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True North Commercial REIT announces third quarter 2014 results

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REIT continues to execute on disciplined growth strategy

TORONTO, Nov. 11, 2014 /CNW/ - True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced its financial results for the three and nine months ended September 30, 2014.

"The REIT generated solid double-digit year-over-year increases in revenue and net operating income during the third quarter of 2014," stated Daniel Drimmer, the REIT's Chief Executive Officer. "This improvement is primarily attributable to acquisitions made during the quarter and reflects the REIT's ability to execute its acquisition strategy of acquiring accretive high-quality commercial properties in strategic secondary markets across Canada. Through the acquisitions of the Innovation, Belliveau and St. Albert Trail properties, we have expanded the REIT's footprint in Southern Ontario, New Brunswick and Alberta."

In addition to portfolio growth attributable to acquisitions, Mr. Drimmer noted that construction of a new 2,600 square foot addition to the REIT's Coronation Mall property in British Columbia was completed at the end of the third quarter, and has been fully-leased for a fifteen-year term commencing during the fourth quarter of 2014. "The recent additions of new tenants including Burger King in British Columbia and Sobey's in Alberta is consistent with our strategic tenant profile focusing on government and credit-rated corporations," added Mr. Drimmer.

Financial Highlights

- Revenue from property operations for Q3 2014 totaling \$5.6 million, compared with \$4.9 million in Q3 2013;
- Net Operating Income ("NOI") for Q3 2014 of \$3.4 million, compared with \$3.0 million in Q3 2013;
- Adjusted Funds From Operations ("AFFO") and normalized AFFO of \$0.15 per trust unit, and normalized AFFO payout ratio of 98% for Q3 2014;
- Indebtedness to gross book value ratio decreased from 59.40% at December 31, 2013 to 57.23% at September 30, 2014;
- Portfolio occupancy at September 30, 2014 increased to 98.8% from 98.5% at June 30, 2014;
- Distributions for the third quarter of \$2.1 million, compared to \$1.7 million during Q3 2013; and
- Weighted average fixed interest rate of 3.50%, with minimal debt maturities until 2018.

Operating Results

Three months ending **Nine months ending**

	September 30,		September 30,	
	2014	2013	2014	2013
Revenue	\$5,606	\$4,881	\$16,521	\$12,141
NOI	\$3,439	\$3,007	\$9,928	\$7,678
Income and comprehensive income	\$4,668	\$2,774	\$12,241	\$20,219
FFO	\$2,019	\$1,778	\$5,668	\$4,278
FFO per Unit - basic	\$0.15	\$0.16	\$0.45	\$0.43
FFO per Unit - diluted	\$0.14	\$0.15	\$0.42	\$0.40
AFFO	\$1,957	\$1,764	\$5,449	\$3,581
AFFO per Unit - basic	\$0.15	\$0.16	\$0.43	\$0.36
AFFO per Unit - diluted	\$0.14	\$0.15	\$0.41	\$0.33
AFFO payout ratio - basic	103%	96%	104%	125%
AFFO - Normalized	\$2,044	\$1,853	\$5,885	\$4,549
AFFO Normalized per Unit - basic	\$0.15	\$0.16	\$0.46	\$0.45
AFFO Normalized per Unit - diluted	\$0.14	\$0.15	\$0.44	\$0.42
AFFO Normalized payout ratio - basic	98%	91%	96%	98%
Units outstanding for FFO, AFFO and AFFO Normalized per Unit:				
Weighted average (000s) – basic	13,437	11,300	12,728	10,063
Add: Unexercised unit options and warrants	712	783	709	719
Weighted average (000s) – diluted	14,149	12,083	13,437	10,782

Revenue from property operations in the third quarter of 2014 was \$5.6 million, compared with \$4.9 million in Q3 2013. NOI in Q3 2014 was \$3.4 million, compared with \$3.0 million in the corresponding period of 2013. The year-over-year increases in revenue and NOI are primarily attributable to the acquisitions completed subsequent to September 30, 2013. On a same property basis, Q3 2014 property revenue of \$4.8 million and NOI of \$3.0 million were fractionally below the corresponding 2013 levels. This is attributable to average occupancy decreasing slightly from 99.4% to 98.3%.

For the third quarter, basic and diluted Funds from Operations ("FFO") were \$0.15 per trust unit ("Unit") and \$0.14 per Unit respectively. This compares with \$0.16 per Unit and \$0.15 per Unit respectively in Q3 2013 and remains unchanged from the respective amounts for Q2 2014. After normalizing for non-recurring costs, basic and diluted AFFO was \$0.15 per unit and \$0.14 per unit respectively in Q3 2014. This compares with \$0.16 per Unit and \$0.15 per Unit respectively, recorded in Q3 2013 and Q2 2014. The REIT's normalized AFFO payout ratio was 98% in Q3 2014, compared with 91% in Q3 2013 and 95% in Q2 2014.

FFO and AFFO per Unit results have experienced a temporary impact due to the timing of the issuance of units associated with the REIT's public offering, private placement and the close of the acquisitions during Q3 2014. Full operational benefit from the most recent acquisitions will be reflected in the REIT's results in Q4 2014.

Occupancy for the portfolio as at September 30, 2014 was 98.8%, an increase of approximately 0.3% compared with June 30, 2014.

Liquidity and Capital Resources

As at September 30, 2014, the REIT's indebtedness to gross book value was 57.23%, a level well within the 75% limit set out in the REIT's amended and restated declaration of trust and marginally lower than the REIT's Q2 2014 ratio of 57.49%. The weighted average interest rate on the REIT's mortgage portfolio was 3.50%, and the weighted average term to maturity was 3.8 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 September 30, 2014, the weighted-average term to maturity of leases at the REIT's properties was 4.2 years with minimal near-term lease expirations until 2018.

Government and credit rated tenants account for 63.5% and 24.7%, respectively, or 88.2% 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.

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 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 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 period ended September 30, 2014 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 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", 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.

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