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True North Commercial REIT Announces Solid Third Quarter 2015 Financial Results

Accretive acquisitions drive 13% growth in AFFO per unit

and reduce AFFO payout ratio to 88%

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TORONTO, Nov. 11, 2015 /CNW/ -True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced its financial results for the third quarter ended September 30, 2015.

Third Quarter Highlights

- Completed acquisition of accretive four-property office portfolio in Fredericton, NB for approximately $35 million;
- Industry-leading portfolio occupancy of 98.3% with government and credit-rated tenants representing 89.0% of revenue at September 30, 2015;
- Basic and diluted Funds from Operations ("FFO") of $0.17 per trust unit ("Unit"), compared to $0.15 per Unit in Q3 2014;
- Diluted Adjusted Funds From Operations ("AFFO") of $0.17 per Unit, resulting in a Q3 2015 AFFO payout ratio of 88% compared to $0.15 per Unit and a payout ratio of 105% in Q3 2014;
- Revenue from property operations for Q3 2015 totaling $9.5 million, compared with $5.6 million in Q3 2014;
- Net Operating Income ("NOI") for Q3 2015 of $5.9 million, compared with $3.4 million in Q3 2014;
- Debt to gross book value ratio of 59.81% at September 30, 2015 compared to 59.22% at December 31, 2014;
- Weighted average fixed interest rate of 3.34%, compared to 3.44% at December 31, 2014; and
- Paid distributions of $3,179 or $0.594 per unit on an annualized basis.

"The momentum generated during the first half of the year continued throughout the third quarter," said the REIT's President and Chief Executive Officer, Daniel Drimmer. "The benefits of our acquisition program over the last twelve months are clear and have generated substantial growth in both revenue and NOI which has, in turn, translated into per Unit growth in AFFO and a significant reduction in our payout ratio. Our recent acquisition of the four-property Kingswood office portfolio in Fredericton, New Brunswick underscores our ability to continually identify accretive acquisition opportunities in strategic secondary markets."

"The acquisition also contributes to the ongoing development of scale in our portfolio," added Mr. Drimmer. "The REIT is increasingly recognized as a preferred buyer of properties that meet our unique investment criteria. As equity market conditions improve and result in an improved cost of capital, we are well positioned to continue to execute on our growth plans."

Operating Results and Financial Position

	Three months ended September 30		Nine months ended September 30	
	2015	**2014**	**2015**	**2014**
Revenue	$9,519	$5,606	$27,291	$16,521
NOI	$5,881	$3,439	$16,870	$9,928
Income and comprehensive income	$7,519	$4,668	$10,729	$12,241
FFO	$3,668	$2,019	$10,173	$5,668
FFO per Unit - basic (1)	$0.17	$0.15	$0.49	$0.45
FFO per Unit - diluted (1)	$0.17	$0.15	$0.49	$0.44
AFFO	$3,578	$1,957	$9,973	$5,449
AFFO per Unit - basic (1)	$0.17	$0.15	$0.48	$0.43
AFFO per Unit - diluted (1)	$0.17	$0.14	$0.48	$0.42
AFFO payout ratio - basic	88%	103%	92%	104%
AFFO payout ratio - diluted	88%	104%	93%	105%
AFFO - Normalized (2)	$3,592	$2,044	$10,018	$5,885
AFFO Normalized per Unit - basic (1)	$0.17	$0.15	$0.49	$0.46
AFFO Normalized per Unit - diluted (1)	$0.17	$0.15	$0.48	$0.46
AFFO Normalized payout ratio - basic	88%	98%	92%	96%
AFFO Normalized payout ratio - diluted	88%	100%	92%	98%
Units outstanding for FFO, AFFO and AFFO Normalized per Unit:				
Weighted average (000s) – basic (1)	21,167	13,437	20,600	12,728
Add: Unexercised unit options	112	185	125	188
Weighted average (000s) – diluted (1)	21,279	13,622	20,725	12,916

Notes:

(1) 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 any unexercised in the money Unit Options.

(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.

Occupancy for the portfolio, as at September 30, 2015, remains very strong at 98.3%.

Revenue from property operations in the third quarter of 2015 was $9.5 million compared with $5.6 million in Q3 2014. NOI in Q3 2015 was $5.9 million compared with $3.4 million in the corresponding period of 2014.The year-over-year increases in revenue and NOI are primarily attributable to the REIT's acquisitions, offset by the strategic sale of Coronation Mall at the end of Q2 2015. On a same property basis, Q3 2015 NOI of 3.0 million represents a 1.2% increase compared to Q3 2014.

For the third quarter of 2015, AFFO (basic and diluted) was $0.17 per Unit. This compares with $0.15 and $0.14 per Unit (basic and diluted) in Q3 2014 and $0.16 and $0.16 per Unit respectively in Q2 2015. The REIT's AFFO (basic and diluted) payout ratio in the third quarter of 2015 was 88%, compared with basic and diluted AFFO payout ratios of 103% and 104%, respectively in Q3 2014 and 92% and 93%, respectively in Q2 2015. On a year-over-year basis, the improvement in the REIT's normalized AFFO payout ratio is the result of strong growth in revenue, NOI, FFO and AFFO during Q3 2015, which is primarily attributable to the 14 properties acquired in the second half of 2014 and during 2015. The REIT's AFFO payout ratio improved from the Q2 2015 level, primarily the result of the accretive acquisition of the four-property office portfolio in Fredericton NB, supported by improved operating results from certain of the REIT's properties.

Liquidity and Capital Resources

As at September 30, 2015, the REIT's indebtedness to gross book value ratio was 59.81%. While this figure is slightly above the REIT's year-end 2014 ratio of 59.22%, it is a level well within the 75% limit set out in the REIT's 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 3.82 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.

As at September 30, 2015, the weighted-average term to maturity of leases at the REIT's properties was 4.1 years. Government and credit rated tenants account for 63.6% and 25.4%, respectively, or 89.0% 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 or the REIT's website at www.truenorthreit.com.

Non-IFRS measures

The REIT's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). NOI, FFO, AFFO, AFFO Normalized, indebtedness, gross book value and indebtedness to gross book value ratio, as well as other measures discussed elsewhere in this news 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 non-IFRS measures to better assess the REIT's underlying performance and financial position 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 period ended September 30, 2015 and available on the REIT's profile at www.sedar.com.

Forward-looking Statements

Certain statements contained in this news 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", "schedule", 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 www.sedar.com. 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 and 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 news release are dated, and relate only to events or information, as of the date of this news 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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