

Aug 7, 2019

# True North Commercial REIT Reports Q2 2019 Results

**25% growth in revenue and NOI backed by high quality tenants**

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**TORONTO, ON – August 7, 2019** – True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the “REIT”) today announced its financial results for the three and six months ended June 30, 2019.

## Highlights and Key Performance Indicators

- Contractually leased and renewed 81,184 square feet with an average lease term of 8.1 years and an average increase of approximately 10% over expiring rates. This included an early lease renewal with the provincial government tenant at 727 Fisgard Street, Victoria, British Columbia totaling 47,167 square feet, which extends the tenant’s seven year occupancy for a further ten years
- Renegotiated the REIT’s secured credit facility to increase the amount available from \$30 million to \$35 million
- On July 25, 2019, the REIT completed the sale of 417 Exeter Road, totaling 35,200 square feet for a sale price of \$8.7 million
- On August 1, 2019, the REIT refinanced 295 Belliveau Avenue totaling \$3.2 million with a five year term at a fixed interest rate of 3.90%. The mortgage is secured by a first charge on the property

	Three months ended		Six months ended	
	June		June	
	2019	2018	2019	2018
Number of properties			46	40
Portfolio GLA			3,721,700 sf	3,308,200 sf
Occupancy rate			96%	95%
Remaining weighted average lease term			4.0 years	3.9 years
Revenue from government & credit-rated tenants			79.5%	79.9%
Revenue	\$ 25,489	\$ 19,902	\$ 51,256	\$ 39,620
NOI	15,151	11,935	29,971	23,561
Net income and comprehensive income	12,256	1,489	13,608	19,957
Same Property NOI	12,125	12,106	23,107	22,918
Same Property NOI growth	0.2%	(1.7%)	0.8%	(2.6%)
FFO	\$ 9,471	\$ 7,924	\$ 18,412	\$ 15,334
FFO per Unit - Basic	0.15	0.15	0.30	0.31
FFO per Unit - Diluted	0.15	0.15	0.29	0.30
AFFO	\$ 9,163	\$ 7,737	\$ 17,798	\$ 14,680
AFFO per Unit - Basic	0.15	0.15	0.29	0.29
AFFO per Unit - Diluted	0.15	0.15	0.28	0.29
AFFO payout ratio - Diluted	102%	101%	105%	102%
Distributions declared	\$ 9,184	\$ 7,737	\$ 18,336	\$ 14,828

June 30, 2019 December 31, 2018

<b>Debt</b>		
Indebtedness to GBV Ratio	57.7%	56.5%
Interest coverage ratio	3.00x	3.19x
Indebtedness - weighted average fixed interest rate	3.42%	3.41%
Indebtedness - weighted average term to maturity	3.43 years	3.85 years

## Operating Results

In the last 18 months, the REIT's portfolio has grown from 39 properties totaling 3.0 million square feet to 46 properties totaling 3.7 million square feet. As a result, Q2 2019 revenue increased 28% to \$25.5 million and NOI increased 27% to \$15.2 million compared to Q2 2018. YTD 2019 revenue increased 29% to \$51.3 million and NOI increased 27% to \$30 million in the same period of 2018.

FFO and AFFO were positively impacted due to increased NOI attributed to the acquisitions in the latter half of 2018 and 2019 as well as growth in same property NOI. FFO and AFFO per Unit remained steady at \$0.15 in Q2 2019 compared to Q2 2018. Year to date FFO basic and diluted per Unit decreased by \$0.01 to \$0.30 and \$0.29, respectively compared to the same period in 2018. YTD 2019 AFFO basic per Unit remained at \$0.29 and AFFO diluted per Unit decreased from \$0.29 to \$0.28. FFO and AFFO per Unit were impacted by termination payments received, project management fees and short term lease rental revenue. Excluding these items in 2018, YTD 2018 AFFO diluted per Unit is \$0.28, which is consistent with the current year.

## Same Property Results

### Occupancy

	As at June 30	
	2019	2018
Alberta	97.2%	97.3%
British Columbia	100.0%	100.0%
New Brunswick	89.8%	87.2%
Nova Scotia	91.9%	93.8%
Ontario	97.6%	96.9%
Total	95.5%	94.9%

### NOI

		Three months ended June 30			
		2019	2018	Variance	Variance %
Alberta	\$	1,643	\$ 1,512	\$ 131	8.7%
British Columbia		429	428	1	0.2%
New Brunswick		1,242	1,281	(39)	(3.0%)
Nova Scotia		1,559	1,599	-40	(2.5%)
Ontario		7,252	7,286	-34	(0.5%)
Total	\$	12,125	\$ 12,106	\$ 19	0.2%

Same property NOI for the three months ended June 30, 2019 increased \$0.019 million or 0.2% and \$0.19 million or 0.8% YTD 2019. The current and comparative periods include termination payments, project management fees and short term lease rental revenue. Excluding these items, same property recurring NOI increased by 0.9% in the quarter and 1.2% year to date.

Alberta same Property NOI increased 8.7% mainly due to termination payments in the current year. The REIT is beginning to realize the impact of 2018 leasing initiatives in Nova Scotia due to the expiry of free rents, excluding the termination payments received in Q2 2018, same property NOI increased 7.3%. The REIT's largest portfolio located in Ontario continued to experience same property NOI growth of 0.8% excluding project management fees and short term lease rental revenue.

The REIT is focused on growth of same property NOI through the following initiatives:

- achieving positive leasing spreads on renewal with contractual rent step-ups throughout the term;

- competitive tendering of all expenses; and
- improving building efficiencies through energy saving initiatives.

## **Debt and Liquidity**

As at June 30, 2019, Indebtedness to GBV ratio was 57.7%, 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 3.42%, with a weighted average term to maturity of 3.43 years. A total of 5.0% of the REIT's mortgages mature in 2019. The interest coverage ratio for the twelve months ended June 30, 2019 was 3.00 times.

As at June 30, 2019, the REIT had \$1.7 million in cash and \$37.2 million available in undrawn credit facilities.

## **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 45 commercial properties consisting of approximately 3.7 million square feet in urban and select 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 funds from operations ("FFO"), adjusted funds from operations ("AFFO"), net operating income ("NOI"), same property net operating income ("Same Property NOI"), indebtedness ("Indebtedness"), gross book value ("GBV"), Indebtedness to GBV ratio, net earnings before interest, tax, depreciation and amortization and fair value gain (loss) on financial instruments ("Adjusted EBITDA"), interest coverage ratio, and adjusted cash provided by operating activities are not measures defined by International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board ("IASB"), 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, Same Property NOI, Indebtedness, GBV, Indebtedness to GBV ratio, Adjusted EBITDA, interest coverage ratio and adjusted cash provided by operating activities 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, 2019 ("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. 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 trust units of the REIT ("Units") and risks related to the REIT 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 perception 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 relatively 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.

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