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True North Commercial REIT Announces Fourth Quarter and Year Ended 2013 Results

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TORONTO, March 5, 2014 /CNW/ - True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced its financial and operating results for the three months and year ended December 31, 2013 (the "fourth quarter" and "year ended," respectively).

"Over the course of 2013, True North Commercial REIT established a trend of strong and consistent operational performance," stated Daniel Drimmer, the REIT's Chief Executive Officer. "Our fourth quarter results further solidified that record. We continue to build upon both our industry leading occupancy, which remains above 99%, and the stability of our revenues, which are generated primarily by government and credit-rated tenants."

"These attributes are all reinforced by our November 2013 acquisition in Fredericton, New Brunswick, of a fully occupied office property featuring both government and credit rated tenants," continued Mr. Drimmer. "Selective acquisitions such as this, offer the REIT an opportunity to not only enhance the quality of our property portfolio, but also the value we offer our unitholders."

FINANCIAL HIGHLIGHTS

- Revenue from property operations for the fourth quarter and year ended of \$5.1 million and \$17.2 million, respectively.
- Net Operating Income ("NOI") for the fourth quarter and year ended of \$3.1 million and \$10.8 million, respectively.
- Adjusted Funds from Operations ("AFFO") of \$0.13 per trust unit ("Unit") for the fourth quarter and \$0.49 per unit for the year ended, normalized AFFO of \$0.15 per unit for the fourth quarter and a \$0.60 per unit for the year ended and normalized AFFO payout ratio of 99% for both periods.
- Distributions for the fourth quarter and year ended of \$1.8 million and \$6.5 million, respectively.
- Maintained an industry-leading occupancy rate of 99.5%, and increased the proportion of revenue derived from government and credit-rated tenants to 87.6%.
- Weighted average fixed interest rate of 3.53%, with negligible debt maturities until 2018.

OTHER INITIATIVES

- On December 4, 2013, the TSX approved the REIT's normal course issuer bid ("NCIB"), providing the REIT the ability to purchase for cancellation up to a maximum of 746,358 Units through the facilities of the TSX.
- On December 16, 2013, the REIT obtained a receipt for its final short form base shelf prospectus (the "Prospectus"). The Prospectus is valid for a 25 month period, during which time the REIT may issue

trust units, unsecured debt securities, subscription receipts, warrants, or any combination of such securities as units (collectively, the "Securities"), in amounts, at prices, and on terms based on market conditions at the time of sale and set forth in an accompanying prospectus supplement, for an aggregate offering amount of up to \$200 million.

Operating Results and Financial Position

	As at December 31, 2013	As at December 31, 2012
Summary of Financial Information		
Gross Book Value ⁽¹⁾	\$184,890	\$15,720
Indebtedness ⁽²⁾	\$109,818	\$10,250
Indebtedness to Gross Book Value ⁽³⁾	59.40%	65.20%
Weighted average mortgage fixed interest rate	3.53%	3.92%
Weighted average mortgage term to maturity	4.21 years	5.00 years
	Three months ended December 31, 2013 ⁽⁴⁾	Period from Year ended December 31, 2012 to December 31, 2012
Revenue	\$5,105	\$17,246
NOI	\$3,100	\$10,778
Income (loss) and comprehensive income (loss)	(\$6,879)	(\$13,783)
FFO	\$1,586	\$5,864
FFO per Unit - basic ⁽⁵⁾	\$0.13	\$0.56
FFO per Unit - diluted ⁽⁵⁾	\$0.13	\$0.52
AFFO	\$1,558	\$5,140
AFFO per Unit - basic ⁽⁵⁾	\$0.13	\$0.49
AFFO per Unit - diluted ⁽⁵⁾	\$0.12	\$0.46
AFFO payout ratio - basic	114%	122%
AFFO - Normalized ⁽⁷⁾	\$1,787	\$6,337
AFFO Normalized per unit - basic ⁽⁵⁾	\$0.15	\$0.60
AFFO Normalized per unit - diluted ⁽⁵⁾	\$0.14	\$0.56
AFFO Normalized payout ratio - basic	99%	99%
Units outstanding for FFO, AFFO and AFFO Normalized per Unit:		
Weighted average (000s) - basic ⁽⁵⁾	11,840	10,511
Add: Unexercised Unit Options and Warrants	759	729
Weighted average (000s) - diluted ⁽⁵⁾	12,599	11,240

Notes:

- (1) "Gross Book Value" is defined in the DOT and includes deferred financing costs of \$883 as at December 31, 2013 and \$101 as at December 31, 2012 and excludes the derivative instrument of \$459 as at December 31, 2013.
- (2) "Indebtedness" is defined in the DOT and excludes unamortized financing costs of \$729 as at December 31, 2013 and \$99 as at December 31, 2012.
- (3) Defined as the ratio of Indebtedness to Gross Book Value.
- (4) Data for the three months ended December 31, 2012 has not been shown since property operations did not commence until December 14, 2012 and does not represent a useful comparable measure to the three months ended December 31, 2013.
- (5) For purposes of calculating FFO and AFFO per Unit, Class B LP Units are included as Units outstanding on both a basic and diluted basis. Diluted amounts assume the conversion of the unexercised Unit Options and Warrants.
- (6) The performance measures used by the REIT do not represent a useful comparable measure for the period from July 13, 2012 to December 31, 2012 given the REIT began property operations following the Plan of Arrangement on December 14, 2012.
- (7) AFFO Normalized is adjusted for non-recurring items such as one-time TSX graduation costs, due diligence acquisition costs related to property acquisitions the REIT is no longer pursuing and rental income recognized as purchase price adjustment under IFRS as detailed in section "FFO and AFFO Reconciliations" in the REIT's management's discussion and analysis for the year ended December 31, 2013.

Revenue from property operations for the fourth quarter and year ended was \$5.1 million and \$17.2 million, respectively. NOI for the respective periods was \$3.1 million and \$10.8 million. The increase in revenue in the fourth quarter as compared to the \$4.9 million in the previous quarter ended September 30, 2013 ("the third quarter") is primarily due to the addition of 551 King Street, Fredericton, New Brunswick (the "King Street Property") in mid-November.

For the fourth quarter, basic and diluted Funds from Operations ("FFO") were \$0.13 per Unit. After normalizing for non-recurring costs, basic and diluted AFFO per Unit was \$0.15 and \$0.14, respectively. The REIT's normalized AFFO payout ratio was 99% for both the fourth quarter and the year ended December 31, 2013.

Occupancy for the portfolio as at December 31, 2013 was 99.5%, a slight increase from September 30, 2013. This increase is attributed to both the King Street Property, which is 100% occupied, and an increase in contractually leased space at the REIT's property in Calgary, Alberta.

Liquidity and Capital Resources

As at December 31, 2013, the REIT's indebtedness to Gross Book Value was 59.4%, a level well within the 75% limit set out in the REIT's amended and restated declaration of trust. The weighted average interest rate on the REIT's mortgage portfolio was 3.53%, and the weighted average term to maturity was 4.2 years. The REIT has negligible mortgage maturities until 2018, and all interest rates are fixed for the terms of their respective mortgages.

Tenant Profile

As at December 31, 2013, the weighted-average term to maturity of leases at the REIT's properties was 4.5 years and the REIT has minimal near term lease expirations. Only 4.4% of the portfolio's gross leasable area will mature by the end of 2016, with the majority in 2018 and thereafter.

Government tenants and credit rated tenants account for 70.5% and 17.1%, respectively, or 87.6% combined, of the REIT's annualized gross revenue.

Management believes that the lease maturity and tenant profile provides the REIT with significant visibility regarding future 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 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, NOI, FFO, AFFO, AFFO Normalized, Gross Book Value and Indebtedness as well as other measures discussed elsewhere in this 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 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 year ended December 31, 2013 and 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 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 Prospectus, 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

**True North Commercial Real Estate
Investment Trust**

3280 Bloor Street West
Suite 1400, Centre Tower
Toronto, Ontario
M8X 2X3
+1 (416) 234-8444

ircommercial@truenorthreit.com

Transfer Agent

TSX Trust Company
100 Adelaide Street West
Suite 301
Toronto, Ontario
M5H 4H1
+1 (416) 361-0152

