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True North Commercial REIT Reports Strong Performance in Q1 2017

Revenue and Net Operating Income both increase by 32%

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TORONTO, May 11, 2017 /CNW/ - True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced strong performance for the three months ended March 31, 2017.

First Quarter Highlights

- Revenue from property operations grew 32% to $13.0 million from $9.9 million in Q1 2016
    - Government and credit-rated tenants accounted for 87.0% of revenue
- Net Operating Income ("NOI") increased 32% to $7.8 million compared with Q1 2016
- Increased same property NOI by 3.4% compared to the same quarter last year
- Occupancy for the portfolio, as at March 31, 2017, remained strong at 97.5%
- Basic and diluted funds from operations ("FFO") per Unit decreased slightly to $0.15 compared with $0.16 in Q1 2016
- Basic and diluted adjusted funds from operations ("AFFO") per Unit remained consistent at $0.15 for Q1 2017 and Q1 2016
- Excluding the timing differential between the Unit offering in Q4-2016 and the deployment of funds into target acquisitions, FFO and AFFO per Unit would have been $0.17 or $0.02 greater per Unit
- Paid distributions of $0.0495 per Unit per month, totaling $4.2 million for the quarter

Subsequent to quarter end, the REIT announced on May 8, 2017 it had executed an early lease renewal with EMS Technologies Canada Ltd., a subsidiary of Honeywell International Inc., for 107,243 sq. ft. at 400 Maple Grove Road, Ottawa, Ontario, for a further seven years

"We experienced a strong start to 2017, with growth in both revenue and net operating income," commented Daniel Drimmer, the REIT's President and Chief Executive Officer. "Our adherence to our conservative strategy, which focuses on government and credit-rated tenants backed with long term leases in urban markets, allowed us to once again deliver improved financial results quarter over quarter in addition to providing value to our unitholders through a stable monthly distribution."

Operating Results and Financial Position

	Three months ended March 31	
	2017	**2016**

Revenue	$13,019	$9,876
NOI	$7,767	$5,866
Income (loss) and comprehensive income (loss)	$12,131	($600)
FFO	$5,062	$3,419
FFO per Unit - basic	$0.15	$0.16
FFO per Unit - diluted	$0.15	$0.16
AFFO	$4,918	$3,320
AFFO per Unit - basic	$0.15	$0.15
AFFO per Unit - diluted	$0.15	$0.15
AFFO payout ratio - basic	101%	97%
AFFO payout ratio - diluted	102%	97%
Units outstanding for FFO and AFFO per Unit:		
Weighted average (000s) – basic	33,534	21,583
Add: Unexercised unit options	366	78
Weighted average (000s) – diluted	33,900	21,661

During the first quarter of 2017 revenue increased to $13.0 million, compared with $9.9 million in the first quarter of 2016. NOI also grew during the quarter to $7.8 million, up from $5.9 million in Q1 2016. Revenue and NOI both increased 32% respectively as a result of REIT's acquisitions in the second half of 2016.

On a same property basis, revenue and NOI for Q1 2017 were $10.3 million and $6.1 million respectively, a moderate increase compared to $9.9 million and $5.9 million, in Q1 2016. The growth in same property revenue was largely due to project management fees earned in addition to an energy rebate received as a result of the LEED – EB Gold Certification Retro-Commissioning Project. Property expenses increased due to higher property operating costs as a result of increased repairs and maintenance and HVAC repairs in addition to higher realty tax reassessments on certain properties, offset by lower utilities at 340 Laurier Avenue West.

For the first quarter of 2017, basic and diluted FFO was $0.15 per Unit, compared to $0.16 in Q1 2016. The REIT's basic and diluted AFFO payout ratio in the first quarter of 2017 was 101% and 102%, respectively compared to 97% in Q1 2016. Both FFO and AFFO on a per Unit basis were impacted by the timing differential of deploying funds into target acquisitions from the November Unit offering which accounted for $0.02 per unit for the first quarter of 2017.

Liquidity and Capital Resources

As at March 31, 2017, the REIT's indebtedness ("Indebtedness") to gross book value ("GBV") ratio was 54.05%, 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 3.18%, and the weighted average term to maturity was 3.35 years. The REIT has minimal mortgage maturities until 2018, and all interest rates are fixed for the terms of their respective mortgages. Additionally, the majority of mortgage maturities in 2017 have been refinanced. At March 31, 2017, the REIT's $20 million credit facilities are undrawn.

Tenant Profile

Government and credit rated tenants account for 54% and 33%, respectively or 87% combined, of the REIT's annualized gross revenue. As at March 31, 2017, the weighted average term to maturity of leases at the REIT's properties was 4.2 years.

Outlook

"Looking at the remainder of 2017, we will continue to assess opportunities to further expand our portfolio with accretive properties in strategic markets," continued Mr. Drimmer. "Our targeted properties will continue to be those that are in-line with our proven strategy of tenanting our buildings with government and credit-rated tenants under long-term leases in urban markets. With a robust balance sheet and funds available from our previous offering we are well positioned to execute on a number of acquisition transactions as they become available."

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 quarter ended March 31, 2017 ("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 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 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