

Aug 10, 2017

# True North Commercial REIT Delivers Strong Results in Q2 2017

**Addition of three high quality urban office properties and successful execution of two early lease renewals**

**Net Operating Income increases by 36% on revenue growth of 31%**

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

TORONTO, Aug. 10, 2017 /CNW/ - True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced continued positive financial results for the three and six months ended June 30, 2017.

## **Second Quarter ("Q2") Highlights**

- Revenue from property operations increased by 31% to \$12.6 million from \$9.6 million in Q2 2016
  - Government and credit-rated tenants accounted for 88% of revenue
- Net Operating Income ("NOI") grew by 36% to \$8.1 million compared with \$5.9 million in Q2 2016
- Increased same property NOI by 2.5% compared to the same quarter last year
- Occupancy for the portfolio, as at June 30, 2017, remained strong at 97.4%
- Basic and diluted funds from operations ("FFO") per trust unit ("Unit") experienced a slight decrease to \$0.16 compared with \$0.17 in Q2 2016
- Basic and diluted adjusted funds from operations ("AFFO") per Unit of \$0.15 for Q2 2017 compared with \$0.17 and \$0.16, respectively for Q2 2016
- FFO and AFFO per Unit for Q2 2017 was impacted by the timing differential between the Unit offering in Q4 2016 and the deployment of funds into target acquisitions. Excluding this dilution, FFO and AFFO would increase to \$0.18 per Unit and \$0.17 per Unit, respectively
- Continued urban growth by acquiring three office properties (GTA and Ottawa, Ontario and Victoria, British Columbia) with a total square footage of 227,100 and 100% occupied
- Execution of two early lease renewals
  - representing 107,200 square feet at 400 Maple Grove Road extending the tenant's ten year occupancy for a further seven years
  - representing 26,800 square feet at 400 Carlingview Drive, extending the tenant's five year occupancy for a further ten years

- Declared distributions of \$5.0 million

## Year-to-Date ("YTD") Highlights

- YTD 2017 revenue from property operations grew by 31% to \$25.6 million
- NOI for YTD 2017 increased by 34% to \$15.8 million
- Increased same property NOI by 2.9%
- Basic and diluted FFO per Unit of \$0.31 compared to \$0.33
- Basic and diluted AFFO per Unit of \$0.30 compared to \$0.32
- FFO and AFFO per Unit for YTD 2017 was impacted by the timing differential between the Unit offering in Q4 2016 and the deployment of funds into target acquisitions. Excluding this dilution, FFO and AFFO would increase to \$0.35 per Unit and \$0.34 per Unit, respectively
- Declared distributions of \$10.0 million

"We had a successful start to the first half of 2017," commented Daniel Drimmer, the REIT's President and Chief Executive Officer. "We delivered improvements in both revenue and NOI and more importantly continued our portfolio growth in urban markets. During the quarter we added three new properties, all well in line with our core objectives — government or credit-rated tenants backed with long-term leases. These new properties were also acquired at favourable cap rates, ensuring further stability and reliability and thereby helping us continue to deliver a stable monthly distribution to unitholders. Additionally, the market continues to recognize our success as we raised approximately \$32.2 million through the successful completion of an equity offering in July 2017."

## Operating Results and Financial Position

	Three months ended		Six months ended	
	June 30		June 30	
	2017	2016	2017	2016
Revenue	\$12,614	\$9,653	\$25,633	\$19,529
NOI	\$8,064	\$5,940	\$15,831	\$11,806
Income and comprehensive income	\$3,215	\$1,095	\$15,346	\$495
FFO	\$5,439	\$3,671	\$10,501	\$7,091
FFO per Unit - basic	\$0.16	\$0.17	\$0.31	\$0.33
FFO per Unit - diluted	\$0.16	\$0.17	\$0.31	\$0.33
AFFO	\$5,210	\$3,585	\$10,128	\$6,907
AFFO per Unit - basic	\$0.15	\$0.17	\$0.30	\$0.32
AFFO per Unit - diluted	\$0.15	\$0.16	\$0.30	\$0.32
AFFO payout ratio - basic	96%	90%	99%	93%
AFFO payout ratio - diluted	97%	90%	100%	93%
Units outstanding for FFO and AFFO per Unit:				
Weighted average (000s) – basic	33,719	21,709	33,627	21,646
Add: Unexercised Unit options	330	62	348	70
Weighted average (000s) – diluted	34,049	21,771	33,975	21,716

For the second quarter of 2017, revenue grew by 31% to \$12.6 million, compared with \$9.6 million in the second quarter of 2016. NOI increased during the quarter to \$8.1 million, up 36% from \$5.9 million in Q2 2016. Revenue and NOI increased largely as a result of the REIT's acquisitions in the second half of 2016.

On a same property basis, NOI for Q2 2017 increased 2.5% to \$6.1 million compared to \$6.0 million in Q2 2016.

Basic and diluted FFO was \$0.16 per Unit for the second quarter of 2017, compared to \$0.17 in Q2 2016. The REIT's basic and diluted AFFO payout ratio in the second quarter of 2017 was 96% and 97%, respectively compared to 90% in Q2 2016. Both FFO and AFFO on a per Unit basis were impacted by the timing differential of deploying funds into target acquisitions from the Q4 2016 Unit offering. Excluding this dilution, FFO and AFFO per Unit would increase to \$0.18 and \$0.17, respectively for Q2 2017.

## **Liquidity and Capital Resources**

As at June 30, 2017, the REIT's indebtedness ("Indebtedness") to gross book value ("GBV") ratio was 57.53%, a level well within the 75% limit set out in the REIT's amended and restated declaration of trust dated May 22, 2014. The REIT has addressed all 2017 mortgage maturities, and as at June 30, 2017 the weighted average interest rate on the mortgage portfolio was 3.14% and the weighted average term to maturity was 3.35 years.

## **Tenant Profile**

As at June 30, 2017, the weighted average term to maturity of leases at the REIT's properties was 4.4 years. Government and credit rated tenants account for 51% and 37%, respectively or 88% combined, of the REIT's annualized gross revenue.

## **Outlook**

"With the completion of our equity offering subsequent to quarter-end, we are in a strong position to execute on target acquisitions as they arise," continued Mr. Drimmer. "We will continue to focus on those that fall within our stated growth strategy – government and credit-rated tenants under long term leases in strategic urban markets."

## **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 33 properties consisting of approximately 2.2 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).

## **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 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 quarter ended June 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 following: the REIT's ability to deploy the proceeds from the July 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.

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

