Nov 8, 2018

True North Commercial REIT Reports Q3 2018 Results

$57.5M Equity Raise, High Quality Acquisitions in Strategic Urban Markets

and Year-over-Year Revenue and NOI Increases of Over 50%

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TORONTO, ON – November 8, 2018- True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced its financial results for the three and nine months ended September 30, 2018.

Third Quarter ("Q3") Highlights

- On July 20, 2018, completed a successful public equity raise of $57.5 million
- Acquired four high quality office properties in Greater Toronto Area ("GTA"), Abbotsford, British Columbia and Calgary, Alberta totaling 383,500 square feet
- Subsequent to quarter end:
  - On October 1, 2018, completed the acquisition of a 40,000 square foot office property located at 2300 St. Laurent Boulevard, Ottawa, Ontario for an aggregate purchase price of $6.3 million
  - On November 7, 2018, the REIT completed the acquisition of a 91,000 square foot high quality office property located at 9200 Glenlyon Parkway, Burnaby, British Columbia for an aggregate purchase price of $35.3 million
- Basic and diluted funds from operations ("FFO") per trust unit ("Unit") of $0.14 in Q3 2018 compared to $0.16 and $0.15 per Unit, respectively in Q3 2017
- Basic and diluted adjusted funds from operations ("AFFO") per Unit of $0.14 compared to $0.15 in Q3 2017
- AFFO basic and diluted payout ratio of 106% and 107% compared to 99% and 100% in Q3 2017
- Excluding the timing differential between the Unit offering in July 2018 and the deployment of funds into property acquisitions, FFO basic and diluted per Unit would be $0.16 and $0.15, respectively, AFFO basic and diluted per Unit would be $0.15, and AFFO basic and diluted payout ratio would be 98% and 96%
- Revenue from property operations increased $8 million or 61% from Q3 2017 to $22.5 million with government and credit-rated tenants accounting for 79%
- Net operating income ("NOI") increased $4.5 million or 52% from Q3 2017 to $13.3 million

- Portfolio occupancy increased to 97% from 95%
- Contractually leased 11,200 and 23,000 square feet at 414-422 York Street, Fredericton, New Brunswick, and 130 Eileen Stubbs Avenue, Halifax, Nova Scotia, for five-year and ten-year terms effective January 1, 2019 and February 1, 2019, respectively
- Indebtedness to GBV ratio decreased to 56% at September 30, 2018 compared to 57% at June 30, 2018
- Weighted average fixed interest rate of 3.37% at September 30, 2018 compared to 3.29% at June 30, 2018
- Paid distributions of $0.0495 per Unit per month, totaling $9.1 million

Year-to-Date ("YTD") Highlights

- Completed the acquisition of six high quality office buildings, including three award winning Class "A" office properties in GTA, Abbotsford, British Columbia and Calgary, Alberta with a combined square footage of 736,800
- Completed two successful public equity raises totaling 15,337,550 Units for aggregate gross proceeds of approximately $97.8 million
- Basic and diluted FFO per Unit of $0.45 and $0.44, respectively, compared to $0.47 and $0.46 in YTD 2017
- Basic and diluted AFFO per Unit of $0.43 compared to $0.45 in YTD 2017
- AFFO basic and diluted payout ratio of 103% and 104% compared to 99% and 100% in YTD 2017
- Excluding the timing differential between the Unit offerings in March and July 2018 and the deployment of funds into property acquisitions, FFO and AFFO basic and diluted per Unit would be $0.49 and $0.47 per Unit, respectively, and AFFO basic and diluted payout ratio would be 94% and 95%, respectively
- Revenue from property operations grew $22.4 million or 57% from YTD 2017 to $62.1 million
- NOI increased $12.3 million or 50% from YTD 2017 to $36.9 million
- Declared distributions of $23,923

"The REIT continues to execute on its successful core strategy in the third quarter of 2018 by expanding its presence and entering into new urban markets, while keeping its focus on government and credit-rated tenants under long-term leases", said Daniel Drimmer, the REIT's President and Chief Executive Officer. "As we continue to integrate our 2018 acquisitions and look forward to 2019, we remain confident our platform and strategy will enable us to take full advantage of future opportunities as they arise."

Operating Results and Financial Position

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended	Nine months ended

	September 30		September 30	
	2018	**2017**	**2018**	**2017**
Revenue	$22,501	$14,017	$62,121	$39,650
NOI	$13,305	$8,764	$36,866	$24,595
Income and comprehensive income	$10,000	$10,331	$29,957	$25,677
FFO	$8,558	$5,964	$23,892	$16,465
FFO per Unit - basic	$0.14	$0.16	$0.45	$0.47
FFO per Unit - diluted	$0.14	$0.15	$0.44	$0.46
AFFO	$8,326	$5,777	$23,006	$15,905
AFFO per Unit - basic	$0.14	$0.15	$0.43	$0.45
AFFO per Unit - diluted	$0.14	$0.15	$0.43	$0.45
AFFO payout ratio - basic	106%	99%	103%	99%
AFFO payout ratio - diluted	107%	100%	104%	100%
Units outstanding for FFO and AFFO per Unit:				
Weighted average (000s) – basic	59,362	38,387	53,120	35,231
Add: Unexercised Unit options	727	352	674	349
Weighted average (000s) – diluted	60,089	38,739	53,794	35,580

The REIT acquired fifteen properties since the second half of 2017, with nine acquisitions in the latter half of 2017 and six acquisitions in 2018. As a result, revenue grew by 61% to $22.5 million in Q3 2018, compared with $14 million in Q3 2017. NOI increased 52% in Q3 2018 to $13.3 million, from $8.8 million in Q3 2017.

Same property NOI decreased $0.2 million or 2.6% compared to Q3 2017 partially due to a decline in same property occupancy from 97.3% to 96.7%. In addition, the impact of the renewal with Alberta Infrastructure in Q1 2018 at 855 8th Avenue SW, Calgary, Alberta at lower rental rates continued to impact results. While contractually occupancy of the New Brunswick portfolio remained relatively stable when compared to Q3 2017, the impact of new leasing initiatives has not yet been realized in the REIT’s results. The REIT’s largest portfolio which is located in Ontario experienced a 0.4% increase in same property NOI.

With the continued urbanization and increase in size of the REIT’s, management expects same property results to return to levels consistent with those achieved historically.

Both FFO and AFFO per Unit were negatively impacted during the quarter and year to date as a result of the timing differential between the Unit offerings in March and July 2018 and the deployment of funds into property acquisitions. This dilution impacts the REIT’s quarterly and year to date metrics as the results are based on a larger number of Units outstanding without the immediate benefit of the increased NOI generated from property acquisitions.

Excluding this dilution, Q3 2018 FFO basic and diluted per Unit would be $0.16 and $0.15, AFFO basic and diluted per Unit would be $0.15 and basic and diluted AFFO payout ratios would be 98% and 100%.

Excluding this dilution, YTD 2018 FFO basic and diluted per Unit would be $0.49, AFFO basic and diluted per Unit would be $0.47 for YTD 2018 and basic and diluted AFFO payout ratios would be 94% and 95%.

Liquidity and Capital Resources

As at September 30, 2018, Indebtedness to GBV ratio was 56%, 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 3.37%, with a weighted average term to maturity was 3.82 years.

As at September 30, 2018, the REIT had $11.1 million in cash and $30 million available in undrawn credit facilities.

Tenant Profile

Government and credit-rated tenants account for 37% and 42%, respectively or 79% combined, of the REIT's annualized gross revenue. As at September 30, 2018, the weighted average remaining lease term of the REIT's properties was 4.3 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 47 commercial properties consisting of approximately 3.8 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 nine months ended September 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.

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