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True North Commercial REIT announces fourth quarter and full year 2014 results

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Year characterized by successful execution of growth strategy

TORONTO, March 11, 2015 /CNW/ - True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced its financial results for the fourth quarter and year ended December 31, 2014.

Fourth Quarter Highlights

- Completed transformative and accretive acquisition of 11 office properties for $83.4 million in targeted secondary Ontario markets, comprising 339,500 square feet;
- Revenue from property operations for Q4 2014 totaling $6.8 million, compared with $5.1 million in Q4 2013;
- Net Operating Income ("NOI") for Q4 2014 of $4.1 million, compared with $3.1 million in Q4 2013;
- Funds From Operations ("FFO") of $0.16 per trust Unit ("Unit") in Q4 2014 compared with $0.13 per Unit in Q4 2013;
- Adjusted Funds From Operations ("AFFO") of $0.15 per Unit in Q4 2014 compared with $0.13 per Unit in Q4 2013;
- AFFO normalized ("AFFO Normalized") of $0.16 per Unit resulting in a Q4 2014 normalized AFFO payout ratio of 95%;
- Paid distributions of $2,475 for Q4 2014 and $8,251 for YTD 2014;
- Indebtedness to Gross Book Value ("GBV") ratio improved from 59.40% at December 31, 2013 to 59.22% at December 31, 2014;
- Industry-leading portfolio occupancy at December 31, 2014 of 98.5%;
- Government and credit-rated tenants represented 90% of revenue at year-end 2014; and
- Weighted average fixed interest rate of 3.44%, with minimal debt maturities until 2018.

"The signature event of the fourth quarter was the 38% increase in the size of the REIT's portfolio, attributable to the $83.4 million acquisition of 11 office properties," said Daniel Drimmer, the REIT's President and Chief Executive Officer. "The properties are located in attractive Ontario markets and were acquired at an implied capitalization rate of approximately 7.6%. The acquisitions were immediately accretive to both FFO and AFFO per Unit."

"In the fourth quarter of 2014 and throughout the year, the REIT continued to generate significant year-over-year increases in revenue and NOI," added Mr. Drimmer. "This improvement is primarily attributable to our acquisition program and reflects the REIT's ability to execute our focused strategy of accretively acquiring high-quality commercial properties, leased primarily to government or credit-rated tenants and situated in strategic secondary markets across Canada. At year-end, government and credit-rated tenants represented 90% of the REIT's gross revenue."

Operating Results and Financial Position

	Three months ending		**Year ended**	
	December 31		**December 31**	
	2014	**2013**	**2014**	**2013**
Revenue	$6,800	$5,105	$23,321	$17,246
NOI	$4,114	$3,100	$14,042	$10,778
Income and comprehensive income	$740	($6,879)	$12,981	$13,340
FFO	$2,436	$1,586	$8,104	$5,864
FFO per Unit - basic (1)	$0.16	$0.13	$0.60	$0.56
FFO per Unit - diluted (1)	$0.15	$0.13	$0.57	$0.52
AFFO	$2,368	$1,558	$7,817	$5,140
AFFO per Unit - basic (1)	$0.15	$0.13	$0.58	$0.49
AFFO per Unit - diluted (1)	$0.14	$0.12	$0.55	$0.46
AFFO payout ratio - basic	99%	114%	102%	122%
AFFO - Normalized (2)	$2,451	$1,787	$8,336	$6,337
AFFO Normalized per Unit - basic (1)	$0.16	$0.15	$0.62	$0.60
AFFO Normalized per Unit - diluted (1)	$0.15	$0.14	$0.59	$0.56
AFFO Normalized payout ratio - basic	95%	99%	96%	99%
Units outstanding for FFO, AFFO and AFFO Normalized per Unit:				
Weighted average (000s) – basic (1)	15,677	11,840	13,471	10,511
Add: Unexercised unit options and warrants	659	759	703	729
Weighted average (000s) – diluted (1)	16,336	12,599	14,174	11,240

Notes:

(1) For purposes of calculating FFO and AFFO per Unit, class B limited partnership units of True North 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 and warrants.

(2) AFFO Normalized is adjusted for non-recurring items such as due diligence acquisition costs related to property acquisitions the REIT is no longer pursuing and rental income recognized as purchase price adjustments under IFRS.

Revenue from property operations in the fourth quarter of 2014 was $6.8 million compared with $5.1 million in Q4 2013. NOI in Q4 2014 was $4.1 million compared with $3.1 million in the corresponding period of 2013. The year-over-year increases in revenue and NOI are primarily attributable to the REIT's acquisitions. On a same property basis, Q4 2014 property revenue of $5.0 million represented an increase of 4.2% from $4.8 million in Q4 2013. Q4 2014 same property NOI of $2.9 million was consistent with the corresponding 2013 levels, reflecting an occupancy decrease at Coronation Mall. For the full year 2014, revenue from property operations was $23.3 million compared with $17.2 million in 2013. NOI in 2014 was $14.0 million compared with $10.8 million in the corresponding period of 2013.

For the fourth quarter of 2014, basic and diluted FFO were $0.16 per Unit and $0.15 per Unit, respectively. This compares with $0.13 per Unit on both bases in Q4 2013, and $0.15 per Unit and $0.14 per Unit, respectively in Q3 2014. After normalizing for non-recurring costs, basic and diluted AFFO were $0.16 per Unit and $0.15 per Unit, respectively in Q4 2014. This compares with $0.15 per Unit and $0.14 per Unit, respectively, both in Q4 2013 and in Q3 2014. The REIT's AFFO Normalized payout ratio improved to 95% in Q4 2014, compared with 99% in Q4 2013 and 98% in Q3 2014.

For the full year 2014, basic and diluted FFO was $0.60 per Unit and $0.57 per Unit, respectively. This compares with $0.56 per Unit and $0.52 per Unit, respectively in 2013. After normalizing for non-recurring costs, basic and diluted AFFO were $0.62 per Unit and $0.59 per Unit, respectively in 2014. This compares with $0.60 per Unit and $0.56 per Unit, respectively in 2013. The REIT's AFFO normalized payout ratio for the year improved to 96% from 99% in 2013.

Occupancy for the portfolio remained stable at 98.5% as at December 31, 2014, reflecting the acquisition of the eleven properties in December 2014, which had an average occupancy of 97.6%.

Liquidity and Capital Resources

As at December 31, 2014, the REIT's Indebtedness to Gross Book Value was 59.22%, a level well within the 75% limit set out in the REIT's second amended and restated declaration of trust and slightly above the REIT's Q3 2014 ratio of 57.23%, reflecting mortgage financing related to the transformative acquisitions completed in Q4 2014. The weighted average interest rate on the REIT's mortgage portfolio was 3.44%, and the weighted average term to maturity was 4.3 years. The REIT has minimal mortgage maturities until 2018, and all interest rates are fixed for the terms of their respective mortgages.

Tenant Profile

As at December 31, 2014, the weighted-average term to maturity of leases at the REIT's properties was 4.7 years, with minimal near-term lease expirations until 2018.

Government and credit rated tenants account for 63.3% and 26.7%, respectively, or 90% combined, of the REIT's annualized gross revenue.

Management believes the lease maturity and tenant profile provides the REIT with significant visibility regarding future revenue and cash flows.

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** or the REIT's website at **www.truenorthreit.com**.

Non-IFRS measures

The REIT's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The following measures, FFO, AFFO, AFFO Normalized, NOI, Indebtedness, GBV, Indebtedness to GBV ratio and adjusted cash provided by operating activities 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 IFRS. FFO, AFFO, AFFO Normalized, NOI, Indebtedness, GBV and Indebtedness to GBV ratio, adjusted cash provided by operating activities 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 for the years ended December 31, 2014 and 2013 ("MD&A") and the Annual Information Form and are available on the REIT's profile at **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 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 such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the REIT or the real estate industry, and may include statements regarding the financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the REIT. In some cases, forward-looking information can be identified by such terms as "may", "might", "will", "could", "should", "would", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking statements involve 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 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 risks related to the Units and risks related to 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 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 believed to be appropriate in the circumstances, including the following: 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 provide the REIT with access to equity and/or debt at reasonable rates when required; and the risks 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.

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