

May 8, 2015

# True North Commercial REIT announces first quarter 2015 results

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*Quarter highlighted by strong top line growth and attractive acquisition in Fredericton*

TORONTO, May 8, 2015 /CNW/ - True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced its financial results for the first quarter ended March 31, 2015.

## First Quarter Highlights

- Industry-leading portfolio occupancy at March 31, 2015 of 98.5%;
- Government and credit-rated tenants represented 90.3% of revenue at March 31, 2015;
- Completed accretive acquisition of 845 Prospect Street in Fredericton, NB for \$5.9 million;
- Revenue from property operations for Q1 2015 totaling \$8.9 million, compared with \$5.6 million in Q1 2014;
- Net Operating Income ("NOI") for Q1 2015 of \$5.4 million, compared with \$3.2 million in Q1 2014 and \$4.1 million in Q4 2014;
- Funds from Operations ("FFO") of \$0.16 per Unit
- Adjusted Funds From Operations ("AFFO") of \$0.15 per Unit, resulting in a Q1 2015 normalized AFFO payout ratio of 96%;
- Indebtedness to gross book value ratio of 59.66% at March 31, 2015;
- Weighted average fixed interest rate of 3.42%; and
- Paid Distributions of \$3,019 or \$0.594 per unit on an annualized basis.

"The first quarter was characterized by continued strong growth in rental revenue, reflecting the ongoing expansion of the REIT's portfolio since last year, including the \$83.4 million acquisition of 11 office properties completed in the fourth quarter of 2014," said Daniel Drimmer, the REIT's Chief Executive Officer. "2015 has started on a high note, with solid financial results and the acquisition of 845 Prospect Street in Fredericton, New Brunswick."

"We continue to identify acquisition candidates that meet our disciplined strategy and investment criteria," added Mr. Drimmer. "As a result, we expect 2015 to be another active year of portfolio expansion. Our unique strategy – the accretive acquisition of high-quality commercial properties, leased primarily to government or credit-rated tenants and situated in strategic secondary markets – differentiates the REIT in the marketplace and makes us a first call for vendors of appropriate properties. At quarter-end, government and credit-rated tenants represented 90.3% of the REIT's gross revenue."

## Operating Results and Financial Position

	Three months ending	
	March 31	
	2015	2014
Revenue	\$8,890	\$5,632
NOI	\$5,432	\$3,232
Income and comprehensive income	\$3,003	\$5,194
FFO	\$3,152	\$1,750
FFO per Unit - basic <sup>(1)</sup>	\$0.16	\$0.14
FFO per Unit - diluted <sup>(1)</sup>	\$0.15	\$0.13
AFFO	\$3,115	\$1,652
AFFO per Unit - basic <sup>(1)</sup>	\$0.15	\$0.13
AFFO per Unit - diluted <sup>(1)</sup>	\$0.15	\$0.13
AFFO payout ratio - basic	97%	109%
AFFO - Normalized <sup>(2)</sup>	\$3,131	\$1,914
AFFO Normalized per Unit - basic <sup>(1)</sup>	\$0.15	\$0.16
AFFO Normalized per Unit - diluted <sup>(1)</sup>	\$0.15	\$0.15
AFFO Normalized payout ratio - basic	96%	94%
Units outstanding for FFO, AFFO and AFFO Normalized per Unit:		
Weighted average (000s) – basic <sup>(1)</sup>	20,331	12,341
Add: Unexercised unit options and warrants	1,115	725
Weighted average (000s) – diluted <sup>(1)</sup>	21,446	13,066

### Notes:

For purposes of calculating FFO and AFFO per Unit, class B limited partnership units of True North

(1) Commercial Limited Partnership are included as Units outstanding on both a basic and diluted basis.

Diluted amounts assume the conversion of any unexercised unit options.

AFFO Normalized is adjusted for non-recurring items such as due diligence acquisition costs related

(2) to property acquisitions the REIT is no longer pursuing and rental income recognized as purchase price adjustments under IFRS.

Occupancy for the portfolio remained strong at 98.5% as at March 31, 2015, reflecting the strength of the REIT's unique strategy and the execution of its asset management plan.

Revenue from property operations in the first quarter of 2015 was \$8.9 million compared with \$5.6 million in Q1 2014. NOI in Q1 2015 was \$5.4 million compared with \$3.2 million in the corresponding period of 2014. The year-over-year increases in revenue and NOI are primarily attributable to the REIT's acquisitions. On a same property basis, Q1 2015 property revenue of \$5.4 million was 3.4% below the level in Q1 2014, and NOI of \$3.2 million was 1.4% below the 2014 level, due to lower occupancy at Coronation Mall in British Columbia.

For the first quarter of 2015, basic and diluted Funds from Operations ("FFO") were \$0.16 per Unit and \$0.15 per Unit respectively. This compares with \$0.14 and \$0.13 per Unit respectively in Q1 2014, and \$0.16 and \$0.15 per Unit respectively in Q4 2014. After normalizing for non-recurring costs, basic and diluted AFFO were \$0.16 and \$0.15 per Unit respectively in Q1 2015, unchanged from last year and Q4 2014. The REIT's normalized AFFO payout ratio in the first quarter of 2015 was 96%, compared with 94% in Q1 2014 and 95% in Q4 2014. The REIT's AFFO payout ratio has increased slightly when compared to Q4 2014 due

to increased general and administrative expenses incurred in Q1 for annual compliance and regulatory matters. In addition, certain operating costs such as snow removal and utilities are seasonal in nature and as such are higher in the winter months.

## **Liquidity and Capital Resources**

As at March 31, 2015, the REIT's indebtedness to gross book value was 59.66%, a level well within the 75% limit set out in the REIT's declaration of trust and slightly above the REIT's year-end 2014 ratio of 59.22%, reflecting the acquisition of the Prospect Street property. The weighted average interest rate on the REIT's mortgage portfolio was 3.42%, and the weighted average term to maturity was 4.1 years. The REIT has minimal mortgage maturities until 2018, and all interest rates are fixed for the terms of their respective mortgages.

## **Tenant Profile**

The REIT's portfolio has a stable lease expiry profile and significant progress has been made with 100% of 2015 and 93% of 2016 expiries already renewed.

As at March 31, 2015, the weighted-average term to maturity of leases at the REIT's properties was 4.7 years. Government and credit rated tenants account for 61.3% and 29.0%, respectively, or 90.3% combined, of the REIT's annualized gross revenue.

## **About the REIT**

The REIT is an unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario. The REIT is focused on acquiring and operating commercial rental properties across Canada and such other jurisdictions where opportunities exist.

For complete financial statements and management's discussion and analysis for the period, and any other information relating to the REIT, please visit [www.sedar.com](http://www.sedar.com) or the REIT's website at [www.truenorthreit.com](http://www.truenorthreit.com).

## **Non-IFRS measures**

Certain terms used in this MD&A such as Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), Adjusted Funds from Operations Normalized ("AFFO Normalized"), Net Operating Income ("NOI"), indebtedness ("Indebtedness"), gross book value ("GBV") and Indebtedness to GBV Ratio, are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be compared to or construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with International Financial Reporting Standards ("IFRS"). FFO, AFFO, AFFO Normalized, NOI, Indebtedness, GBV and Indebtedness to GBV Ratio as computed by the REIT may not be comparable to similar measures presented by other issuers. The REIT uses these measures to better assess the REIT's underlying performance and provides these additional measures so that investors may do the same. Details on non-IFRS measures are set out in the REIT's Management's Discussion and Analysis (MD&A) for the period ended March 31, 2015 and are available on the REIT's profile 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 statements are provided for the purposes of assisting the reader in understanding the REIT's financial position and results of operations 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 such statements may not be appropriate for other purposes. Forward-looking information may relate to the REIT's future outlook and anticipated events or results, including the number and type of securities that may be sold under the short form base shelf prospectus dated December 16, 2013, and may include statements regarding the financial position, business strategy, budgets, projected costs, capital expenditures, financing rates and costs, taxes and plans and objectives of or involving the REIT. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the REIT or the real estate industry are forward-looking statements. 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", "project", "predict", "forecast", "potential", "continue", "likely", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking statements necessarily involve known and unknown risks and uncertainties, that may be general or specific and which give rise to the possibility expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the REIT's control, affect the operations, performance and results of the REIT and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to; the risks discussed in the REIT's materials filed with Canadian securities regulatory authorities from time to time on including the risks discussed in the REIT's Annual Information Form and MD&A at "Risks and Uncertainties". The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions, including management's perceptions of historical trends, current conditions expected future developments as well as other considerations that are believed to be appropriate in the circumstances, such as: the Canadian economy will remain stable over the next 12 months; inflation will remain relatively low; interest rates will remain stable; conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate; the Canadian capital markets will continue to provide the REIT with access to equity and/or debt at reasonable rates when required; Starlight Investments Ltd. will continue its involvement as asset manager of the REIT in accordance with its current asset management agreement; and the risks identified or referenced above, collectively, will not have a material impact on the REIT. While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

The forward-looking statements made in this press release are dated, and relate only to events or information, as of the date of this press release. Except as specifically required by law, the REIT undertakes no 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.

SOURCE True North Commercial Real Estate Investment Trust



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