and 70.9% of the fund's 2024 distributions were taxed as return of capital.

## Sector Calls & Stock Selection Drive Outperformance

The Starlight Global Real Estate Fund has enjoyed an excellent year, generating an 8.7% total return through September 4th. Relative to its benchmark, the fund has outperformed by ~487 bps.

Asset allocation contributed ~182 bps to the fund's outperformance. In addition to traditional Real Estate (REITs and REOCs), the fund is invested in companies in the Communications Services, Financials and Health Care sectors.

Sector	Positions	Performance Driver
<b>Health Care</b> 130 bps	Chartwell Retirement Residences Sienna Senior Living Inc.	Occupancy gains & strong rent growth Occupancy gains & strong rent growth
<b>Financials</b> 105 bps	Annaly Capital Management AGNC Investment Corp	Continued strong ROEs and rate cuts Continued strong ROEs and rate cuts
<b>Preferred Equity / US Office REITs</b> 77 bps	Brookfield Office Properties	Dividend maintained, declining rates
<b>Communications Services</b> 59 bps	Helios Towers Plc	Lease up of acquired towers

Source: Bloomberg LLP

Security selection contributed ~305 bps to the fund's outperformance. Gains were delivered by companies in Canada, the US & the UK, across a number of sectors.

Position	Sub Sector	Performance YTD
Interrent REIT	Canadian Apartment REITs	34.91%
Chartwell Retirement Residences	Canadian Health Care	28.28%
Helios Towers Plc	Communication Services	49.35%
Brookfield Property Partners 4.536 PERP	Preferred Equity / US Office REITs	66.80%
Annaly Capital Management Inc.	US Mortgage REITs	22.86%

Source: Bloomberg LLP

## Rate Cuts Should Drive Performance Into 2026

Since the start of the year we have said that falling long bond yields would be the catalyst for REIT outperformance. Trump's "liberation day" tariffs introduced a new inflation concern that kept central banks on the sidelines and long bond yields elevated. Five months later, benign inflation and labour market deterioration has set the stage for both the Federal Open Market Committee (FOMC) and the Bank of Canada to begin rate cutting cycles on September 17th. Especially since continued job losses in both countries have brought long bond yields down 25 bps+.

The table below shows the forecasts of the Canadian banks for Canadian and US CPI, Real GDP growth and policy rates for 2025 and 2026. What is clear is that both economies are expected to see declining inflation with Canadian inflation expected to fall below the long-term target of 2.0%. Both economies are expected to generate Real GDP growth below their long-term potential and as a result, policy rates are forecast to decline by 50 bps to 100 bps by the end of 2026.

Canada	RBC	TD	BMO	Scotia	CIBC	NBF	Des	Average
Inflation-2024	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
2025	2.10%	2.60%	2.00%	2.10%	2.20%	2.00%	2.10%	2.16%
2026	2.00%	2.20%	2.00%	2.10%	1.70%	2.00%	2.10%	2.01%
GDP-2024	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%
2025	1.60%	0.90%	1.00%	1.60%	1.50%	1.30%	1.40%	1.33%
2026	1.30%	1.10%	1.20%	1.30%	1.60%	1.10%	1.40%	1.29%
Policy Rate-2024	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
2025	2.75%	2.25%	2.73%	2.75%	2.25%	2.25%	2.00%	2.43%
2026	2.75%	2.25%	2.06%	2.50%	2.25%	2.50%	2.25%	2.37%
US	RBC	TD	BMO	Scotia	CIBC	NBF	Des	Average
Inflation-2024	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
2025	2.70%	2.90%	2.80%	2.70%	3.00%	2.70%	2.80%	2.80%
2026	2.60%	2.70%	2.70%	2.40%	2.90%	2.70%	2.70%	2.67%
GDP-2024	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
2025	1.60%	1.70%	1.70%	1.50%	1.80%	1.40%	1.60%	1.61%
2026	1.30%	2.10%	1.60%	1.50%	2.20%	1.40%	1.50%	1.66%
Policy Rate-2024	4.38%	4.50%	5.15%	4.50%	4.50%	4.50%	4.50%	4.58%
2025	3.63%	3.75%	4.27%	4.50%	3.88%	4.25%	3.75%	4.00%
2026	2.88%	3.25%	3.42%	3.50%	3.38%	3.50%	3.25%	3.31%

Source: Canadian bank websites

We expect REITs to rally into rate cuts and this is supported by the outperformance of REITs on days when poor jobs or weak inflation have been announced. With that in mind we have made several strategic changes to the portfolio, designed to increase the potential long-term total returns of the portfolio as policy rates are cut.

### Active Portfolio Management Contributed to Performance

We added mortgage REITs to the portfolio for their leverage to declining short rates. Annaly Capital Management Inc. and AGNC Investment Corp. both invest in residential mortgages funded with short-term debt. When the FOMC cuts rates, their cost of debt should decline, widening their investment spreads and increasing their return on equity. If they also continue to grow their portfolios then we see both companies increasing their dividends in 2026. Please see our Insight Series paper on Mortgage REITs for more information.

We increased our allocation to Canadian industrial REITs which have lagged as tariff and trade wars have erupted. Both Granite REIT and Dream Industrial REIT generated 4%+ Funds From Operations ("FFO") per share growth and guided towards occupancy gains despite market vacancy creeping up. In the US, industrial REITs appear to have worked through a surge in supply and a slowdown in leasing velocity. We added Goodman Group ("Goodman") in Australia to the portfolio on the back of its growing exposure to datacenter development. Goodman is an industrial REIT but management has built a portfolio of powered sites and development projects across 13 major global cities, with a total power bank of 5.0 GW.

We added Helios Towers plc ("Helios") in the UK to the portfolio to increase our cell tower exposure and further diversify outside of North America. Helios has a 10-year EBITDA CAGR of 25.0% and has successfully leased up two large portfolio acquisition over the last five years. We believe Helios will initiate a dividend in 2026 which should attract a larger investor base and improve its valuation.

Finally, we added to our retail positions with an increased weight in First Capital REIT ("FCR") and the initiation of a position in US mall REIT Simon Property Group Inc ("Simon"). FCR has executed a capital recycling program that has allowed them to de-lever their balance sheet while still generating 7.0%+ FFO/unit growth. Simon has maintained strong foot traffic in their malls and the impact from tariffs on leasing and retailer inventories has been negligible to date, as evidenced by the Q2 beat on FFO/unit growth and guidance increase.

### Strong Performance Going Into 2026

The Starlight Global Real Estate Fund's portfolio is positioned to take advantage of several global macro trends that should continue to drive value creation in 2026. The shortage of housing in all G7 nations means that residential REITs (apartments, single family homes, manufactured homes, student housing) should continue to enjoy high occupancies with above average rent growth on turnover. Seniors' housing REITs continue to gain occupancy from the pandemic lows and baby boomers are just beginning to impact demand. These REITs should continue to generate strong FFO/unit growth. Finally, continued corporate investment in AI and cloud computing should benefit data center REITs but also industrial REITs with warehouse assets, in low cost power jurisdictions, that can be converted into data centers. With REITs trading at discounts to net asset value, producing mid-single digit FFO/unit growth and offering 5.0% distributions, we see REITs generating double digit total returns going forward, spurred by rate cuts and falling long-term bond yields.

**We invite you to partner with us.**

**Starlight Capital**

## Investment Management



**Dennis Mitchell,**  
**MBA, CFA, CBV**  
Chief Executive  
Officer and Chief  
Investment Officer

Dennis Mitchell joined Starlight Capital in March 2018 as Chief Executive Officer and Chief Investment Officer. He has over 20 years of experience in the investment industry and has held executive positions with Sprott Asset Management, serving as Senior Vice-President and Senior Portfolio Manager, and Sentry Investments, serving as Executive Vice-President and Chief Investment Officer.

Mr. Mitchell received the Brendan Wood International Canadian TopGun Award in 2009, 2010, and 2011 and the Brendan Wood International 2012 Canadian TopGun Team Leader Award. He also received the Afroglobal Television Excellence Award for Enterprise in 2020 and the Black Business and Professionals Association's Harry Jerome President's Award in 2021.

Mr. Mitchell holds the Chartered Financial Analyst and Chartered Business Valuator designations and earned a Master of Business Administration from the Schulich School of Business at York University in 2002 and an Honors Bachelor of Business Administration degree from Wilfrid Laurier University in 1998. Mr. Mitchell currently sits on the Board of the Toronto Foundation and is Co-Founder and Director of the Black Opportunity Fund.

## About Starlight Capital

Starlight Capital is an independent Canadian asset management firm with over \$1 billion in assets under management. We manage Global and North American diversified private and public equity investments across traditional and alternative asset classes, including real estate, infrastructure and private equity. Our goal is to deliver superior risk-adjusted, total returns to investors through a disciplined investment approach: Focused Business Investing. Starlight Capital is a wholly-owned subsidiary of Starlight Investments. Starlight Investments is a leading global real estate investment and asset management firm with over 375 employees and \$30B in AUM. A privately held owner, developer and asset manager of over 70,000 multi-residential suites and over 7 million square feet of commercial property space. Learn more at [www.starlightcapital.com](http://www.starlightcapital.com) and connect with us on LinkedIn at [www.linkedin.com/company/starlightcapital/](https://www.linkedin.com/company/starlightcapital/)

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**Starlight Capital**  
1400-3280 Bloor Street West  
Toronto, Ontario, Canada M8X 2X3  
[info@starlightcapital.com](mailto:info@starlightcapital.com)  
1-833-752-4683  
[starlightcapital.com](http://starlightcapital.com)

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