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True North Commercial REIT Announces Third Quarter Results

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TORONTO, Nov. 13, 2013 /CNW/ - True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced its financial and operating results for the three and nine months ended September 30, 2013 (the "third quarter" and "first nine months", respectively).

"The REIT's third quarter results continue to establish our track record of consistent performance," stated Daniel Drimmer, the REIT's Chief Executive Officer. "Our portfolio has an industry-leading occupancy of over 99%, and our strong tenant profile is highlighted by government or credit-rated tenants generating approximately 87% of our revenue."

"Our portfolio also features minimal near-term lease expirations and mortgage rate exposure," continued Mr. Drimmer. "These characteristics provide us with a very secure foundation from which to continue our strategy of growth through selective acquisitions. Our ability to execute upon this strategy is emphasized by our recently announced acquisition in Fredericton, New Brunswick. This acquisition will provide us with yet another property that boasts both 100% occupancy and an exceptional tenant profile."

2013 THIRD QUARTER HIGHLIGHTS

- Revenue from property operations for the third quarter and first nine months was $4.9 million and $12.1 million, respectively.
- Net Operating Income ("NOI") for the third quarter and first nine months was $3.0 million and $7.7 million, respectively.
- Generated Adjusted Funds from Operations ("AFFO") of $0.16 per trust unit of the REIT ("Unit"), an AFFO payout ratio of 96%, or 91% when adjusted for due diligence costs related to an acquisition the REIT is no longer pursuing.
- Maintained an industry-leading occupancy rate of 99.4% and strong tenant profile, with 86.9% of revenue derived from government or credit-rated tenants.
- Indebtedness to Gross Book Value of 56.2%, a slight decline from 56.8% at the end of the prior quarter.
- Subsequent to the conclusion of the third quarter, the REIT completed the acquisition of an office property in Fredericton, New Brunswick (the "King Street Property") for a purchase price of $17.0 million (the "Acquisition").
- Subsequent to the conclusion of the third quarter, the REIT sold, on a non-brokered private placement basis, 386,364 Units at a price of $6.60 per Unit (the "Private Placement") for aggregate gross proceeds of approximately $2.55 million to finance the Acquisition.

Operating Results and Financial Position

	As at September 30, 2013	As at December 31, 2012
Summary of Financial Information		
Gross Book Value [1]	$174,820	$15,720
Indebtedness [2]	$98,218	$10,250
Indebtedness to Gross Book Value [3]	56.18%	65.20%
Weighted average mortgage fixed interest rate	3.48%	3.92%
Weighted average mortgage term to maturity	4.33 years	5.00 years

	Three months	Nine months	For the period

	ended September 30, 2013	ended September 30, 2013	from July 13, 2012 to September 30, 2012
Revenue	$4,881	$12,141	$0
NOI	$3,007	$7,678	$0
Income (loss) and comprehensive income (loss)	$2,774	$20,219	($295)
FFO	$1,778	$4,278	($287)
FFO per unit - basic (4)	$0.16	$0.43	n/a (5)
FFO per unit - diluted (4)	$0.15	$0.40	n/a (5)
AFFO	$1,764	$3,581	($287)
AFFO per unit - basic (4)	$0.16	$0.36	n/a (5)
AFFO per unit - diluted (4)	$0.15	$0.33	n/a (5)
AFFO payout ratio - basic	96%	125%	n/a (5)
AFFO - normalized	$1,853	$4,549	($287)
AFFO normalized per unit - basic (4)	$0.16	$0.45	n/a (5)
AFFO normalized per unit - diluted (4)	$0.15	$0.42	n/a (5)
AFFO normalized payout ratio - basic	91%	98%	n/a (5)
Units outstanding at period-end for FFO and AFFO per unit:			
Weighted average (000s) - basic (4)	11,300	10,063	n/a (5)
Add: Unexercised Unit Options	783	719	n/a (5)
Weighted average (000s) - diluted (4)	12,083	10,782	-

Notes:

(1) "Gross Book Value" is defined in the DOT and includes deferred financing costs of $803 as at September 30, 2013 and $101 as at December 31, 2012 and excludes the derivative instrument of $335 as at September 30, 2013.

(2) "Indebtedness" is defined in the DOT and excludes unamortized financing costs of $694 as at September 30, 2013 and $99 as at December 31, 2012.

(3) Defined as the ratio of Indebtedness to Gross Book Value.

(4) 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 and Warrant options.

(5) The performance measures used by the REIT do not represent a useful comparable measure for the period from July 13, 2012 to September 30, 2012 given the REIT began property operations following the Plan of Arrangement on December 14, 2012.

Portfolio Operational Results

Revenue from property operations includes all rental income earned from the properties, including rental income and all other miscellaneous income paid by the tenants under the terms of their existing leases, such as base rent, parking, operating cost and realty tax recoveries, as well as adjustments for the straight-lining of rents.

Revenue from property operations for the third quarter and first nine months was $4.9 million and $12.1 million, respectively. NOI for the respective periods was $3.0 million and $7.7 million.

Occupancy for the portfolio remained stable during the third quarter at 99.4%.

At September 30, 2013, the REIT has minimal near term lease expirations. Approximately 5% of the portfolio's gross leasable area is set to expire by the end of 2016 with the remainder in 2017 and thereafter. This lease maturity profile provides the REIT with significant visibility regarding future revenue.

Liquidity and Capital Resources

At the conclusion of the third quarter, the REIT's Indebtedness to Gross Book Value was 56.2%. Upon completion of the acquisition of the King Street Property, the REIT anticipates that this ratio will slightly increase to 57.4%, a level well within the 75% limit set out in the REIT's amended and restated declaration of trust.

As at September 30, 2013, the weighted average interest rate on the REIT's mortgage portfolio was 3.48%, and the weighted average term to maturity was 4.33 years. The REIT does not have any mortgages maturing until 2017.

Tenant Profile

The weighted-average term to maturity of leases at September 30, 2013 was 4.3 years. Approximately 82.7% of the REIT's gross leaseable area is occupied by government and credit rated tenants, which contribute 86.9% of the REIT's annualized gross revenue. Federal and provincial governments alone account for 69.4% of the REIT's annualized gross revenue.

Subsequent Events

On November 13, 2013, the REIT completed the acquisition of one commercial property for an aggregate purchase price of $17.0 million, representing an implied capitalization rate of approximately 7.1%. The King Street Property is a stand-alone premier office building situated in the heart of downtown Fredericton, New Brunswick with a total of 84,915 rentable square feet. Built in 2002, the King Street Property is 100% occupied with an average remaining lease term of 8.9 years. The tenant base of the King Street Property is comprised of a number of government and credit rated tenants including both the Government of New Brunswick and National Bank of Canada. These tenants provide for long-term visible credit-backed cash flow and represent 98.4% of the King Street Property's gross revenue. The Acquisition is expected to be immediately accretive to the REIT's AFFO.

The purchase price was satisfied through:

- Approximately $2.1 million of cash;
- The issuance to the vendor of 454,545 class B limited partnership units of True North Commercial Limited Partnership ("Class B LP Units"), which are economically equivalent to, and exchangeable for, Units, at a price of $6.60 per Class B LP Unit; and
- A new five year mortgage in the amount of $11.9 million, at an interest rate of 3.79%.

To finance the cash component of the purchase price for the Acquisition and related closing costs, the REIT sold, on a non-brokered private placement basis, 386,364 Units at a price of $6.60 per Unit for aggregate gross proceeds of approximately $2.55 million. D.D. Acquisitions Partnership, an affiliate of Daniel Drimmer, purchased 378,788 Units pursuant to the Private Placement. Each of the subscription agreements in connection with the Private Placement contained customary provisions for transactions of a similar nature, including representations, warranties and covenants.

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, AFFO, 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 three and nine months ended September 30, 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 and may include statements regarding the financial position, business strategy, budgets, 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 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, 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 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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