True North Commercial REIT Reports Q2 2022 Results

Positive leasing momentum and strong rent collections continued at 99.5%

176,100 sq ft leased/renewed with a WALT of 4.9 years

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TORONTO, ON – August 3, 2022 – True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced its financial results for the three and six months ended June 30, 2022.

"The REIT continues to benefit from positive leasing momentum, high rent collections and stable occupancy in the first half of 2022" stated Daniel Drimmer, the REIT's Chief Executive Officer. "Management is optimistic that the positive trends in leasing will continue in the second half of 2022 and beyond as employers continue the transition to return to office".

Q2 Highlights

- Collected approximately 99.5% of contractual rent.
- Contractually leased and renewed approximately 176,100 square feet with a weighted average lease term of 4.9 years and a 5.5% 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") increased 4% and 6%, respectively, compared to Q2 2021 driven by higher same property NOI ("Same Property NOI") and Q4 2021 acquisition.
- Same Property NOI experienced an overall increase of 7.2% due 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 2.2%.
- 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 Q2 2021.
- $58.5 million of Available Funds at the end of Q2 2022.

YTD Highlights

- Collected approximately 99.5% of contractual rent.
- Contractually leased and renewed approximately 329,400 square feet with a weighted average lease term of 5.2 years and a 4.7% increase over expiring base rents.

Subsequent Events

- On July 14, 2022, the REIT announced it had agreed to acquire a 174,000 square foot office property located at 400 Cumberland Street, Ottawa Ontario for approximately $40.5 million, plus closing costs with the redeployment of proceeds from the forward sale of 32071 South Fraser Way, Abbotsford, British Columbia. The purchase price will be satisfied by a combination of mortgage financing of approximately $30.4 million and the REIT's secured credit facility. Closing is expected to occur on or about August 15, 2022

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 June 30		Six months ended June 30	
	2022	**2021**	**2022**	**2021**
Number of properties			46	45
Portfolio GLA			4,801,100 sf	4,744,700 sf
Occupancy			96 %	97 %
Remaining weighted average lease term			4.3 years	4.7 years
Revenue from government and credit rated tenants			76 %	76 %
Revenue	$ 35,120	$ 33,896	$ 71,447	$ 68,840
NOI [1]	21,685	20,531	43,879	41,621
Net income and comprehensive income	15,482	6,521	30,391	16,241
Same Property NOI [1]	23,574	21,997	47,435	44,084
FFO [1]	$ 14,423	$ 13,436	$ 29,199	$ 26,947
FFO per Unit - basic [1]	0.16	0.15	0.32	0.30
FFO per Unit - diluted [1]	0.16	0.15	0.32	0.29
AFFO [1]	$ 14,341	$ 12,816	$ 28,958	$ 25,602
AFFO per Unit - basic [1]	0.16	0.14	0.31	0.28
AFFO per Unit - diluted [1]	0.16	0.14	0.31	0.28
AFFO payout ratio - diluted [1]	96 %	106 %	95 %	106 %
Distributions declared	$ 13,720	$ 13,467	$ 27,400	$ 26,888

Operating Results

Q2 2022 revenue and NOI increased 4% (YTD 2022 - 4%) and 6% (YTD 2022 - 5%), respectively when compared to the same period in 2021. The main contributor was the increase in Same Property NOI of 7.2% (YTD 2022 - 7.6%) and additional NOI from the Q4 2021 acquisition, partially offset by disposition activity in Q2 2021 and higher amortization of leasing costs and straight line rent adjustments.

Q2 2022 FFO and AFFO increased $987 (YTD 2022 - $2,252), and $1,525 (YTD 2022 - $3,356), respectively compared to the same period in 2021.

Q2 2022 FFO basic and diluted per Unit increased $0.01 to $0.16 and AFFO basic and diluted per Unit increased $0.02 to $0.16 over the comparable period. YTD 2022 FFO basic and diluted per Unit increased $0.02 and $0.03, respectively, to $0.32 and AFFO basic and diluted per Unit increased $0.03 to $0.31 compared to YTD 2021.

Excluding termination fees, Q2 2022 FFO and AFFO basic and diluted per Unit would be $0.13 and YTD 2022 FFO and AFFO basic and diluted per Unit would be $0.27. Q2 2022 AFFO basic and diluted payout ratio would be 112% and YTD 2022 AFFO basic and diluted payout ratio would be 111%.

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

Same Property NOI[1]

Occupancy	As at June 30 2022	2021
Alberta	95.7 %	96.6 %
British Columbia	98.7 %	100.0 %
New Brunswick	83.8 %	91.4 %
Nova Scotia	96.9 %	97.5 %
Ontario	96.7 %	97.8 %
Total	95.4 %	97.1 %

NOI	Q2 2022	Q2 2021	Variance	Variance %
Alberta	$ 3,475	$ 3,442	$ 33	1.0 %
British Columbia	1,305	1,251	54	4.3 %
New Brunswick	1,000	1,263	(263)	(20.8)%
Nova Scotia	1,719	1,611	108	6.7 %
Ontario	16,075	14,430	1,645	11.4 %
	$ 23,574	$ 21,997	$ 1,577	7.2 %

Q2 2022 Same Property NOI increased 7.2% and 7.6% YTD 2022.

Despite a decrease in occupancy, Alberta Same Property NOI increased by 1.0% due to a new lease that commenced in Q4 2021. Same property occupancy in British Columbia decreased due to a lease expiry at the end of Q2 2022 while Same Property NOI was positively impacted by contractual rent increases. New Brunswick Same Property NOI decreased as a result of certain tenants downsizing, however approximately 30% has been contractually re-leased with revenue commencing in the latter half of 2022. Same Property NOI in Nova Scotia increased due to a new lease that commenced in Q3 2021 and contractual rent step ups.

Ontario Same Property NOI increased by 11.4% mostly due to termination fees related 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 47% has been contractually re-leased with commencement dates in the second half of 2022 and throughout 2023.

Excluding termination fees, Q2 2022 Same Property NOI decreased 2.2% and 1.8% YTD 2022.

Debt and Liquidity

	June 30, 2022	December 31, 2021
Indebtedness to GBV ratio [1]	57.5 %	57.7 %
Interest coverage ratio [1]	3.09 x	3.02 x
Indebtedness - weighted average fixed interest rate	3.32 %	3.31 %
Indebtedness - weighted average term to maturity	3.39 years	3.70 years

At the end of Q2 2022, the REIT had access to Available Funds of approximately $58.5 million, and a weighted average maturity of 3.39 years for its mortgage portfolio with a weighted average fixed interest rate of 3.32%.

Subsequent to quarter end, the REIT refinanced an additional $47 million of mortgages with a weighted average fixed interest rate of 4.61% for one to five year terms, providing additional liquidity of $10.8 million.

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

COVID-19 Update

The Federal government announced the availability of the fourth dose of the COVID-19 vaccine in Q2 2022 and more COVID-19 restrictions were lifted across the country. With over 80% of Canada's population having received two doses of the COVID-19 vaccine and over 48% of the population having received their third dose at the end of June 2022, many employers are continuing with their return-to-office plans. Most employers still maintain 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.

The REIT continues to experience strong rent collections and positive leasing activity despite the continuation of the COVID-19 pandemic. As of August 3, 2022, the REIT had collected, approximately 99.5% of its Q2-2022 and YTD-2022 contractual rent.

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 may impact the underlying valuation of the REIT's investment properties and its ability to maintain its distributions. Further disruptions caused by the imposition of future lockdowns and emergency measures may negatively impact, among other things: the ability of the REIT to collect rent and implement rent increases; economic activity in regions where the REIT's investment properties are located; the REIT's property operating costs and expenses as part of additional subsidy programs; and the REIT's ability to raise capital (which, in turn, could materially impact the REIT's business strategy) and the ability to maintain the REIT's distributions. The uncertainty created by variants of concern and potential future closures of certain businesses could impact the REIT's business and operations for a prolonged period.

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 and six months ended June 30, 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 and six months ended June 30, 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 June 30		Six months ended June 30	
	2022	**2021**	**2022**	**2021**
Revenue	$ 35,120	$ 33,896	$ 71,447	$ 68,840
Expenses:				
Property operating costs	(8,451)	(8,387)	(17,522)	(16,912)
Realty taxes	(4,984)	(4,978)	(10,046)	(10,307)
NOI	$ 21,685	$ 20,531	$ 43,879	$ 41,621

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 June 30		Six months ended June 30	
	2022	**2021**	**2022**	**2021**
Number of properties	45	45	45	45
Revenue	$ 34,648	$ 33,605	70,486	$ 68,175
Expenses:				
Property operating	(8,351)	(8,297)	(17,300)	(16,747)
Realty taxes	(4,913)	(4,944)	(9,901)	(10,206)
	$ 21,384	$ 20,364	43,285	$ 41,222
Add:				
Amortization of leasing costs and tenant inducements	1,610	1,516	3,188	2,716
Straight-line rent	580	117	962	146
Same Property NOI	$ 23,574	$ 21,997	47,435	$ 44,084
Reconciliation to financial statements:				
Acquisitions and dispositions	298	169	588	415
Amortization of leasing costs and tenant inducements	(1,610)	(1,518)	(3,188)	(2,732)
Straight-line rent	(577)	(117)	(956)	(146)
NOI	$ 21,685	$ 20,531	43,879	$ 41,621

FFO and AFFO

The following table reconciles the REIT's FFO and AFFO to net income and comprehensive income, for the three and six months ended June 30, 2022 and 2021:

	Three months ended June 30		Six months ended June 30	
	2022	**2021**	**2022**	**2021**
Net income and comprehensive income	$ 15,482	$ 6,521	$ 30,391	$ 16,241
Add (deduct):				
Fair value adjustment of Unit-based compensation	(358)	448	(482)	733
Fair value adjustment of investment properties	1,610	2,166	3,280	4,514
Fair value adjustment of Class B LP Units	(2,661)	1,706	(3,416)	3,601
Transaction costs on sale of investment property	—	623	—	623
Distributions on Class B LP Units	449	469	898	973
Unrealized gain on change in fair value of derivative instruments	(1,709)	(15)	(4,660)	(2,470)
Amortization of leasing costs and tenant inducements	1,610	1,518	3,188	2,732
FFO	$ 14,423	$ 13,436	$ 29,199	$ 26,947
Add (deduct):				
Unit-based compensation expense	183	125	448	221
Amortization of financing costs	352	315	728	634
Amortization of mortgage discounts	(12)	(13)	(25)	(26)
Instalment note receipts	15	26	32	53
Straight-line rent	577	117	956	146
Capital reserve	(1,197)	(1,190)	(2,380)	(2,373)
AFFO	$ 14,341	$ 12,816	$ 28,958	$ 25,602
FFO per Unit:				
Basic	$ 0.16	$ 0.15	$ 0.32	$ 0.30
Diluted	$ 0.16	$ 0.15	$ 0.32	$ 0.29
AFFO per Unit:				
Basic	$ 0.16	$ 0.14	$ 0.31	$ 0.28
Diluted	$ 0.16	$ 0.14	$ 0.31	$ 0.28
AFFO payout ratio:				
Basic	96 %	105 %	95 %	105 %
Diluted	96 %	106 %	95 %	106 %
Distributions declared	$ 13,720	$ 13,467	$ 27,400	$ 26,888
Weighted average Units outstanding (000s):				
Basic	92,338	90,634	92,196	90,498
Add:				
Unit options and Incentive Units	126	809	130	898
Diluted	92,464	91,443	92,326	91,396

Indebtedness to GBV Ratio

The table below calculates the REIT's Indebtedness to GBV ratio as at June 30, 2022 and December 31, 2021. The Indebtedness to GBV ratio is calculated by dividing the indebtedness by GBV:

	June 30, 2022	**December 31, 2021**
Total assets	$ 1,432,342	$ 1,421,177
Deferred financing costs	7,132	7,171
GBV	$ 1,439,474	$ 1,428,348
Mortgages payable	814,566	820,402
Credit Facility	9,600	—
Unamortized financing costs and mark to market mortgage adjustments	3,557	3,977
Indebtedness	$ 827,723	$ 824,379
Indebtedness to GBV	57.5 %	57.7 %

Adjusted EBITDA

The table below reconciles the REIT's adjusted EBITDA to net income and comprehensive income for twelve months period ended June 30, 2022 and 2021:

	Twelve months ended June 30	
	2022	**2021**
Net income and comprehensive income	$ 65,154	$ 33,921
Add (deduct):		
Interest expense	27,444	27,563
Fair value adjustment of Unit-based compensation	(414)	940
Transaction costs on sale of investment property	—	856
Fair value adjustment of investment properties	(7,453)	7,435
Fair value adjustment of Class B LP Units	(3,416)	6,494
Distributions on Class B LP Units	1,809	2,119
Unrealized loss on change in fair value of derivative instruments	(6,027)	(3,208)
Amortization of leasing costs, tenant inducements, mortgage premium and financing costs	7,815	6,142
Adjusted EBITDA	$ 84,912	$ 82,262

Interest Coverage Ratio

The table below calculates the REIT's interest coverage ratio for the 12 month period ended June 30, 2022 and 2021. The interest coverage ratio is calculated by dividing Adjusted EBITDA by interest expense.

	Twelve months ended June 30	
	2022	**2021**
Adjusted EBITDA	$ 84,912	$ 82,262
Interest expense	27,444	27,563
Interest coverage ratio	3.09 x	2.98 x

Available Funds

The table below calculates the REIT's Available Funds as at June 30, 2022 and December 31, 2021:

	June 30, 2022	**December 31, 2021**
Cash	$ 8,085	$ 5,476
Undrawn Credit Facility	50,400	60,000
Available Funds	$ 58,485	$ 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 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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