

Mar 10, 2016

# True North Commercial REIT Announces Record Fourth Quarter and Year-end 2015 Financial Results

*45% revenue growth in Fourth Quarter generated AFFO growth of 53%*

*and improved AFFO payout ratio to 88%*

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TORONTO, March 10, 2016 /CNW/ - True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced strong financial results for the fourth quarter and year ended December 31, 2015.

"Our results for 2015 reflect our ongoing commitment to grow the REIT through accretive acquisitions in strong secondary markets," said Daniel Drimmer, the REIT's President and Chief Executive Officer. "Over the course of 2015, the REIT benefitted from the transformative acquisition of 11 properties completed during December 2014. Building on that momentum, the REIT successfully acquired five properties in 2015, while disposing of one non-core retail property and redeploying the net proceeds in a manner consistent with our strategic plan. These transactions have resulted in significant increases in the REIT's revenue and NOI, which have in turn increased AFFO per Unit while improving our payout ratio. In addition to their strong contribution to our financial results, the successful execution of these transactions has further established the REIT as a preferred buyer of similarly tenanted properties."

"Looking ahead," continued Mr. Drimmer, "the increased scale the REIT has achieved as a result of the successful execution of our ongoing acquisition program, coupled with the recognition as a preferred buyer, positions the REIT well for continued growth."

## **2015 Annual Highlights**

- Acquired five office properties in Fredericton, New Brunswick for approximately \$40.9 million, with a portion of the purchase price satisfied from the redeployment of proceeds from the disposition of Coronation Mall, a non-core retail property
- Industry-leading portfolio occupancy of 98.0%, with government and credit-rated tenants representing 88.9% of revenue at December 31, 2015
- Increased revenue from property operations by 59% to \$37.1 million compared to 2014
- Increased Net Operating Income ("NOI") by 63% year-over-year
- Basic and diluted Funds from Operations ("FFO") of \$0.67 per Unit, an increase of 12% and 14%, respectively
- Basic and diluted Adjusted Funds from Operations ("AFFO") of \$0.65 per Unit, an increase of 12% and 14%, respectively

- Improved year-over-year basic and diluted AFFO payout ratios to 91% and 92%, respectively, compared to 102% and 104%
- Decreased weighted average fixed interest rate to 3.34%
- Paid distributions of \$12.4 million, representing \$0.594 per Unit

#### Fourth Quarter Highlights

- Revenue from property operations increased by 45% totaling \$9.8 million, compared to Q4 2014
- NOI increased 48% to \$6.1 million compared to Q4 2014
- Basic and diluted FFO per Unit increased 6% and 13%, respectively, to \$0.17 compared to the same period last year
- Basic and diluted AFFO per Unit increased 13% to \$0.17 compared to the same period last year
- Improved year-over-year basic and diluted AFFO payout ratio to 88%, compared to 99% and 100%, respectively, for Q4 2014
- Improved indebtedness to gross book value ratio to 59.53% at December 31, 2015 compared to 59.81% at September 30, 2015
- Paid distributions of \$3.2 million or \$0.1485 per Unit

#### Operating Results and Financial Position

	Three months ended			
	Year ended		Year ended	
	December 31 2015	December 31 2014	December 31 2015	December 31 2014
Revenue	\$9,827	\$6,800	\$37,118	\$23,321
NOI	\$6,074	\$4,114	\$22,944	\$14,042
Income and comprehensive income	\$5,742	\$740	\$16,471	\$12,981
FFO	\$3,751	\$2,436	\$13,924	\$8,104
FFO per Unit - basic	\$0.17	\$0.16	\$0.67	\$0.60
FFO per Unit - diluted	\$0.17	\$0.15	\$0.67	\$0.59
AFFO	\$3,620	\$2,368	\$13,593	\$7,817
AFFO per Unit - basic	\$0.17	\$0.15	\$0.65	\$0.58
AFFO per Unit - diluted	\$0.17	\$0.15	\$0.65	\$0.57
AFFO payout ratio - basic	88%	99%	91%	102%
AFFO payout ratio - diluted	88%	100%	92%	104%
Units outstanding for FFO and AFFO per Unit:				
Weighted average (000s) – basic	21,476	15,677	20,821	13,471
Add: Unexercised unit options	79	131	113	175
Weighted average (000s) – diluted	21,555	15,808	20,934	13,646

Occupancy for the portfolio, as at December 31, 2015, remained strong at 98.0%.

Revenue in the fourth quarter of 2015 increased to \$9.8 million, compared with \$6.8 million in Q4 2014. NOI during Q4 2015 was \$6.1 million, an increase from \$4.1 million in the corresponding period of 2014. The quarter-over-quarter and year-over-year increases in revenue and NOI are primarily attributable to the REIT's acquisitions, offset by the strategic sale of Coronation Mall.

On a same property basis, Q4 2015 revenue and NOI was \$6.0 million and \$3.8 million, compared to \$6.2 million and \$3.7 million, in the corresponding period in 2014. The decrease in quarter-over-quarter same property revenue was attributable to a reduction in recovery revenue which corresponds to a decrease in property operating expenses. Quarterly NOI has increased as a result of lower utility costs, increased capital expenditure recoveries and new tenancies at certain properties.

For the fourth quarter of 2015, basic and diluted FFO was \$0.17 per Unit. This compares with basic and diluted FFO per Unit of \$0.16 and \$0.15, respectively in Q4 2014. The REIT's basic and diluted AFFO payout ratio in the fourth quarter of 2015 was 88%, compared with basic and diluted AFFO payout ratios of 99% and 100%, respectively in Q4 2014. On a year-over-year basis, the improvement in the REIT's AFFO payout ratio is the result of strong growth in revenue, NOI, FFO and AFFO, which is primarily attributable to acquisitions completed subsequent to Q3 2014.

### **Liquidity and Capital Resources**

As at December 31, 2015, the REIT's indebtedness ("Indebtedness") to gross book value ("GBV") ratio was 59.53%, 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 3.34%, and the weighted average term to maturity was 3.57 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, 2015, the weighted-average term to maturity of leases at the REIT's properties was 3.9 years. Government and credit rated tenants account for 63.5% and 25.4%, respectively, or 88.9% 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 currently owns and operates a portfolio of 25 commercial properties consisting of approximately 1.4 million square feet in secondary markets across Canada. The REIT is focused on growing its portfolio principally through acquisitions 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 press release such as FFO, AFFO, NOI, Indebtedness, GBV and Indebtedness to GBV Ratio are not measures defined under International Financial Reporting Standards ("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, NOI, Indebtedness, GBV, 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 for the year ended December 31, 2015 ("MD&A") and the Annual Information Form ("AIF") 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 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 AIF 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; Starlight Investments Ltd. will continue its involvement as asset manager of the REIT in accordance with its current asset management agreement; 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 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 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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