True North Commercial REIT Reports Q4 2021 and Year End Results

Acquisition of 52,000 square foot, government tenanted, office property in Victoria, BC and continued strong rent collection of 99.5%

208,200 square feet leased/renewed with a WALT of 4.8 years during Q4 2021

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TORONTO, ON – March 2, 2022 – 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, 2021.

“The REIT has reported another quarter of stable operating results including industry leading rent collections. Our disciplined approach over the years of ensuring a quality tenant base has allowed the REIT to successfully navigate the challenges of the past twenty four months," stated Leslie Veiner, the REIT’s Chief Executive Officer. "With case numbers decreasing and restrictions starting to ease in all our markets, we are starting to see an increase in leasing activity and remain optimistic that these positive trends will continue going forward into 2022".

Q4 Highlights

- Acquired a 52,000 square foot office property located at 1112 Fort Street, Victoria, British Columbia for approximately $22 million plus closing costs.
- Collected approximately 99.5% of contractual rent in Q4 2021.
- Contractually leased and renewed approximately 208,200 square feet with a weighted average lease term of 4.8 years and a 0.3% increase over expiring base rents.
- Portfolio occupancy of 96% with an average remaining lease term of 4.4 years.
- Access to $65.5 million of Available Funds at the end of Q4 2021.
- Revenue and net operating income ("NOI") decreased 2% and 1%, respectively compared to Q4 2020. The majority of which can be attributed to the disposition activity in the first half of 2021 offset by an acquisition completed in Q4 2021 and an increase in same property NOI ("Same Property NOI") of 0.6%.
- Same Property NOI experienced an overall increase of 0.6%, which can be attributed to higher rental rates on lease renewals and one-time termination payments.
- Funds from operations ("FFO") and adjusted funds from operations ("AFFO") basic per Unit remained stable compared to Q4 2020 at $0.15 and $0.14 respectively
- FFO diluted per Unit decreased $0.01 to $0.14 and AFFO diluted per Unit remained stable at $0.14.

YTD Highlights

- In Q2 2021, the REIT completed the sale of 529 Exmouth Street, Sarnia, Ontario and 5900 Explorer Drive, Mississauga, Ontario for a sale price of $1.85 million and $11.9 million (before transaction costs) respectively.
- Collected approximately 99.5% of contractual rent during 2021.
- Contractually leased and renewed approximately 735,100 square feet with a weighted average lease term of 4.7 years and a 1.6% increase over expiring base rents.

Key Performance Indicators

	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Number of properties			46	47
Portfolio GLA			4,799,600 sf	4,798,300 sf
Occupancy			96 %	98%
Remaining weighted average lease term			4.4 years	4.7 years
Revenue from government and credit rated tenants			76 %	75%
Revenue	$ 35,461	$ 36,189	$ 138,523	$ 139,431
NOI (1)	20,451	20,741	82,627	83,742
Net income and comprehensive income	18,916	8,299	51,004	39,752
Same Property NOI (1)	22,083	21,960	88,405	87,977
FFO (1)	$ 13,309	$ 13,213	$ 53,800	$ 53,207
FFO per Unit - basic (1)	0.15	0.15	0.59	0.60
FFO per Unit - diluted (1)	0.14	0.15	0.59	0.59
AFFO (1)	$ 12,866	$ 12,743	$ 51,408	$ 51,089
AFFO per Unit - basic (1)	0.14	0.14	0.57	0.57
AFFO per Unit - diluted (1)	0.14	0.14	0.56	0.57
AFFO payout ratio - diluted (1)	106 %	105 %	106 %	104 %
Distributions declared	$ 13,579	$ 13,382	$ 53,973	$ 53,139

Operating Results

Revenue and NOI decreased by 2% (YTD 2020 - 1%) and 1% (YTD 2020 - 1%), respectively, compared to Q4 2020. The main contributor to the decline was the disposition activity in the first half of 2021 offset by an acquisition completed in Q4 2021 and an increase in Same Property NOI of 0.6%. One disposition was located in a smaller tertiary market and reflects the REIT's strategy to focus on office properties in larger urban markets. The second disposition totaling 40,000 square feet was an opportunistic sale of a smaller property with the sale price above both the original purchase price and IFRS value.

Q4 2021 FFO basic per Unit remained at $0.15 and Q4 2021 FFO diluted per Unit decreased $0.01 to $0.14. AFFO basic and diluted per Unit remained stable at $0.14.

On October 13, 2021, the REIT acquired a 52,000 square foot office property located at 1112 Fort Street, Victoria, British Columbia for approximately $22 million plus closing costs. The purchase price was satisfied by first mortgage financing of approximately $14.3 million with an interest rate of 2.49% for a five-year term and cash on hand.

Same Property NOI(1)

Occupancy	As at December 31 2021	2020
Alberta	96.5 %	96.1 %
British Columbia	100.0 %	100.0 %
New Brunswick	89.3 %	93.7 %
Nova Scotia	97.5 %	92.8 %
Ontario	95.9 %	99.0 %
Total	95.6 %	97.6 %

NOI	Q4 2021	Q4 2020	Variance	Variance %
Alberta	$ 3,465	$ 3,704	$ (239)	(6.5)%
British Columbia	1,250	1,263	(13)	(1.0)%
New Brunswick	1,264	1,256	8	0.6 %
Nova Scotia	1,828	1,591	237	14.9 %
Ontario	14,276	14,146	130	0.9 %
	$ 22,083	$ 21,960	$ 123	0.6 %

Q4 2021 Same Property NOI increased 0.6% and 0.5% YTD 2021.

(1) This is a non-IFRS financial measure. Refer to the Non-IFRS financial measures section below.

Same Property NOI in Alberta decreased 6.5% in Q4 2021 mainly driven by the REIT's downtown Calgary property which was impacted by lower rental rates. New Brunswick same property occupancy decreased mainly due to a partial lease surrender and a tenant that downsized on lease renewal. Same Property NOI in New Brunswick increased due to termination fees and NOI from a new 10,200 square foot lease that commenced in Q2 2021. Nova Scotia continues to be positively impacted from a new 22,000 square foot short term lease.

While occupancy has decreased in the REIT's Ontario portfolio, Same Property NOI has increased 0.9% compared to the same period in 2020. The increase is mainly due to higher rental rates associated with a 78,000 square foot lease expiry in Q2 and Q3 of 2020, of which 95% was re-leased with revenue commencing in the first half of 2021. Termination fees also contributed to increased Same Property NOI. This increase was offset by higher vacancy in the Greater Toronto Area portfolio mainly due to a tenant downsizing on lease renewal.

Excluding termination fees, Same Property NOI for the quarter decreased 1.4% and 0.3% YTD 2021.

Debt and Liquidity

	December 31, 2021	December 31, 2020
Indebtedness to GBV ratio [(1)]	57.7 %	57.8 %
Interest coverage ratio [(1)]	3.02 x	2.96 x
Indebtedness - weighted average fixed interest rate	3.31 %	3.37 %
Indebtedness - weighted average term to maturity	3.70 years	4.06 years

As at December 31, 2021, Indebtedness to GBV ratio was 57.7%, 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 3.31%, with a weighted average term to maturity of 3.70 years.

During the year ended December 31, 2021, the REIT refinanced a total of $111.0 million of mortgages with a weighted average fixed interest rate of 2.89% (0.26% basis points lower than existing rates) for five to seven year terms providing the REIT with additional liquidity of approximately $23.2 million. The REIT is continuing to explore early refinancing opportunities and is currently working on refinancing the 2022 debt maturities.

COVID-19 Update

- Collections remain strong with approximately 99.5% of contractual rents collected for the three months and year ended December 31.
- The Canada Emergency Rent Subsidy ("CERS") program was established to assist businesses experiencing a significant drop in revenue as a result of the COVID-19 pandemic. Five tenants participated in the CERS program and the REIT recognized $0.07 million expense in property operating costs representing its rental provision granted to tenants for the year ended December 31, 2021. The program ended on October 23, 2021.
- The REIT deferred a total of $0.45 million of rental payments for certain tenants since the start of the pandemic. As of December 31, 2021, all deferred rental payments had been received.

With close to 80% of Canada's population having received two doses of the COVID-19 vaccine and almost 40% of the population having received their booster shot as of the end of January 2022, there continues to be widespread optimism that employers can initiate or restart return-to-office plans in the near-term. However, uncertainty surrounding case counts and hospitalization rates remain as a result of new COVID-19 variants of concern that are more transmissible with the potential to carry increased health risks. As emergency measures start to ease in many provinces and territories and several pandemic restrictions are lifted earlier than originally scheduled, the uncertainty created by variants of concern and potential further closures of certain businesses could impact the REIT's business and operations for a prolonged period.

It remains difficult to predict the continued impact of COVID-19 on the REIT's business and operations, both in the short and long-term. Certain aspects of the REIT's business and operations that could

[(1)] This is a non-IFRS financial measure. Refer to the Non-IFRS financial measures section below.

potentially be impacted include, without limitation, rental income, occupancy, tenant inducements, future demand for space and market rents, all of which ultimately impact the underlying valuation of the REIT's investment properties and its ability to maintain its distributions to Unitholders.

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 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 financial measures

Certain terms used in this press release such as FFO, AFFO, FFO and AFFO payout ratios, NOI, 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 Available Funds are not measures defined by 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, FFO and AFFO payout ratios, NOI, Same Property NOI, Indebtedness, GBV, Indebtedness to GBV ratio, Adjusted EBITDA, interest coverage ratio, adjusted cash provided by operating activities and Available Funds 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 financial measures are set out in the REIT's Management's Discussion and Analysis for the three months and year ended December 31, 2021 and the Annual Information Form are available on the REIT's profile at www.sedar.com.

Reconciliation of Non-IFRS financial measures

The following tables reconcile the non-IFRS financial measures to the comparable IFRS measures for the three months and year ended December 31, 2021 and 2020. These non-IFRS financial measures do not have any standardized meanings prescribed by IFRS and may not be comparable to similar measures presented by other issuers.

NOI

The following table calculates the REIT's net operating income, a non-IFRS financial measure:

	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Revenue	$ 35,461	$ 36,189	$ 138,523	$ 139,431
Expenses:				
Property operating costs	(10,016)	(10,316)	(35,940)	(35,062)
Realty taxes	(4,994)	(5,132)	(19,956)	(20,627)
NOI	$ 20,451	$ 20,741	$ 82,627	$ 83,742

Same Property NOI

Same Property NOI is measured as the net operating income for the properties owned and operated by the REIT for the current and comparative period. The following table reconciles the REIT's Same Property NOI to NOI:

	Three months ended December 31		Years ended December 31	
	2021	**2020**	**2021**	**2020**
Number of properties	45	45	45	45
Revenue	$ 35,059	$ 35,769	$ 137,455	$ 137,647
Expenses:				
Property operating	(9,923)	(10,206)	(35,688)	(34,648)
Realty taxes	(4,940)	(5,059)	(19,801)	(20,285)
	$ 20,196	$ 20,504	$ 81,966	$ 82,714
Add:				
Amortization of leasing costs and tenant inducements	1,652	1,129	5,929	4,071
Straight-line rent	235	327	510	1,192
Same Property NOI	$ 22,083	$ 21,960	$ 88,405	$ 87,977
Reconciliation to financial statements:				
Acquisitions and dispositions	255	255	675	1,126
Amortization of leasing costs and tenant inducements	(1,652)	(1,146)	(5,943)	(4,150)
Straight-line rent	(235)	(328)	(510)	(1,211)
NOI	$ 20,451	$ 20,741	$ 82,627	$ 83,742

FFO and AFFO

The following table reconciles the REIT's FFO and AFFO to net income and comprehensive income, for the three months and years ended December 31, 2021 and 2020:

	Three months ended December 31		Years ended December 31	
	2021	**2020**	**2021**	**2020**
Net income and comprehensive income	$ 18,916	$ 8,299	$ 51,004	$ 39,752
Add (deduct):				
Fair value adjustment of Unit-based compensation	108	188	801	(44)
Fair value adjustment of investment properties	(7,361)	1,115	(6,219)	5,712
Fair value adjustment of Class B LP Units	514	2,314	3,601	(3,778)
Transaction costs on sale of investment property	—	73	623	233
Distributions on Class B LP Units	449	573	1,884	2,291
Unrealized loss on change in fair value of derivative instruments	(969)	(495)	(3,837)	4,891
Amortization of leasing costs and tenant inducements	1,652	1,146	5,943	4,150
FFO	$ 13,309	$ 13,213	$ 53,800	$ 53,207
Add (deduct):				
Unit-based compensation expense	115	91	448	256
Amortization of financing costs	401	306	1,372	1,161
Amortization of mortgage discounts	(12)	(14)	(51)	(31)
Installment note receipts	25	27	105	115
Straight-line rent	235	328	510	1,211
Capital reserve	(1,207)	(1,208)	(4,776)	(4,830)
AFFO	$ 12,866	$ 12,743	$ 51,408	$ 51,089
FFO per Unit:				
Basic	$ 0.15	$ 0.15	$ 0.59	$ 0.60
Diluted	$ 0.14	$ 0.15	$ 0.59	$ 0.59
AFFO per Unit:				
Basic	$ 0.14	$ 0.14	$ 0.57	$ 0.57
Diluted	$ 0.14	$ 0.14	$ 0.56	$ 0.57
AFFO payout ratio:				
Basic	105 %	105 %	105 %	104 %
Diluted	106 %	105 %	106 %	104 %
Distributions declared	$ 13,579	$ 13,382	$ 53,973	$ 53,139
Weighted average Units outstanding (000s):				
Basic	91,312	90,044	90,799	89,392
Add:				
Unit options and Incentive Units	622	428	753	389
Diluted	91,934	90,472	91,552	89,781

Indebtedness to GBV Ratio

The table below calculates the REIT's Indebtedness to GBV ratio as at December 31, 2021 and 2020. The Indebtedness to GBV ratio is calculated by dividing the indebtedness by GBV:

	December 31, 2021	**December 31, 2020**
Total assets	$ 1,421,177	$ 1,404,882
Deferred financing costs	7,171	6,300
GBV	$ 1,428,348	$ 1,411,182
Mortgages payable	820,402	812,489
Unamortized financing costs and mark to market mortgage adjustments	3,977	3,860
Indebtedness	$ 824,379	$ 816,349
Indebtedness to GBV	**57.7 %**	**57.8 %**

Adjusted EBITDA

The table below reconciles the REIT's adjusted EBITDA to net income and comprehensive income for the years ended December 31, 2021 and 2020:

		December 31, 2021		December 31, 2020
Net income and comprehensive income	$	51,004	$	39,752
Add (deduct):				
Interest expense		27,344		27,746
Fair value adjustment of Unit-based compensation		801		(44)
Transaction costs on sale of investment property		623		233
Fair value adjustment of investment properties		(6,219)		5,712
Fair value adjustment of Class B LP Units		3,601		(3,778)
Distributions on Class B LP Units		1,884		2,291
Unrealized loss on change in fair value of derivative instruments		(3,837)		4,891
Amortization of leasing costs, tenant inducements, mortgage premium (discounts) and financing costs		7,264		5,280
Adjusted EBITDA	$	82,465	$	82,083

Interest Coverage Ratio

The table below calculates the REIT's interest coverage ratio for the years ended December 31, 2021 and 2020. The interest coverage ratio is calculated by dividing Adjusted EBITDA by interest expense.

		December 31, 2021		December 31, 2020
Adjusted EBITDA	$	82,465	$	82,083
Interest expense		27,344		27,746
Interest coverage ratio		3.02 x		2.96 x

Available Funds

The table below calculates the REIT's Available Funds as at December 31, 2021 and 2020:

		December 31, 2021		December 31, 2020
Cash	$	5,476	$	24,580
Undrawn Credit Facility		60,000		60,000
Available Funds	$	65,476	$	84,580

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 that 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 a number of risks and uncertainties, including statements regarding the outlook for the REIT's business and results of operations and the effect of the coronavirus (SARS-CoV-2) ("COVID-19") pandemic on the REIT's business and operations. 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 Units, risks related to the REIT and its business, and any risks related to the uncertainties surrounding the duration and the direct and indirect impact of the COVID-19 pandemic on the business, operations and financial condition of the REIT and its tenants, as well as on consumer behavior and the economy in general, including the ability to enforce leases, perform capital expenditure work, increase rents, raise capital through the issuance of Units or other securities of the REIT and obtain mortgage financing on the REIT's properties. The foregoing is not an exhaustive list of factors that may affect the REIT's forward-looking statements. Other risks and uncertainties not presently known 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 the performance of its 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, continuing 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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