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True North Commercial REIT Reports Q2 2018 Results

Continued push into Urban Markets, Revenue and NOI Growth, and a new 274,000 square foot trophy asset marks the halfway point of a successful 2018

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TORONTO, ON – August 8, 2018- 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, 2018.

Second Quarter (“Q2”) Highlights

- Continued urban growth with the acquisition of 5775 Yonge Street, an award winning 274,000 square foot Class “A” office building in Toronto
- Subsequent to quarter end:
  - On July 20, 2018, announced the closing of a $57.5 million equity raise to partially fund the potential acquisition of seven high-quality office properties located in strategic urban markets across Canada
  - On July 23, 2018, announced the acquisition of a 52,000 square foot office property located at 32071 South Fraser Way, Abbotsford, British Columbia, expected to close on August 30, 2018
  - On August 7, 2018, announced the acquisition of a 61,000 square foot office property located at 80 Whitehall Drive, Markham, Ontario, expected to close on August 16, 2018
- Revenue from property operations increased $7.3 million or 58% from Q2 2017 to $19.9 million with government and credit-rated tenants accounting for 80% of revenue
- Net Operating Income (“NOI”) increased $3.9 million or 48% from Q2 2017 to $11.9 million
- Basic and diluted funds from operations (“FFO”) per trust unit (“Unit”) was $0.15 compared with $0.16 in Q2 2017
- Basic and diluted adjusted funds from operations ("AFFO") per Unit remained consistent at $0.15 compared to Q2 2017
- AFFO basic and diluted payout ratio of 100% and 101% compared to 96% and 97% in Q2 2017
- Excluding the timing differential between the Unit offering in March 2018 and the deployment of funds into property acquisitions, basic and diluted FFO and AFFO per Unit would be $0.16 per Unit, respectively, and AFFO basic and diluted payout ratio would be 94% and 96%, respectively
- Portfolio occupancy remained strong at 95%

- Indebtedness to GBV ratio increased to 57% at June 30, 2018 compared to 54% at March 31, 2018
- Weighted average fixed interest rate of 3.29% at June 30, 2018 compared to 3.24% at March 31, 2018
- Paid distributions of $0.0495 per Unit per month, totaling $7.7 million for the quarter

Year-to-Date (“YTD”) Highlights

- Acquired two award winning Class “A” office buildings in Burlington and Toronto with a combined square footage of 353,300
- On March 1, 2018, completed a public equity raise for gross proceeds of $40.3 million
- Successful renewal of 48,046 square feet with Alberta Infrastructure at 855 8th Avenue SW, which extends the tenant’s previous fifteen year occupancy for an additional three year term
- Completed a new lease with Alberta Infrastructure at 13140 St. Albert Trail, totaling approximately 60,000 square feet, for a five year term effective February 1, 2019
- Revenue from property operations grew $14.0 million or 55% from YTD 2017 to $39.6 million
- NOI increased by 49% to $23.6 million
- Basic and diluted FFO per Unit increased to $0.31 and $0.30, respectively, compared to $0.31 YTD 2017
- Basic and diluted AFFO per Unit decreased to $0.29 compared to $0.30 YTD 2017
- Excluding the timing differential between the Unit offering and the deployment of funds into property acquisitions, basic and diluted FFO per Unit would be $0.32, basic and diluted AFFO per Unit would be $0.31 and $0.30, respectively. AFFO basic and diluted payout ratio would be 96% and 98%, respectively
- Declared distributions of $14.8 million

“The REIT ended the first half of 2018 on the same trajectory as it began the year, with the successful deployment of the REIT’s capital into the acquisition of a Class “A” office property in Toronto, a robust pipeline which fits our strategic plan, and improving financial metrics,” commented Daniel Drimmer, the REIT’s President and Chief Executive Officer. “We look forward to the second half of 2018 to continue executing on our core strategy of expanding into new urban markets while keeping our focus on government and credit-rated tenants under long-term leases. We are excited to take advantage of future growth opportunities as they come to us through our well-established acquisition and asset management platform.”

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 2018, revenue grew by 58% to $19.9 million, compared with $12.6 million in Q2 2017. NOI increased during the quarter to $11.9 million, up 48% from $8.0 million in Q2 2017. Revenue and NOI increased significantly due to the REIT's acquisitions in the latter half of 2017 and first half of 2018.

Same property NOI decreased $0.1 million or 1.7% in Q2 2018 compared to Q2 2017 and $0.4 million or 2.6% YTD 2018 compared to YTD 2017. Vacancies in two properties in the New Brunswick portfolio and a decrease in rates for the Alberta Infrastructure renewal of 48,046 square feet in Calgary, Alberta were the main contributors to the decline. In addition, the REIT had significant one-time project management fees and energy rebates in the comparative period. Excluding the change in the non-recurring fees, same property NOI would have decreased 1.6% in Q2 2018 compared to Q2 2017 and 2.1% YTD 2018 compared to YTD 2017.

With the significant urbanization and increase in size of the REIT’s portfolio in the latter half of 2017 and YTD 2018, management expects same property results to return to levels consistent with those achieved historically.

Basic and diluted FFO was $0.15 per Unit, compared to $0.16 in Q2 2017. The REIT's basic and diluted AFFO payout ratio in the second quarter of 2018 was 100% and 101% compared to 96% and 97% in Q2 2017. Both FFO and AFFO on a per Unit basis were impacted by the timing differential of deploying funds into property acquisitions from the March 2018 Unit offering. Excluding this dilution, basic and diluted FFO and AFFO per Unit would have increased to $0.16 and the AFFO payout ratio basic and diluted payout ratio would have been 94% and 96%. The AFFO basic and diluted payout ratio was impacted as distributions declared were based on a larger number of Units outstanding without the immediate benefit of increased NOI from property acquisitions.

Liquidity and Capital Resources

As at June 30, 2018, Indebtedness to GBV ratio was 57%, 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 3.69 years.

As at June 30, 2018, the REIT had $2.6 million in cash and $27 million available in undrawn credit facility.

Tenant Profile

Government and credit-rated tenants each account for 40% or 80% combined, of the REIT's annualized gross revenue. As at June 30, 2018, the weighted average remaining lease term of the REIT's properties was 3.9 years.

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 41 commercial properties consisting of approximately 3.3 million square feet in urban 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** 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 three and six months ended June 30, 2018 (“MD&A”) and the Annual Information Form (“AIF”) are 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 suggesting future outcomes or events.

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 and its business. See "Risks and Uncertainties" included in the REIT's AIF and MD&A. 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 applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, the ability to complete acquisitions, 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 relatively 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. or an affiliate of Starlight 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.

For further information:

Daniel Drimmer

President and Chief Executive Officer

(416) 234-8444

or

Tracy Sherren

Chief Financial Officer

(416) 234-8444

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