

Nov 9, 2017

# True North Commercial REIT Continues Strong Growth and Operating Performance in Q3 2017

**/NOT FOR DISTRIBUTION IN THE U.S. OR OVER U.S. NEWSWIRES/**

TORONTO, Nov. 9, 2017 /CNW/ - True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced continued positive financial results for the three and nine months ended September 30, 2017.

"In the third quarter of 2017, the REIT continued to demonstrate its ability to deliver reliable and growing unitholder value through strong operational results from its portfolio of well-located urban properties with government and credit-rated tenants and long-term leases," said Daniel Drimmer, the REIT's President and Chief Executive Officer. "Subsequent to quarter-end, the REIT had an overwhelming response to its equity offering and raised \$40.3 million allowing the REIT to acquire five additional office properties that are aligned with the REIT's core criteria and will be strong contributors in future quarters".

## **Third Quarter ("Q3") Highlights** *(compared to Q3 2016)*

- Revenue from property operations increased by 39% to \$14.0 million from \$10.0 million
  - Government and credit-rated tenants accounted for 88.4% of revenue
- Net Operating Income ("NOI") grew by 42% to \$8.8 million compared with \$6.2 million
- Same property NOI increased by 1.4%
- Occupancy for the portfolio remained strong at 97.3%
- Basic funds from operations ("FFO") per trust unit ("Unit") increased to \$0.16 from \$0.15 and diluted FFO per Unit was unchanged at \$0.15
- Basic and diluted adjusted funds from operations ("AFFO") per Unit was unchanged at \$0.15
- FFO and AFFO per Unit for Q3 2017 were impacted by the timing differential between the Unit offering in Q3 2017 and the deployment of funds into property acquisitions. Excluding this dilution, FFO and AFFO would increase to \$0.17 per Unit
- Successful public equity raise of \$32.2 million in Q3 2017 together with subsequent public equity raise of \$40.3 million in October 2017 contributes to a strong balance sheet allowing the REIT to close subsequent to quarter end four office property acquisitions (Richmond Hill, Ottawa and Cambridge, Ontario; and Victoria, British Columbia) with a total of 363,700 square feet; with one further office property located in Halifax, Nova Scotia with square footage of 129,200 scheduled to close on November 15, 2017
- Declared distributions of \$5.8 million

## **Year-to-Date ("YTD") Highlights** *(compared with nine months ended September 30, 2017)*

- YTD 2017 revenue from property operations grew by 34% to \$39.7 million
- NOI for YTD 2017 increased by 37% to \$24.6 million
- Increased same property NOI by 2.4%
- Basic and diluted FFO per Unit of \$0.47 and \$0.46 compared to \$0.48
- Basic and diluted AFFO per Unit of \$0.45 compared to \$0.47
- Excluding the timing differential between Unit offerings in November 2016 and July 2017 and the deployment of funds into target acquisitions, FFO and AFFO per Unit would have been \$0.52 and \$0.51 per Unit, respectively
- Declared distributions of \$15.8 million

## Operating Results and Financial Position

### FINANCIAL AND OPERATIONAL HIGHLIGHTS

#### Three months endedNine months ended

	September 30		September 30	
	2017	2016	2017	2016
Revenue	\$14,017	\$10,060	\$39,650	\$29,589
NOI	\$8,764	\$6,184	\$24,595	\$17,990
Income (loss) and comprehensive income (loss)	\$10,331	(\$2,326)	\$25,677	(\$1,831)
FFO	\$5,964	\$3,872	\$16,465	\$10,964
FFO per Unit - basic	\$0.16	\$0.15	\$0.47	\$0.48
FFO per Unit - diluted	\$0.15	\$0.15	\$0.46	\$0.48
AFFO	\$5,777	\$3,792	\$15,905	\$10,699
AFFO per Unit - basic	\$0.15	\$0.15	\$0.45	\$0.47
AFFO per Unit - diluted	\$0.15	\$0.15	\$0.45	\$0.47
AFFO payout ratio - basic	99%	99%	99%	95%
AFFO payout ratio - diluted	100%	99%	100%	96%
Units outstanding for FFO and AFFO per Unit:				
Weighted average (000s) – basic	38,387	25,193	35,231	22,838
Add: Unexercised Unit options	352	155	349	99
Weighted average (000s) – diluted	38,739	25,348	35,580	22,937

For the third quarter of 2017, revenue grew by 39% to \$14.0 million, compared with \$10.1 million in the third quarter of 2016. NOI increased during the quarter to \$8.8 million, up 42% from \$6.2 million in Q3 2016. Revenue and NOI increased largely as a result of the REIT's acquisitions in the second half of 2016 and the end of Q2-2017.

On a same property basis, NOI for Q3 2017 increased 1.4% to \$6.1 million compared to \$6.0 million in Q3 2016.

Basic and diluted FFO were \$0.16 and \$0.15 per Unit for the third quarter of 2017, compared to \$0.15 in Q3 2016. The REIT's basic and diluted AFFO payout ratio in the third quarter of 2017 was 99% and 100%, respectively compared to 99% in Q3 2016. Both FFO and AFFO on a per Unit basis were impacted by the timing differential of deploying funds into property acquisitions from the Q3 2017 Unit offering. Excluding this dilution, FFO and AFFO per Unit would increase to \$0.17 per unit for Q3 2017.

## Liquidity and Capital Resources

As at September 30, 2017, the REIT's indebtedness ("Indebtedness") to gross book value ("GBV") ratio decreased to 53.23% compared to 57.53% at June 30, 2017, well within the REIT's 75% limit. As at September 30, 2017 the weighted average interest rate on the mortgage portfolio was 3.15% and the weighted average term to maturity was 3.42 years.

## Tenant Profile

As at September 30, 2017, the weighted average term to maturity of leases at the REIT's properties was 4.2 years. Government and credit rated tenants account for 51% and 37%, respectively or 88% combined, of the REIT's annualized gross revenue.

## Outlook

"With continued growth and the contributions from the recently acquired properties, we believe the REIT is well-positioned for a strong year-end," continued Mr. Drimmer. "Going forward, we will continue to focus on growth, and capitalize on opportunities to add geographically diversified properties that are strategically aligned with our acquisition criteria."

## Non-IFRS measures

Certain terms used in this press release such as FFO, AFFO, NOI, same property 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 and 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 three and nine months ended September 30, 2017 ("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 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 REIT's ability to deploy the proceeds from the October 2017 equity offering; 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 Group Property Holdings Inc. 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.

### **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 37 properties consisting of approximately 2.5 million square feet in urban cities and strategic secondary markets across Canada focusing on long term leases with government and credit-rated tenants.

The REIT is focused on growing its portfolio principally through acquisitions across Canada and such other jurisdictions where opportunities exist. Additional information concerning the REIT is available at [www.sedar.com](http://www.sedar.com) or the REIT's website at [www.truenorthreit.com](http://www.truenorthreit.com).

SOURCE True North Commercial Real Estate Investment Trust



**True North Commercial Real Estate  
Investment Trust**

3280 Bloor Street West  
Suite 1400, Centre Tower  
Toronto, Ontario  
M8X 2X3  
+1 (416) 234-8444

[ircommercial@truenorthreit.com](mailto:ircommercial@truenorthreit.com)

**Transfer Agent**

TSX Trust Company  
100 Adelaide Street West  
Suite 301  
Toronto, Ontario  
M5H 4H1  
+1 (416) 361-0152

