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True North Commercial REIT Reports Q2 2021 Results

99.5% of contractual rent collection and stable occupancy of 97%, both reflective of high quality government and credit rated tenant base

213,800 sq ft leased/renewed with portfolio WALT of 4.7 years

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TORONTO, ON – August 4, 2021 – 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, 2021 and provides a COVID-19 update.

“The first half of 2021 has seen our positive operating results continue as our portfolio showed its resiliency through the ongoing pandemic given our high concentration of government and credit rated tenants." stated Leslie Veiner, the REIT’s Chief Executive Officer." "As public health measures are eased in Canada and employees begin their return to office, we continue to have a positive outlook on the long-term demand for office space in our markets".

Q2 Highlights

- Collected approximately 99.5% of contractual rent.
- Contractually leased and renewed approximately 213,800 square feet with a weighted average lease term of 3.6 years and a 3.8% increase over expiring base rents.
- Portfolio occupancy remained at 97% with an average remaining lease term of 4.7 years.
- The REIT had access to $62.47 million of cash and undrawn credit facilities at the end of Q2 2021.
- Revenue and NOI experienced a small decline due to the sale of four properties during the last 12 months coupled with a decline in Same Property NOI of 0.3%.
- FFO and AFFO per Unit on both a basic and diluted basis remained stable compared to Q2 2020 at $0.15 and $0.14, respectively.
- On April 12, 2021, the REIT disposed of 529-533 Exmouth Street located in Sarnia, Ontario totaling 15,400 square feet for a sale price of $1.85 million.
- On May 5, 2021, the REIT filed a prospectus supplement to establish an at-the-market equity program (the “ATM Program”) that allows the REIT to issue and sell up to $50 million of Units to the public, from time to time, at the REIT's discretion.
- On June 1, 2021, the REIT disposed of 5900 Explorer Drive, Mississauga, Ontario totaling 40,000 square feet for a sale price of $11.9 million which was above both the original purchase price and IFRS value.

COVID-19

- Collections remain strong with approximately 99.5% of contractual rents collected for the six months ended June 30.
- The Canada Emergency Rent Subsidy ("CERS") program was established to assist businesses experiencing a significant drop in revenue as a result of the COVID-19 pandemic. Currently six tenants are participating in the CERS program and the REIT recognized a $0.03 million and $0.05 million expense in property operating costs representing its rental provision granted to tenants for the three and six months ended June 30, 2021, respectively.
- The REIT has deferred a total of $0.45 million of rental payments for certain tenants since the start of the pandemic. As of June 30, 2021, all deferred rental payments had been received.

While vaccination programs continue throughout Canada, most industries, including commercial real estate, continue to be affected to varying degrees by COVD-19. Canada recently began to reopen as lockdown and other public health restrictions began to ease during the second half of Q2 2021. The continuation of mass vaccination programs to inoculate Canadians against COVID-19 has resulted in increased economic optimism, particularly in the office market as employers have commenced their return to office programs. Current government forecasts indicate that eligible Canadians who want to receive the vaccine are anticipated to be fully immunized by the end of September 2021. The growing emergence of COVID-19 variants of concern that are more transmissible and carry increased health risks threaten to escalate COVID-19 case counts and hospitalizations, and it remains uncertain whether or not there will be a fourth wave in Canada.

It continues to be difficult to predict the duration and extent of the impact of COVID-19 on the REIT's business and operations, both in the short and long-term. Certain aspects of the REIT's business and operations that could potentially be impacted include, without limitation, rental income, occupancy, tenant inducements, future demand for space and market rents, all of which ultimately may impact the underlying valuation of the REIT's investment properties and its ability to maintain its distributions to Unitholders.

Key Performance Indicators

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Number of properties			45	49
Portfolio GLA			4,744,700 sf	4,836,600 sf
Occupancy rate			97%	97%
Remaining weighted average lease term			4.7 years	5.0 years
Revenue from government & credit rated tenants			76.0%	76.0%
Revenue	$ 33,896	$ 33,999	$ 68,840	$ 69,328
NOI	20,531	20,991	41,621	42,100
Net income and comprehensive income	6,521	4,462	16,241	22,072
Same Property NOI	21,996	22,061	44,084	44,001
Same Property NOI growth	(0.3%)	(1.9%)	0.2%	(1.1%)
FFO	$ 13,436	$ 13,456	$ 26,947	$ 26,629
FFO per Unit - Basic	0.15	0.15	0.30	0.30
FFO per Unit - Diluted	0.15	0.15	0.29	0.30
AFFO	$ 12,816	$ 12,906	$ 25,602	$ 25,493
AFFO per Unit - Basic	0.14	0.14	0.28	0.29
AFFO per Unit - Diluted	0.14	0.14	0.28	0.29
AFFO payout ratio - Diluted	106%	103%	106%	104%
Distributions declared	$ 13,467	$ 13,250	$ 26,888	$ 26,438

Operating Results

Revenue and NOI have remained stable with a small decline of 0.3% (YTD - 1%) and 2% (YTD - 1%), respectively, due to the sale of four properties during the last twelve months coupled with a slight decline in Same Property NOI of 0.3%. Three of the dispositions were located in smaller tertiary markets and reflect the REIT's strategy to focus on office properties in larger urban markets. The fourth disposition totaling 40,000 square feet was an opportunistic sale of a smaller asset and the sale price was above both original purchase price and IFRS value. Q2 2021 occupancy remained stable comparing to same period in 2020 at 97% with an average remaining lease term of 4.7 years compared to 5.0 years at the end of Q2 2020.

FFO and AFFO decreased 0.2% and 1%, respectively when compared to Q2 2020. The decrease in FFO and AFFO was impacted by lower NOI primarily due to disposition activity over the last twelve months, slightly higher general and administration expenses and slightly lower same property NOI. FFO and AFFO per Unit on both a basic and diluted basis have remained stable when compared to Q2 2020 at $0.15 and $0.14, respectively.

FFO and AFFO increased 1% and 0.4%, respectively in YTD 2021 over the comparable period. The increase in FFO and AFFO benefited from higher Same Property NOI and lower finance costs, partially offset by lower NOI from dispositions and higher general and administration expenses. FFO basic per Unit remained at $0.30 and FFO diluted per Unit decreased $0.01 to $0.29 over the comparable period in the prior year. YTD 2021 AFFO basic and diluted per Unit decreased $0.01 to $0.28.

Same Property Results

Occupancy	As at June 30 2021	2020
Alberta	96.6%	93.0%
British Columbia	100.0%	100.0%
New Brunswick	91.4%	93.5%
Nova Scotia	97.5%	92.4%
Ontario	97.8%	99.2%
Total	97.1%	97.2%

NOI		Q2 2021		Q2 2020		Variance	Variance %
Alberta	$	3,442	$	3,594	$	(152)	(4.2%)
British Columbia		1,251		1,260		(9)	(0.7%)
New Brunswick		1,263		1,249		14	1.1%
Nova Scotia		1,611		1,600		11	0.7%
Ontario		14,429		14,358		71	0.5%
	$	21,996	$	22,061	$	(65)	(0.3%)

Same Property NOI decreased 0.3% for the quarter and increased 0.2% YTD 2021.

While occupancy has increased in the REIT's Alberta portfolio, Same Property NOI decreased by 4.2% when compared to the same period in 2020. The REIT's Edmonton property experienced an increase in occupancy and NOI, while the property in downtown Calgary was impacted by increased vacancy and lower rental rates.

Favourable Same Property NOI in New Brunswick is mainly attributed to a lease commencement during the quarter for space that was previously vacant. Same property occupancy slightly decreased due to a lease expiry at the end of Q2 2021.

Nova Scotia continues to be positively impacted by contractual rent step ups while same property occupancy increased significantly due to leasing activity completed in Q2 2021 with rents commencing in Q3 2021.

Same Property NOI in Ontario increased 0.5% mainly due to higher rental rates associated with a 78,000 square foot lease expiry in Q2 and Q3 of 2020, the majority of which was re-leased in the first half of 2021. This increase was offset by a reduction in parking revenue due to lower utilization at certain properties due to COVID-19, lower project management fees and lower one-time termination payments earned during the quarter.

Leasing Activity

In Q2 2021, the REIT completed 25,500 square feet of new lease deals (YTD-2021 - 31,000 square feet) with a weighted average lease term of 0.9 years (YTD-2021 - 1.5 years) in Halifax, Nova Scotia. The REIT also renewed and replaced 188,300 square feet (YTD-2021 - 287,700 square feet) with a weighted average lease term of 4.0 years (YTD-2021 - 5.1 years) with an overall 3.8% (YTD-2021 - 2.6%) increase over expiring base rents. This included lease renewals with two key credit rated tenants for a term of five years each in Halifax, Nova Scotia for 65,600 square feet and Fredericton, New Brunswick for 19,500 square feet. Government tenancy renewals totaled 67,700 square feet with an average term of 2.9 years in Toronto and Ottawa, Ontario.

Debt and Liquidity

	June 30, 2021	December 31, 2020
Indebtedness to GBV Ratio	57.4%	57.8%
Interest coverage ratio	2.98 x	2.96 x
Indebtedness - weighted average fixed interest rate	3.37%	3.37%
Indebtedness - weighted average term to maturity	3.59 years	4.06 years

As at June 30, 2021, Indebtedness to GBV ratio was 57.4%, a level well within the 75% limit set out in the REIT's amended and restated declaration of trust.

At the end of Q2 2021, the REIT had access to approximately $62.47 million of cash and undrawn credit facilities. The REIT has limited refinancing exposure in 2021 with only 1.1% of its portfolio maturing this year. An additional 20.9% of the portfolio matures in 2022 for which the REIT is currently exploring early refinancing opportunities to take advantage of the low interest rate environment.

ATM Program

On May 5, 2021 the REIT filed a prospectus supplement to establish an ATM Program that allows the REIT to issue and sell up to $50 million of Units to the public, from time to time, at the REIT's discretion. Units sold under the ATM Program will be sold through the Toronto Stock Exchange or on other marketplaces to the extent permitted at the prevailing market prices at the time of sale. The REIT intends to use the net proceeds from the ATM Program, if any, to fund potential future acquisitions and for general trust purposes.

Officer and Board Appointments

On May 17, 2021, Daniel Drimmer transitioned his role as President and Chief Executive Officer of the REIT and Leslie Veiner was appointed as Chief Executive Officer and joined the Board of Trustees of the REIT. Mr. Veiner's appointment is expected to augment the REIT's existing senior management team and concurrently Tracy Sherren, the REIT's current Chief Financial Officer, was promoted on May 17, 2021 to serve as President of the REIT in addition to her existing position as Chief Financial Officer and Trustee of the REIT. Mr. Drimmer continues to serve as Chairman of the Board of Trustees.

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 4.7 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 or the REIT's website at 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 and investment properties ("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, 2021 (“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. Readers are cautioned that 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, the REIT's ATM Program and the intended use of proceeds from such program, 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 a number of risks and uncertainties, including statements regarding the outlook for the REIT's business and results of operations and the effect of the coronavirus (SARS-CoV-2) ("COVID-19") pandemic on the REIT's business and operations. 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 and uncertainties related to the trust units of the REIT (“Units”), risks related to the REIT and its business, and any risks related to the uncertainties surrounding the duration and the direct and indirect impact of the COVID-19 pandemic on the business, operations and financial condition of the REIT and its tenants, as well as on consumer behavior and the economy in general, including the ability to enforce leases, perform capital expenditure work, increase rents, raise capital through the issuance of Units or other securities of the REIT and obtain mortgage financing on the REIT's properties. The foregoing is not an exhaustive list of factors that may affect the REIT's forward-looking statements. Other risks and uncertainties not presently known to the REIT could also cause actual results or events to differ materially from those expressed in its forward-looking statements. 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. There can be no assurance regarding: (a) the impact of COVID-19 on the REIT’s business, operations and performance, including the performance of its Units; (b) the REIT’s ability to mitigate any impacts related to COVID-19; (c) the effectiveness, acceptance and availability of vaccines, as well as the duration of associated immunity and efficacy of the vaccines against variants of COVID-19; which may prolong the impacts of COVID-19 on the Canadian economy, the retail and commercial real estate industries, occupancy levels and the REIT; (d) credit, market, operational, and liquidity risks generally; (e) Starlight Group Property Holdings Inc., or any of its affiliates ("Starlight"), continuing as asset manager of the REIT in accordance with its current asset management agreement; and (f) other risks inherent to the REIT's business and/or factors beyond its control which could have a material adverse effect on the REIT.

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:

Leslie Veiner

Chief Executive Officer

(416) 234-8444

or

Tracy Sherren

President and Chief Financial Officer

(416) 234-8444