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True North Commercial REIT announces strong first quarter 2016 financial results

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REIT reports record-setting quarterly revenue and year-over-year increases to NOI and AFFO of 8% and 7%, respectively

TORONTO, May 4, 2016 /CNW/ - True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced strong financial results for the first quarter ended March 31, 2016.

"The momentum generated during 2015 continued into the first quarter of 2016 and is reflected in our record-setting quarterly revenue," said Daniel Drimmer, the REIT's President and Chief Executive Officer. "Our ability to successfully identify and acquire properties primarily leased to government and credit-rated tenants in strong secondary markets has resulted in quarter-over-quarter increases in both net operating income and adjusted funds from operations."

"Looking ahead, we will continue to enhance the value of the REIT's assets by identifying organic growth opportunities through active portfolio management, maintaining long-term tenant relationships and optimizing revenue from our portfolio. Externally, we will continue to diversify and expand the REIT's asset base in strong markets. As equity capital markets continue to improve, the REIT is positioned to capitalize on a number of potential investment opportunities to support increased cash flow available for distribution to our unitholders."

First Quarter Financial Highlights

- Industry-leading portfolio occupancy of 97.5%, with government and credit-rated tenants representing 88.8% of revenue
- Increased revenue from property operations by 11% to \$9.9 million, compared to Q1 2015
- Increased net operating income ("NOI") by 8% to \$5.9 million compared to Q1 2015
- Increased funds from operations ("FFO") by 8% to \$3.4 million and adjusted funds from operations ("AFFO") by 7% to \$3.3 million compared to Q1 2015
- Basic FFO per Unit remained stable at \$0.16, while diluted FFO per Unit increased to \$0.16 from \$0.15 in Q1 2015
- Basic and diluted AFFO per Unit of \$0.15, consistent with Q1 2015
- Basic AFFO payout ratio remained stable at 97%, while diluted AFFO payout ratio improved to 97% from 98%. Basic and diluted AFFO was negatively impacted by due diligence costs incurred during Q1 2016 related to an acquisition the REIT is no longer pursuing. Excluding the impact of these costs, the basic and diluted AFFO payout ratio was 95%

- Improved the REIT's indebtedness ("Indebtedness") to gross book value ("GBV") ratio to 59.45% at March 31, 2016 compared to 59.53% at December 31, 2015
- Weighted average fixed interest rate of 3.35% at March 31, 2016
- Paid distributions of \$3.2 million or \$0.1485 per Unit

First Quarter Business Highlights

- On January 2, 2016, the REIT announced a LEED®-EB Gold Retro Commissioning Certification Project for 340 Laurier Avenue West, Ottawa, Ontario, the REIT's largest asset. The initiative is designed to reduce the REIT's carbon footprint while simultaneously enhancing tenant satisfaction
- On January 8, 2016, the REIT increased the amount available on its second revolving credit facility from \$10 million to \$12 million

Operating Results and Financial Position

	Three months ended	
	March 31	
	2016	2015
	(000's)	
Revenue	\$9,876	\$8,890
NOI	\$5,866	\$5,432
Income (loss) and comprehensive income (loss)	(\$600)	\$3,003
FFO	\$3,419	\$3,152
FFO per Unit - basic	\$0.16	\$0.16
FFO per Unit - diluted	\$0.16	\$0.15
AFFO	\$3,320	\$3,115
AFFO per Unit - basic	\$0.15	\$0.15
AFFO per Unit - diluted	\$0.15	\$0.15
AFFO payout ratio - basic	97%	97%
AFFO payout ratio - diluted	97%	98%
Units outstanding for FFO and AFFO per Unit:		
Weighted average (000s) - basic	21,583	20,331
Add: Unexercised unit options	78	131
Weighted average (000s) - diluted	21,661	20,462

Occupancy for the portfolio, as at March 31, 2016, remained strong at 97.5%.

Revenue increased 11% to \$9.9 million, compared with \$8.9 million in Q1 2015. NOI increased 8% to \$5.9 million from \$5.4 million reported for the corresponding period in 2015. The increases in revenue and NOI are primarily attributable to acquisitions made by the REIT, which were offset in part, by due diligence costs, the strategic sale of Coronation Mall in Q2 2015 and a slight decrease in occupancy.

On a same property basis, Q1 2016 revenue increased marginally to \$8.5 million as a result of rental rate increases. Increased repairs, maintenance and energy costs were offset by a decrease in realty taxes. The

net impact of these factors resulted in same property NOI increasing marginally to \$5.2 million.

Basic FFO per Unit remained stable at \$0.16, while diluted FFO per Unit increased to \$0.16 from \$0.15 in Q1 2015. Basic and diluted AFFO per Unit was \$0.15, consistent with the amounts reported in Q1 2015. The REIT's basic AFFO payout ratio in Q1 2016 was 97%, consistent with Q1 2015, while the REIT's diluted AFFO payout ratio improved to 97% from 98%, in Q1 2015. Results in Q1 2016 were negatively impacted by due diligence costs related to an acquisition the REIT is no longer pursuing. Excluding the impact of these costs, the basic and diluted AFFO payout ratio was 95%.

Liquidity and Capital Resources

As at March 31, 2016, the REIT's Indebtedness to GBV ratio improved to 59.45%, 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 3.35%, and the weighted average term to maturity was 3.33 years. The REIT has minimal mortgage maturities until 2018, and all interest rates are fixed for the terms of their respective mortgages.

In support of increasing the REIT's financial flexibility, subsequent to quarter end, on April 27, 2016, the REIT filed a short form base shelf prospectus ("Prospectus"). The Prospectus was filed with the securities regulatory authorities in each of the provinces and territories of Canada and is valid for a 25 month period, during which time the REIT may issue the following securities: (i) Units; (ii) unsecured debt securities; (iii) subscription receipts exchangeable for Units and/or other securities of the REIT; (iv) warrants exercisable to acquire Units and/or other securities of the REIT; and (v) securities comprised of more than one of Units, debt securities, subscription receipts and/or warrants offered together as a unit, or any combination thereof 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.

Tenant Profile

As at March 31, 2016, the weighted-average term to maturity of leases at the REIT's properties was 3.7 years. Government and credit-rated tenants account for 63.8% and 25.0%, respectively, or 88.8% combined, of the REIT's expected annualized 2016 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

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 period ended March 31, 2016 ("MD&A") which is 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 may 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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