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True North Commercial REIT Reports Q4 2018 and Year End Results

Capital recycling allows TNT to exclusively focus on office and urban market strategies while driving revenue and NOI growth

TORONTO, ON – March 13, 2019- True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced its financial results for the three months and year ended December 31, 2018.

Fourth Quarter ("Q4") Highlights

Operational Highlights

- Acquired two office properties for $41.6 million plus closing costs
- Disposed of two industrial properties for a sale price of $15.4 million

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- Portfolio occupancy remained stable at 97% with government and credit-rated tenants accounting for 79% of revenue
- Contractually leased and renewed 62,700 square feet across the portfolio with an average lease term of 6.6 years
- On February 7, 2019, the REIT redeployed the proceeds from the sale of the two industrial properties into a 100% occupied, 107,066 square foot office property located at 360 Laurier Avenue West, Ottawa, Ontario for $24.5 million plus closing costs

Financial Highlights

- FFO and AFFO basic and diluted per Unit of $0.14 compared to $0.15 in Q4 2017
- AFFO basic and diluted payout ratio of 106% and 107% compared to 101% and 102% in Q4 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 $0.15, AFFO basic and diluted per Unit would remain at $0.14, and AFFO basic and diluted payout ratios would be 105% and 106%, respectively
    - Increased revenue $8.4 million (53%) from Q4 2017
    - Increased NOI $4.5 million (45%) from Q4 2017 due to continued growth through acquisitions
    - Declared distributions of $0.0495 per Unit per month, totaling $9.1 million

Balance Sheet Strengths

- Entered into a credit agreement with a Canadian chartered bank for a $20 million unsecured revolving credit facility for a two-year term maturing December 1, 2020
- Indebtedness to GBV ratio of 57% at December 31, 2018
- Weighted average fixed interest rate of 3.41% at December 31, 2018
- Interest coverage ratio of 3.19x for the year ended December 31, 2018

Year-to-Date ("YTD") Highlights

- Completed two successful Unit offerings totaling 15,337,550 Units for aggregate gross proceeds of approximately $97.8 million
- Completed the acquisition of eight office properties in GTA and Ottawa, Ontario, Abbotsford and Burnaby, British Columbia and Calgary, Alberta totaling 863,150 square feet for $251.6 million plus closing costs
- Contractually leased and renewed approximately 350,000 square feet across the portfolio with an average lease term of 5.2 years
- Declared distributions of $0.0495 per Unit per month, totaling $33 million

Operating Results

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The REIT's portfolio continues to grow through acquisitions with a total of seventeen properties acquired since mid-2017, nine acquisitions in the latter half of 2017 and eight acquisitions in 2018. As a result, Q4 2018 revenue increased 53% to $24.9 million in Q4 2018. YTD 2018 revenue increased 55% year over year to $87 million. NOI increased by 45% to $14 million in Q4 2018 compared to Q4 2017. YTD 2018 NOI increased 49% year over year to $51 million.

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, Q4 2018 FFO basic and diluted per Unit would be $0.15, AFFO basic and diluted per Unit would remain at $0.15, and basic and diluted AFFO payout ratios would be 105% and 106%.

Excluding this dilution, YTD 2018 FFO basic and diluted per Unit would be $0.62, AFFO basic and diluted per Unit would be $0.60 and $0.59, respectively, and AFFO basic and diluted payout ratios would be 99% and 100%.

Same Property Results

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Same property NOI decreased $0.14 million or 1.6% compared to Q4 2017 partially due to a decline in same property occupancy in the New Brunswick portfolio from 94.1% in Q4 2017 to 91.1%. In addition, the impact of the Q1 2018 renewal with Alberta Infrastructure at 855 8th Avenue SW, Calgary, Alberta at lower rental rates continued to affect same property results. The REIT’s largest portfolio located in Ontario experienced an increase of 1.6% in same property NOI in Q4 2018 compared to Q4 2017.

The properties acquired in the latter half of 2017 had an occupancy rate of 93% upon acquisition which has increased to 96% at the end of 2018, the benefit of which will be recognized in future reporting periods. With the significant urbanization and increase in size of the REIT’s portfolio, management expects same property results to return to levels consistent with those achieved historically.

Liquidity and Capital Resources

As at December 31, 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 3.41%, with a weighted average term to maturity of 3.85 years. A total of 6.7% of the REIT’s mortgages mature in 2019. The interest coverage ratio for the year ended December 31, 2018 was 3.19 times.

As at December 31, 2018, the REIT had $2.5 million in cash and $46.2 million available in undrawn credit facilities.

Tenant Profile

Government and credit-rated tenants account for 36% and 43%, respectively or 79% combined, of the REIT's annualized gross revenue. As at December 31, 2018, the weighted average remaining lease term of the REIT's portfolio 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 46 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 or the REIT’s website at www.truenorthreit.com.

Non-IFRS measures

Certain terms used in this press release such 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 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, 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 months and year ended December 31, 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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