True North Commercial REIT Reports Q1 2022 Results and Re-Appointment of Daniel Drimmer as Chief Executive Officer

Positive leasing activity and strong rent collections of 99.5%

153,300 sq ft leased/renewed with a WALT of 5.5 years

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TORONTO, ON – May 5, 2022 – True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced its financial results for the three months ended March 31, 2022.

"We were encouraged by the increased leasing momentum in the quarter" stated Tracy Sherren, the REIT's President and Chief Financial Officer. "The further lifting of almost all COVID-19 restrictions contributed to this trend and we expect the positive impact to continue as tenants implement their return to office plans".

Q1 Highlights

- Collected approximately 99.5% of contractual rent in Q1 2022.
- Contractually leased and renewed approximately 153,300 square feet with a weighted average lease term of 5.5 years and a 3.8% increase over expiring base rents.
- Portfolio occupancy of 96% with an average remaining lease term of 4.3 years.
- Revenue and net operating income ("NOI") have increased 4% and 5%, respectively, compared to Q1 2021 driven by higher same property NOI ("Same Property NOI") and the Q4 2021 acquisition partially offset by disposition activity in Q2 2021 and higher amortization of leasing costs and straight line rent adjustments.
- Same Property NOI experienced an overall increase of 8.1%, which can be attributed to termination fees relating to a tenant in the REIT's GTA portfolio that is downsizing a portion of their space effective December, 2022. Excluding termination fees, Same Property NOI decreased 1.3%.
- Funds from operations ("FFO") and adjusted funds from operations ("AFFO") per Unit on both a basic and diluted basis increased to $0.16, an increase of $0.01 and $0.02 respectively compared to Q1 2021.
- Access to $63.7 million of Available Funds at the end of Q1 2022.

Subsequent Events

- On April 11, 2022, the REIT entered into an agreement of purchase and sale to dispose 32071 South Fraser, Abbotsford, British Columbia totaling 52,300 square feet for a price of approximately $24 million. Closing is expected to be on or about June 30, 2023.
- On April 21, 2022 the REIT filed a prospectus supplement to establish an at-the-market equity program (the "ATM Program") that allows the REIT to issue and sell up to $50 million of Units to the public, from time to time, at the REIT's discretion. Units sold under the ATM Program will be sold through the Toronto Stock Exchange or on other marketplaces to the extent permitted at prevailing market prices at the time of sale. The REIT intends to use the net proceeds from the ATM Program, if any, to fund potential future acquisitions and for general trust purposes.

The REIT's presentation currency is the Canadian dollar. Unless otherwise stated, dollar amounts expressed in this press release are in thousands of dollars.

Key Performance Indicators

	Three months ended March 31	
	2022	**2021**
Number of properties	46	47
Portfolio GLA	4,799,700 sf	4,800,200 sf
Occupancy	96 %	97 %
Remaining weighted average lease term	4.3 years	4.7 years
Revenue from government and credit rated tenants	76 %	75 %
Revenue	$ 36,327	$ 34,944
NOI [(1)]	22,194	21,090
Net income and comprehensive income	14,909	9,720
Same Property NOI [(1)]	23,862	22,082
FFO [(1)]	$ 14,776	$ 13,511
FFO per Unit - basic [(1)]	0.16	0.15
FFO per Unit - diluted [(1)]	0.16	0.15
AFFO [(1)]	$ 14,617	$ 12,786
AFFO per Unit - basic [(1)]	0.16	0.14
AFFO per Unit - diluted [(1)]	0.16	0.14
AFFO payout ratio - diluted [(1)]	94 %	106 %
Distributions declared	$ 13,680	$ 13,421

Operating Results

Revenue and NOI increased compared to Q1 2021 as a result of Same Property NOI growth of 8.1% and additional NOI from the Q4-2021 acquisition partially offset by the disposition activity in Q2 2021 and higher amortization of leasing costs and straight line rent adjustments.

The REIT's FFO and AFFO increased $1.3 million, or 9% and $1.8 million, or 14%, respectively compared to Q1 2021. FFO and AFFO benefited from higher NOI from an acquisition completed in Q4 2021 as well as a positive contribution from Same Property NOI, partially offset by property dispositions in Q2 2021. FFO basic and diluted per Unit increased $0.01 to $0.16. AFFO basic and diluted per Unit increased $0.02 to $0.16

Excluding termination fees, FFO basic and diluted per Unit would be $0.14 and AFFO basic and diluted per Unit would be $0.14 and $0.13, respectively. AFFO basic and diluted payout ratio would be 110%.

Same Property NOI[(1)]

	As at March 31	
Occupancy	**2022**	**2021**
Alberta	96.9 %	96.6 %
British Columbia	100.0 %	100.0 %
New Brunswick	82.4 %	91.3 %
Nova Scotia	98.2 %	91.6 %
Ontario	96.5 %	98.7 %
Total	95.5 %	97.1 %

NOI	**Q1 2022**	**Q1 2021**	**Variance**	**Variance %**
Alberta	$ 3,486	$ 3,456	$ 30	0.9 %
British Columbia	1,294	1,266	28	2.2 %
New Brunswick	1,075	1,258	(183)	(14.5)%
Nova Scotia	1,759	1,666	93	5.6 %
Ontario	16,248	14,436	1,812	12.6 %
	$ 23,862	$ 22,082	$ 1,780	8.1 %

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

Same Property NOI increased 8.1% compared to the same period in 2021.

Same Property NOI in Alberta increased by 0.9% when compared to the same period in 2021 which is the result of a new lease that commenced in Q4 2021 at the REIT's suburban Calgary property. British Columbia was positively impacted by contractual rent increases. New Brunswick decreased mainly due to lower occupancy as a result of certain tenants downsizing which was partially offset by termination fees. Management is confident that occupancy in New Brunswick will return to historical levels in early 2023. Nova Scotia continues to benefit from a 22,000 square foot short-term lease.

Same Property NOI in Ontario increased by 12.6% mostly due to termination fees. Termination fees primarily relate to a tenant in the REIT's GTA portfolio that is downsizing a portion of their space effective December, 2022. This increase was offset by higher vacancy in the GTA portfolio, of which approximately 40% has been contractually re-leased with revenue commencing in the second half of 2022 and at various dates throughout 2023.

Excluding termination fees, Same Property NOI decreased 1.3%.

Debt and Liquidity

	March 31, 2022	December 31, 2021
Indebtedness to GBV ratio [1]	57.7 %	57.7 %
Interest coverage ratio [1]	3.06 x	3.02 x
Indebtedness - weighted average fixed interest rate	3.32 %	3.31 %
Indebtedness - weighted average term to maturity	3.64 years	3.70 years

As at March 31, 2022, 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 3.32%, with a weighted average term to maturity of 3.64 years.

During the quarter, the REIT refinanced a total of $31.6 million of mortgages with a weighted average fixed interest rate of 3.32% and terms ranging from three to seven years, providing the REIT with additional liquidity of approximately $5.7 million.

COVID-19 Update

- Collections remain strong with approximately 99.5% of contractual rents collected for the three months ended March 31, 2022.
- The Canadian Emergency Rent Subsidy program ended during Q4-2021 and new programs have been introduced including the Hardest-Hit Business Recovery Program. These programs assist businesses experiencing a significant drop in revenue as a result of the COVID-19 pandemic. The REIT recognized $.043 million expense relating to bad debt provisions for the three months ended March 31, 2022.

Although new subvariants of COVID-19 continue to emerge, almost all COVID-19 restrictions were lifted across the country by the end of the first quarter of 2022. With over 80% of the population having received two doses of the COVID-19 vaccine and over 47% of the population having received their third dose as of March 31, 2022, many employers have initiated or re-started return-to-office plans. Most employers have established health and safety protocols to help reduce the spread of COVID-19 such as mandating masks (in common areas), vaccination requirements (based on employer), COVID-19 screening before entering the office and other tools to keep the workplace environment safe for employees.

While management remains optimistic regarding a broader scale return-to-office towards the end of the year, the movement and timing will ultimately depend on the course of the pandemic. It continues to be difficult to predict the duration and extent of the 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 potentially be impacted include, without limitation, rental income, occupancy, future demand for office 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.

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

Re-Appointment of Daniel Drimmer as Chief Executive Officer

Effective immediately, the REIT is pleased to announce that Mr. Daniel Drimmer has been re-appointed as Chief Executive Officer on a full-time basis, replacing Leslie Veiner who will continue at Starlight Investments in a senior executive capacity.

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 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 measures are set out in the REIT's Management's Discussion and Analysis for the three months ended March 31, 2022 (“MD&A”) and the Annual Information Form (“AIF”) 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 ended March 31, 2022 and 2021. 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 March 31	
	2022	**2021**
Revenue	$ 36,327	$ 34,944
Expenses:		
Property operating costs	(9,071)	(8,525)
Realty taxes	(5,062)	(5,329)
NOI	$ 22,194	$ 21,090

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 March 31	
	2022	**2021**
Number of properties	45	45
Revenue	$ 35,838	$ 34,570
Expenses:		
Property operating	(8,949)	(8,455)
Realty taxes	(4,988)	(5,262)
	$ 21,901	$ 20,853
Add:		
Amortization of leasing costs and tenant inducements	1,579	1,200
Straight-line rent	382	29
Same Property NOI	$ 23,862	$ 22,082
Reconciliation to condensed consolidated interim financial statements:		
Acquisitions and dispositions	290	251
Amortization of leasing costs and tenant inducements	(1,579)	(1,214)
Straight-line rent	(379)	(29)
NOI	$ 22,194	$ 21,090

FFO and AFFO

The following table reconciles the REIT's FFO and AFFO to net income and comprehensive income, for the three months ended March 31, 2022 and 2021:

	Three months ended March 31	
	2022	**2021**
Net income and comprehensive income	$ 14,909	$ 9,720
Add (deduct):		
Fair value adjustment of Unit-based compensation	(124)	285
Fair value adjustment of investment properties	1,670	2,348
Fair value adjustment of Class B LP Units	(755)	1,895
Distributions on Class B LP Units	449	504
Unrealized (gain) on change in fair value of derivative instruments	(2,951)	(2,455)
Amortization of leasing costs and tenant inducements	1,578	1,214
FFO	$ 14,776	$ 13,511
Add (deduct):		
Unit-based compensation expense	265	96
Amortization of financing costs	376	319
Amortization of mortgage discounts	(13)	(13)
Instalment note receipts	17	27
Straight-line rent	379	29
Capital reserve	(1,183)	(1,183)
AFFO	$ 14,617	$ 12,786
FFO per Unit:		
Basic	$ 0.16	$ 0.15
Diluted	$ 0.16	$ 0.15
AFFO per Unit:		
Basic	$ 0.16	$ 0.14
Diluted	$ 0.16	$ 0.14
AFFO payout ratio:		
Basic	94 %	105 %
Diluted	94 %	106 %
Distributions declared	$ 13,680	$ 13,421
Weighted average Units outstanding (000s):		
Basic	92,052	90,360
Add:		
Unit options and Incentive Units	548	986
Diluted	92,600	91,346

Indebtedness to GBV Ratio

The table below calculates the REIT's Indebtedness to GBV ratio as at March 31, 2022 and December 31, 2021. The Indebtedness to GBV ratio is calculated by dividing the indebtedness by GBV:

	March 31, 2022	**December 31, 2021**
Total assets	$ 1,427,438	$ 1,421,177
Deferred financing costs	7,074	7,171
GBV	$ 1,434,512	$ 1,428,348
Mortgages payable	820,348	820,402
Credit Facility	3,000	—
Unamortized financing costs and mark to market mortgage adjustments	3,839	3,977
Indebtedness	$ 827,187	$ 824,379
Indebtedness to GBV	**57.7 %**	**57.7 %**

Adjusted EBITDA

The table below reconciles the REIT's adjusted EBITDA to net income and comprehensive income for twelve months period ended March 31, 2022 and 2021:

	Twelve months ended March 31	
	2022	**2021**
Net income and comprehensive income	$ 56,193	$ 31,862
Add (deduct):		
Interest expense	27,360	27,702
Fair value adjustment of Unit-based compensation	392	630
Transaction costs on sale of investment property	623	233
Fair value adjustment of investment properties	(6,897)	9,236
Fair value adjustment of Class B LP Units	951	7,487
Distributions on Class B LP Units	1,829	2,222
Unrealized loss on change in fair value of derivative instruments	(4,333)	(2,658)
Amortization of leasing costs, tenant inducements, mortgage premium (discounts) and financing costs	7,685	5,699
Adjusted EBITDA	$ 83,803	$ 82,413

Interest Coverage Ratio

The table below calculates the REIT's interest coverage ratio for the 12 month period ended March 31, 2022 and 2021. The interest coverage ratio is calculated by dividing Adjusted EBITDA by interest expense.

	Twelve months ended March 31	
	2022	**2021**
Adjusted EBITDA	$ 83,803	$ 82,413
Interest expense	27,360	27,702
Interest coverage ratio	3.06 x	2.97 x

Available Funds

The table below calculates the REIT's Available Funds as at March 31, 2022 and December 31, 2021:

	March 31, 2022	**December 31, 2021**
Cash	$ 6,697	$ 5,476
Undrawn Credit Facility	57,000	60,000
Available Funds	$ 63,697	$ 65,476

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.

For further information:

Daniel Drimmer
Chief Executive Officer
(416) 234-8444

or

Tracy Sherren
President and Chief Financial Officer
(416) 234-8444