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True North Commercial REIT Reports Q3 2020 Results

99% contractual rent collection, 40% Increase in NOI and 100% of YTD 2020 lease expirations renewed or re-leased

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TORONTO, ON – November 5, 2020 – 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, 2020.

"The REIT delivered another productive quarter and further proved our resilience in spite of COVID-19. We continue to work closely with our tenants, which has translated into successful lease renewals and rent collections." stated Daniel Drimmer, the REIT's President and Chief Executive Officer. "The high percentage of revenue generated from credit rated and government tenants is key for the REIT which is evidenced by our continued positive operating results."

Q3 Highlights

- Collected on average approximately 99% of contractual rent in Q3 2020
- Contractually leased and renewed approximately 53,000 square feet with an average increase of approximately 2% (YTD - 6.1%) over expiring rates
- Portfolio occupancy currently at 98% with an average remaining lease term of 4.8 years
- Revenue and NOI increased 32% and 40%, respectively compared to Q3 2019. The majority of which can be attributed to acquisitions totaling $395.8 million in Q4 2019
- Same Property NOI experienced an overall decline of 4.0%, the majority of which can be attributed to vacancy in the REIT's sole asset in Edmonton, Alberta (2.3%), as well as the REIT's participation in the Canada Emergency Commercial Rent Assistance ("CECRA") program and lower non-recurring termination payments and project management fees. Excluding the above, Same Property NOI increased 2.8% for the quarter
- FFO per Unit on both a basic and diluted basis remained stable compared to Q3 2019 at $0.15. AFFO per Unit on both a basic and diluted basis decreased $0.004 and $0.001 to $0.14 in Q3 2020
- Refinanced the remaining 2020 mortgage maturities totaling $23.4 million with a weighted average fixed interest rate of 2.80% for five-year terms
- On September 30, 2020, the REIT disposed of 534 Queens Avenue located in London, ON totaling 19,000 square feet for a sale price of $2.3 million

COVID-19

- To date the REIT has received on average approximately 99% of Q2 2020, Q3 2020 and 99% of October contractual rent, a direct result of its credit and government tenant roster
- A total of 19 tenants participated in the CECRA program which came to an end on September 30, 2020. The REIT's 25% rental contribution resulted in a $0.12 million expense recognized in property operating costs in Q3 2020 ($0.19 million - YTD 2020)
- The REIT agreed to defer approximately $0.43 million of YTD 2020 rental payments for certain tenants the majority of which will be repaid by the end of 2020. As of the date hereof, $0.18 million has been received in accordance with those deferral agreements

On October 9, 2020 the Federal Government announced a new Canada Emergency Rent Subsidy ("CERS") program to assist businesses experiencing a significant drop in revenue as a result of COVID-19 and replaces the CECRA program. Further details regarding CERS, including potential changes to the eligibility criteria, are expected to be finalized in Q4-2020.

In late September 2020, several Canadian provinces declared a "second wave" of COVID-19 has commenced and provinces are adjusting various restrictions, including mandatory closures of certain types of businesses and reduced limits on social gatherings. While these restrictions have not yet had a significant impact on the REIT’s operations, we cannot predict the extent to which they may affect the REIT. Certain aspects of the REIT’s business and operations that could potentially be impacted include, without limitation, rental income, occupancy, future demand for space and market rents, all of which ultimately impact the underlying valuation of the REIT's investment properties.

With a close to fully occupied portfolio of predominantly government and credit-rated tenants, the REIT is well positioned to maintain stability through these times of uncertainty. The REIT is confident the strategic measures implemented to date will help to ensure its continued success and its ability to provide value to Unitholders.

Key Performance Indicators

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Number of properties			48	45
Portfolio GLA			4,818,500 sf	3,687,400 sf
Occupancy rate			98%	97%
Remaining weighted average lease term			4.8 yrs	4.1 yrs
Revenue from government & credit rated tenants			76%	79%
Revenue	$ 33,914	$ 25,668	$ 103,242	$ 76,924
NOI	20,901	14,972	63,001	44,943
Net income and comprehensive income	9,381	9,145	31,453	22,753
Same Property NOI	15,364	16,000	44,899	45,778
Same Property NOI growth	(4.0%)	2.6%	(1.9%)	1.3%
FFO	$ 13,364	$ 9,600	$ 39,994	$ 28,012
FFO per Unit - Basic	0.15	0.15	0.45	0.45
FFO per Unit - Diluted	0.15	0.15	0.45	0.44
AFFO	$ 12,852	$ 9,530	$ 38,346	$ 27,328
AFFO per Unit - Basic	0.14	0.15	0.43	0.44
AFFO per Unit - Diluted	0.14	0.15	0.43	0.43
AFFO payout ratio - Diluted	104%	102%	104%	104%
Distributions declared	$ 13,319	$ 9,824	$ 39,757	$ 28,160

Operating Results

During the past twelve months, the REIT has increased its portfolio by approximately 1.1 million square feet. Q3 2020 occupancy was 98% with an average remaining lease term of 4.8 years. 76% of revenue is generated from Government and credit rated tenants.

Acquisitions totaling $395.8 million during the latter part of Q4 2019 have been the main contributor to the increase in revenue and NOI of 32% and 40%, respectively, when compared to Q3 2019. FFO and AFFO increased 39% and 35% respectively, when compared to Q3 2019. The favourable increase in operating metrics attributable to Q4 2019 acquisition activity was partially offset by lower Same Property NOI and higher finance costs. FFO per Unit on both a basic and diluted basis have remained stable when compared to Q3 2019 at $0.15. AFFO per Unit on both a basic and diluted basis have decreased $0.004 and $0.001, respectively to $0.14 in Q3 2019.

Same Property Results

	As at September 30	
Occupancy	**2020**	**2019**
Alberta	93.3%	98.3%
British Columbia	100.0%	100.0%
New Brunswick	93.5%	90.0%
Nova Scotia	93.4%	91.9%
Ontario	98.4%	98.4%
Total	96.7%	96.7%

NOI		**Q3 2020**		**Q3 2019**	
Alberta	$	1,592	$	2,189	$
British Columbia		1,259		1,210	
New Brunswick		1,339		1,159	
Nova Scotia		1,587		1,546	
Ontario		9,587		9,896	
	$	15,364	$	16,000	$

Q3 2020 Same Property NOI decreased 4.0% and 1.9% YTD 2020.

A reduction in parking revenue due to lower foot traffic at certain buildings, costs associated with the REIT’s participation in the CECRA program, lower one-time termination payments and project management fees along with the continued vacancy at 13140 St. Albert Trail were the main contributors to the decline in the REIT’s Same Property NOI.

The vacancy at 13140 St. Albert Trail continues to account for the majority of the decline in Same Property NOI (Q3 - 2.3%, YTD – 2.9%). During the quarter, the REIT was successful in securing a new one-year short term 15,900 square foot lease with the Province of Alberta which will increase occupancy at this property to 94%. Excluding this vacancy, the impact of the CECRA Program and one-time items, Same Property NOI increased 2.8% (YTD – 2.9%).

Increased revenue from contractual rent step ups have been the main driver of Same Property NOI growth in British Columbia and Nova Scotia. Favorable Same Property NOI in New Brunswick is attributed to new lease deals and expansions resulting in an increased occupancy of 93.5%.

Ontario Same Property NOI declined due to a reduction in parking revenue at certain properties and downtime associated with a lease expiration which has been subsequently released at significantly higher market rents.

Debt

	September 30, 2020	December 31, 2019
Indebtedness to GBV Ratio	58.0%	57.6%
Interest coverage ratio	2.99x	3.01x
Indebtedness - weighted average fixed interest rate	3.37%	3.38%
Indebtedness - weighted average term to maturity	4.31 years	3.87 years

As at September 30, 2020, Indebtedness to GBV ratio was 58.0%, 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 of 4.31 years.

During the nine months ended September 30, 2020, the REIT refinanced fourteen mortgages totaling $152,700 with a weighted average fixed interest rate of 3.07% and weighted average term to maturity of 7.6 years providing the REIT with additional liquidity of approximately $42,100. At the end of Q3 2020, the REIT had $32 million in cash and $20 million available in undrawn unsecured credit facility. The REIT has limited refinancing exposure with only 2.0% of its portfolio maturing from now until the end of 2021.

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 48 commercial properties consisting of approximately 4.8 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 nine months ended September 30, 2020 ("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 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 and uncertainties related to the trust units of the REIT, risks related to the REIT and its business, and any risks related to the uncertainties surrounding the duration and the direct or indirect impacts of the COVID-19 pandemic on the business, operations and financial condition of the REIT and its tenants, as well as on consumer behaviours and the economy in general, including the ability to enforce leases, perform capital expenditure work, increase rent and obtain mortgage financings. The foregoing is not an exhaustive list of factors that may affect the REIT's forward-looking statements. Other risks and uncertainties not presently know 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 breadth of impact of COVID-19 on the REIT's business, operations and performance, including performance of the Units; (b) the REIT's ability to mitigate any impacts related to COVID-19; (c) credit, market, operational, and liquidity risks generally; (d) Starlight Group Property Holdings Inc., or any of its affiliates ("Starlight"), will continue its involvement as asset manager of the REIT in accordance with its current asset management agreement; and (e) 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.

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