Mar 8, 2017

True North Commercial REIT Reports Strong Asset and Revenue Growth in 2016

Positions REIT for accretive cash flow metrics in 2017

/NOT FOR DISTRIBUTION IN THE U.S. OR OVER U.S. NEWSWIRES/

TORONTO, March 8, 2017 /CNW/ - True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced strong revenue growth for the three months and year ended December 31, 2016, positioning the REIT well for 2017.

"2016 was an important year for the REIT, highlighted by strong growth in gross rentable area of 34% during the second half. With the addition of four office properties and one industrial property in strategic urban markets during this time, the REIT is positioned for significant NOI and AFFO accretion in 2017," commented Daniel Drimmer, the REIT's President and Chief Executive Officer. "In addition, we see multiple opportunities to further expand our portfolio with attractive properties in strategic geographic areas that reflect our core strategy of tenanting our buildings with government and credit-rated tenants under long-term leases. With a healthy capital markets environment, we expect to execute on a number of acquisition transactions. At the same time, we continue to have a strong focus on ongoing internal value-add initiatives."

2016 Annual Highlights

- On July 20, 2016, the REIT issued 1,580,855 trust units ("Units") pursuant to a private placement for gross proceeds of $9.2 million
- On August 25, 2016 and November 9, 2016, completed public offerings of 5,324,000 Units for gross proceeds of $33.0 million and 4,531,000 Units for gross proceeds of $28.77 million, respectively
- Acquired five properties in urban markets for a total of $90.8 million plus closing costs, with a portion of the purchase price being satisfied from the private placement and August public unit offering
- Executed a lease renewal totaling 272,700 square feet with the Federal Government of Canada, the REIT's largest tenant, at 340 Laurier Avenue West, Ottawa, Ontario
- Industry-leading portfolio occupancy of 97.5%, with government and credit-rated tenants representing 87% of revenue
- Increased revenue from property operations by 11% to $41.4 million compared to 2015
- Increased Net Operating Income ("NOI") by 9% year-over-year
- Same property NOI increased 1.0% to $21.2 million in 2016
- Basic and diluted Funds from Operations ("FFO") of $0.62 per Unit compared to $0.67 for 2015

- Basic and diluted Adjusted Funds from Operations ("AFFO") of $0.61 and $0.60 per Unit, respectively, compared to $0.65 for 2015
- FFO and AFFO per Unit were impacted $0.032 per Unit by the timing differential between the public Unit offerings in Q3-2016 and Q4-2016 and the deployment of funds into target acquisitions
- Indebtedness to gross book value ratio decreased to 55.41% at December 31, 2016, compared to 59.53% at December 31, 2015
- Decreased weighted average fixed interest rate to 3.17%, compared to 3.34% in 2015
- Paid distributions of $12.5 million, representing $0.594 per Unit
- Ended the year with a strong balance sheet position with cash on hand of $24.8 million and undrawn credit facilities of $20 million available to fund future acquisitions

Fourth Quarter Highlights

- Revenue from property operations increased by 20% totaling $11.8 million compared to Q4 2015
- Same Property NOI increased 1.0% compared to Q4 2015; excluding 495 Prospect Street (detailed below)
- Basic and diluted FFO and AFFO per Unit of $0.14 compared to $0.17 in Q4 2015
- FFO and AFFO per Unit were impacted $0.031 per Unit by the timing differential between the public Unit offerings in Q3-2016 and Q4-2016 and the deployment of funds into target acquisitions
- Paid distributions of $4.0 million or $0.594 per Unit

Operating Results and Financial Position

	Three months ended		**Year ended**	
	December 31		**December 31**	
	2016	**2015**	**2016**	**2015**
Revenue	$11,762	$9,827	$41,351	$37,118
NOI	$6,927	$6,074	$24,917	$22,944
Income (loss) and comprehensive income (loss)	$1,730	$5,742	($101)	$16,471
FFO	$4,559	$3,751	$15,523	$13,924
FFO per Unit - basic	$0.14	$0.17	$0.62	$0.67
FFO per Unit - diluted	$0.14	$0.17	$0.62	$0.67
AFFO	$4,444	$3,620	$15,143	$13,593
AFFO per Unit - basic	$0.14	$0.17	$0.61	$0.65
AFFO per Unit - diluted	$0.14	$0.17	$0.60	$0.65
AFFO payout ratio - basic	105%	88%	98%	91%
AFFO payout ratio - diluted	106%	88%	99%	92%
Units outstanding for FFO and AFFO per Unit:				
Weighted average (000s) – basic	31,467	21,476	25,007	20,821
Add: Unexercised unit options	228	79	131	113
Weighted average (000s) – diluted	31,695	21,555	25,138	20,934

Occupancy for the portfolio, as at December 31, 2016, remained strong at 97.5%, which continues to lead the REIT's peer group.

Revenue in the fourth quarter of 2016 increased to $11.8 million, compared with $9.8 million in Q4 2015. NOI during Q4 2016 was $6.9 million, an increase from $6.1 million in the corresponding period of 2015. The quarter-over-quarter and year-over-year increases in revenue and NOI are primarily attributable to the REIT's acquisitions.

On a same property basis, Q4 2016 revenue and NOI was $10.3 million and $6.1 million, compared to $9.8 million and $6.1 million, in the corresponding period in 2015. The increase in quarter-over-quarter same property revenue was attributable to recovery revenue as a function of increased operating costs and realty taxes, as well as increased capital expenditures recoveries at certain properties. This increase was offset by the vacancy of two tenants at 495 Prospect Street for a portion of the quarter, but has since been partially leased. Property operating costs increased due to increased repairs and maintenance and HVAC repairs in addition to realty tax reassessments on two properties for previous years. Quarterly NOI decreased by 0.2% due to the above, excluding 495 Prospect Street, NOI increased by 1.0%.

For the fourth quarter of 2016, basic and diluted FFO was $0.14 per Unit, compared to $0.17 in Q4 2015. The REIT's basic and diluted AFFO payout ratio in the fourth quarter of 2016 was 105% and 106%, respectively compared to 88% in Q4 2015. Both FFO and AFFO on a per Unit basis were impacted by the timing differential of deploying funds into target acquisitions from the August and November public Unit offerings and accounted for $0.031 for fourth quarter and $0.032 for 2016.

Liquidity and Capital Resources

As at December 31, 2016, the REIT's indebtedness ("Indebtedness") to gross book value ("GBV") ratio was 55.41%, a level well within the 75% limit set out in the REIT's amended and restated declaration of trust dated May 22, 2014. The weighted average interest rate on the REIT's mortgage portfolio was 3.17%, and the weighted average term to maturity was 3.40 years. The REIT has minimal mortgage maturities until 2018, and all interest rates are fixed for the terms of their respective mortgages. At December 31, 2016, the REIT's $20 million credit facilities are undrawn.

Tenant Profile

As at December 31, 2016, the weighted average term to maturity of leases at the REIT's properties was 4.4 years. Government and credit rated tenants account for 54% and 33%, respectively or 87% combined, of the REIT's annualized gross revenue.

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 30 properties consisting of approximately 1.94 million square feet in urban cities 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 year ended December 31, 2016 ("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 concerning matters that are not historical facts.

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 will 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 AIF and MD&A at "Risks and Uncertainties". 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 that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions 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 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. 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.

SOURCE True North Commercial Real Estate Investment Trust

True North Commercial Real Estate Investment Trust

3280 Bloor Street West
Suite 1400, Centre Tower
Toronto, Ontario
M8X 2X3
+1 (416) 234-8444

ircommercial@truenorthreit.com

Transfer Agent

TSX Trust Company
100 Adelaide Street West
Suite 301
Toronto, Ontario
M5H 4H1
+1 (416) 361-0152