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True North Commercial REIT Demonstrates Continued Strength in Performance, Stability and Push into Urban Markets

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TORONTO, Nov. 10, 2016 /CNW/ - True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced strong financial results for the third quarter ended September 30, 2016.

"The REIT's financial results in the third quarter of 2016 underline the quality of our assets and management's focus on continuing to grow the portfolio in accordance with our strategy," explained Daniel Drimmer, the REIT's President and Chief Executive Officer. "In addition, we have made significant strides in completing the lease renewal with the Federal Government of Canada, the anchor tenant at 340 Laurier Avenue West, Ottawa, Ontario. The renewal, totaling 272,700 square feet increases the REIT's weighted average remaining lease term to 4.6 years."

"Subsequent to quarter-end, the REIT agreed to acquire three properties located in Toronto, Waterloo and Calgary for approximately $66.9 million. The buildings total 388,200 rentable square feet with long-term leases with government or credit-rated tenants," added Mr. Drimmer. "We are pleased to be able to continue to source acquisitions that increase the REIT's presence in strategic geographic areas in urban cities that fit within our strategy."

Third Quarter Highlights

- On July 20, 2016, the REIT issued 1,580,855 trust units ("**Units**") pursuant to a private placement for gross proceeds of $9.2 million
- Completed the acquisition of two office properties located at 6865 Century Avenue and 5900 Explorer Drive, Mississauga, Ontario for $23.75 million, on July 20, 2016 and August 23, 2016, respectively
- On August 23, 2016, completed a public offering of 5,324,000 Units for gross proceeds of $33.0 million to be used for acquisitions during the fourth quarter of 2016
- Industry-leading portfolio occupancy of 98.0%, with government and credit-rated tenants representing 88.8% of revenue
- Increased revenue from property operations by 5.7% to $10.1 million, compared to Q3 2015
- Increased net operating income ("NOI") by 5.2% to $6.2 million compared to Q3 2015
- Same property NOI increased 0.6% to $5.4 million for Q3 2016
- Increased funds from operations ("FFO") by 5.6% to $3.9 million and adjusted funds from operations ("AFFO") by 6.0% to $3.8 million compared to Q3 2015
- Basic and diluted FFO and AFFO per Unit decreased to $0.15 from $0.17 in Q3 2015 and AFFO payout ratio increased to 99% from 88% in Q3 2015 as a result of two factors, (i) a vacancy during the third

quarter in one of the REIT's Fredericton properties which accounted for $0.007 for Q3 2016; and (ii) the timing difference between the public unit offering during the third quarter and deploying the funds into target acquisitions which accounted for $0.013 for Q3-2016

- Indebtedness ("Indebtedness") to gross book value ("GBV") ratio of 54.01% at September 30, 2016 improved from 59.40% at June 30, 2016
- Weighted average fixed interest rate of 3.29%, compared to 3.35% at June 30, 2016; and
- Paid distributions of $4.0 million

Year-to-Date ("YTD") Highlights

- Increased revenue from property operations by 8.4% to $29.6 million, compared to YTD 2015
- Increased NOI by 6.6% to $18.0 million compared to YTD 2015
- Same property NOI increased 1.0% to $15.9 million YTD 2016
- Increased FFO by 7.8% to $11.0 million and AFFO by 7.3% to $10.7 million compared to YTD 2015
- Basic and diluted FFO per Unit decreased to $0.48 from $0.49 for YTD 2015
- Basic and diluted AFFO per Unit decreased to $0.47 from $0.48 for YTD 2015
- AFFO basic and diluted payout ratio increased to 95% and 96% compared to 92% and 93% for YTD 2015
- FFO and AFFO on a per unit basis and the AFFO payout ratio were impacted by two factors, (i) a vacancy during the third quarter in one of the REIT's Fredericton properties which accounted for $0.008 for YTD 2016; and (ii) the timing difference between the public unit offering during the third quarter and deploying the funds into target acquisitions which accounted for $0.014 for YTD 2016
- Paid distributions of $10.4 million

Operating Results

	Three months ended		**Nine months ended**	
	September 30		**September 30**	
	2016	**2016**	**2016**	**2015**
Revenue	$10,060	$9,519	$29,589	$27,291
NOI	$6,184	$5,881	$17,990	$16,870
Income and comprehensive income	($2,326)	$7,519	($1,831)	$10,729
FFO	$3,872	$3,668	$10,964	$10,173
FFO per Unit - basic	$0.15	$0.17	$0.48	$0.49
FFO per Unit - diluted	$0.15	$0.17	$0.48	$0.49
AFFO	$3,792	$3,578	$10,699	$9,973
AFFO per Unit - basic	$0.15	$0.17	$0.47	$0.48
AFFO per Unit - diluted	$0.15	$0.17	$0.47	$0.48
AFFO payout ratio - basic	99%	88%	95%	92%
AFFO payout ratio - diluted	99%	88%	96%	93%
Units outstanding for FFO and AFFO per Unit:				

Weighted average (000s) – basic	25,193	21,167	22,838	20,600
Add: Unexercised unit options	155	112	99	125
Weighted average (000s) – diluted	25,348	21,279	22,937	20,725

Occupancy for the portfolio as at September 30, 2016 was 98.0%, which continues to lead the REIT's peer group.

Revenue increased 5.7% to $10.1 million, compared with $9.5 million in Q3 2015. NOI increased 5.2% to $6.2 million from $5.9 million reported for the corresponding period in 2015. The increases in revenue and NOI were primarily attributable to acquisitions made by the REIT in 2015 and Q3 2016 and were partially offset by the vacancy encountered with one of the REIT's Fredericton properties that has subsequently been leased.

On a same property basis, Q3 2016 revenue decreased 1.2% to $8.6 million as a result of decreased recoverable expenses at certain properties. Same property NOI increased 0.6%, mainly attributable to a decrease in property operating costs offset by an increase in property taxes.

Basic and diluted FFO per Unit decreased to $0.15 in Q3 2016 from $0.17 in Q3-2015 as a result of two factors, i) the vacancy during the quarter in one of the REIT's Fredericton properties which accounted for $0.007 for Q3-2016; and ii) the timing difference between the public unit offering during the quarter and deploying the funds into target acquisitions which accounted for $0.013 for Q3-2016. These same factors impacted the REIT's basic and diluted AFFO payout ratio in Q3 2016 increasing it to 99% from 88% in Q3 2015.

Liquidity and Capital Resources

As at September 30, 2016, the REIT's Indebtedness to GBV ratio improved to 54.01%, 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 3.29%, and the weighted average term to maturity was 2.99 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, 2016, the weighted-average term to maturity of leases at the REIT's properties was 4.1 years. Government and credit-rated tenants account for 59.0% and 29.8%, respectively or 88.8% combined, of the REIT's expected annualized 2016 gross revenue.

Subsequent Events

On November 1, 2016, the term of the REIT's credit facilities was further renewed and now matures on November 1, 2018. In addition, the REIT increased the amounts available under the credit facilities from $5 million to $6 million on the first facility and from $12 million to $14 million on the second facility. All other terms remain the same.

On November 1, 2016, the REIT extended the mortgage financing on 340 Laurier Avenue West, Ottawa Ontario to February 2020 at a rate of 3.065% which represents a reduction of 0.315% from the previous rate of 3.38%.

On November 1, 2016, the REIT announced it has agreed to acquire two properties for an aggregate purchase price of $42.4 million plus closing costs. The properties are comprised of: (i) a 154,300 square foot office property located at 3650 Victoria Parkway, Toronto, Ontario; and (ii) a 156,300 square foot industrial property located at 1035 Industrial Road, Waterloo, Ontario. The purchase price will be satisfied by a combination of the proceeds from the public unit offering in August 2016 and mortgage financing in the aggregate amount of approximately $29.26 million. Closing of the properties is expected to be on or about November 15 and November 24, respectively. In addition, the REIT also announced it had entered into an agreement to purchase a 77,600 square foot office property in Calgary, Alberta. The purchase remains conditional on the satisfactory completion of standard due diligence, which is expected to be completed in the near term.

On November 9, 2016, the REIT issued 4,531,000 Units at a price of $6.35 per Unit for aggregate gross proceeds of approximately $28.8 million. The REIT intends to use the net proceeds from this offering to fund potential future acquisitions, to repay indebtedness owing under the REIT's existing credit facilities and for general trust purposes.

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 27 properties consisting of approximately 1.54 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. Additional information concerning the REIT is available at **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 September 30, 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 Annual Information Form for the year ended December 31, 2015 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.

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

Transfer Agent

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