



## True North Commercial REIT Reports Q3-2022 Results

***174,000 square foot, Federal government tenanted acquisition in Ottawa, ON and continued positive leasing momentum***

***198,300 sq ft leased/renewed with a WALT of 6.4 years during Q3-2022***

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**TORONTO, ON – November 2, 2022** – True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the “REIT”) today announced its financial results for the three and nine months ended September 30, 2022.

“This quarter included the acquisition of a downtown Ottawa property with the highest quality tenant in Canada which exemplifies the REIT’s commitment to generate stable cash flows. Positive leasing momentum continued in the quarter showing that tenants are committed to quality space and formalizing their return to office plans” stated Daniel Drimmer, the REIT’s Chief Executive Officer.

### **Q3 Highlights**

- Acquired a 174,000 square foot office property located at 400 Cumberland Street, Ottawa Ontario for approximately \$40.5 million plus closing costs.
- Collected approximately 99.5% of contractual rent.
- Contractually leased and renewed approximately 198,300 square feet with a weighted average lease term of 6.4 years and a 1.3% increase over expiring base rents.
- Portfolio occupancy of 95% with an average remaining lease term of 4.4 years.
- Revenue and net operating income (“NOI”) increased 7% and 7%, respectively, compared to Q3-2021 driven by higher same property NOI (“Same Property NOI”) and acquisition activity.
- Same Property NOI experienced an overall increase of 5.9% 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 2.8%.
- Funds from operations (“FFO”) basic and diluted per Unit remained stable at \$0.15, and adjusted funds from operations (“AFFO”) basic and diluted per Unit increased \$0.01 to \$0.15 compared to Q3-2021.
- \$71.6 million of Available Funds at the end of Q3-2022.

### **YTD Highlights**

- Collected approximately 99.5% of contractual rent.
- Contractually leased and renewed approximately 527,700 square feet with a weighted average lease term of 5.6 years and a 3.6% increase over expiring base rents.

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		Nine months ended					
	September 30		September 30					
	2022	2021	2022	2021				
Number of properties			47	45				
Portfolio GLA			4,975,200 sf	4,745,300 sf				
Occupancy			95 %	96 %				
Remaining weighted average lease term			4.4 years	4.6 years				
Revenue from government and credit rated tenants			80 %	76 %				
Revenue	\$	36,677	\$	34,222	\$	108,124	\$	103,062
NOI <sup>(1)</sup>		21,976		20,555		65,855		62,176
Net income and comprehensive income		8,046		15,847		38,437		32,088
Same Property NOI <sup>(1)</sup>		23,552		22,242		70,987		66,326
FFO <sup>(1)</sup>	\$	14,436	\$	13,544	\$	43,635	\$	40,491
FFO per Unit - basic <sup>(1)</sup>		0.15		0.15		0.47		0.45
FFO per Unit - diluted <sup>(1)</sup>		0.15		0.15		0.47		0.44
AFFO <sup>(1)</sup>	\$	14,290	\$	12,940	\$	43,248	\$	38,542
AFFO per Unit - basic <sup>(1)</sup>		0.15		0.14		0.47		0.43
AFFO per Unit - diluted <sup>(1)</sup>		0.15		0.14		0.47		0.42
AFFO payout ratio - diluted <sup>(1)</sup>		97 %		105 %		95 %		106 %
Distributions declared	\$	13,900	\$	13,506	\$	41,300	\$	40,394

## Operating Results

Q3-2022 revenue and NOI increased 7% (YTD-2022 - 5% and 6% ), respectively when compared to the same period in 2021. The main contributor was the increase in Same Property NOI of 5.9% (YTD-2022 - 7.0%) combined with additional NOI from the acquisitions in Q4-2021 and Q3-2022, 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 \$892 (YTD-2022 - \$3,144) and \$1,350 (YTD-2022 - \$4,706), respectively in Q3-2022 over the comparable period.

Q3-2022 FFO basic and diluted per Unit remained stable at \$0.15. Q3-2022 AFFO basic and diluted per Unit increased \$0.01 to \$0.15. YTD-2022 FFO basic and diluted per Unit increased \$0.02 and \$0.03, respectively, to \$0.47. YTD-2022 AFFO basic and diluted per Unit increased \$0.04 and \$0.05, respectively to \$0.47.

Excluding termination fees, Q3-2022 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 \$0.40. Q3-2022 AFFO basic and diluted payout ratio would be 113% and YTD-2022 AFFO basic and diluted payout ratio would be 112%.

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

## Same Property NOI<sup>(1)</sup>

Occupancy	As at September 30		Three months ended September 30				
	2022	2021	NOI	Q3 2022	Q3 2021	Variance	Variance %
Alberta	94.4 %	97.1 %	Alberta	\$ 3,540	\$ 3,608	\$ (68)	(1.9)%
British Columbia	98.7 %	100.0 %	British Columbia	1,290	1,266	24	1.9 %
New Brunswick	88.8 %	90.7 %	New Brunswick	1,014	1,218	(204)	(16.7)%
Nova Scotia	97.5 %	96.7 %	Nova Scotia	1,752	1,726	26	1.5 %
Ontario	94.9 %	95.6 %	Ontario	15,956	14,424	1,532	10.6 %
Total	94.6 %	95.6 %		\$ 23,552	\$ 22,242	\$ 1,310	5.9 %

Q3-2022 Same Property NOI increased 5.9% and 7.0% YTD-2022.

Alberta Same Property NOI decreased due to termination fees received in Q3-2021. Same property occupancy in British Columbia decreased due to a lease expiry at the end of Q2-2022, NOI was positively impacted by contractual rent increases. New Brunswick Same Property NOI experienced a decline due to lower occupancy as certain tenants downsized on renewal. The REIT's Miramichi property saw positive leasing activity this quarter with the completion of a 24,500 square feet lease with rent commencing in 2023. Same Property NOI in Nova Scotia increased due to a 3,200 square feet new lease that commenced in Q3-2021 and contractual rent step ups.

While occupancy has decreased in the REIT's Ontario portfolio, Same Property NOI increased by 10.6% mainly due to termination fees. Termination fees relate to a tenant in the REIT's GTA portfolio that is downsizing a portion of their space effective December 2022, of which approximately 28% has been contractually re-leased.

Excluding termination fees, Q3-2022 Same Property NOI decreased 2.8% and 2.1% YTD-2022.

## Debt and Liquidity

	September 30, 2022	December 31, 2021
Indebtedness to GBV ratio <sup>(1)</sup>	58.4 %	57.7 %
Interest coverage ratio <sup>(1)</sup>	3.09 x	3.02 x
Indebtedness - weighted average fixed interest rate	3.46 %	3.31 %
Indebtedness - weighted average term to maturity	3.31 years	3.70 years

As at September 30, 2022, the REIT's mortgage portfolio had a weighted average maturity of 3.31 years with a weighted average fixed interest rate of 3.46%. During the quarter, the REIT refinanced a total of \$51,250 (YTD-2022 - \$82,820) of mortgages with a weighted average fixed interest rate of 4.68% (YTD-2022 - 4.16%) for one to five year terms, providing the REIT with additional liquidity of approximately \$15,000 (YTD-2022 - \$20,600). Subsequent to quarter end, the REIT refinanced \$23,800 of mortgages with a weighted average fixed interest rate of 5.32% for a five year term, providing the REIT with additional liquidity of approximately \$5,500.

On August 19, 2022, the REIT renewed its credit facility for a further two years maturing December 1, 2024 which included an increase from \$60,000 to \$68,000, with the additional \$8,000 expiring on June 30, 2023 to align with the sale of the Abbotsford Property.

At the end of Q3-2022, the REIT had access to Available Funds of approximately \$71.6 million.

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

## **Economic Conditions and COVID-19 Update**

The REIT continues to monitor the post pandemic economic environment and the after effects of COVID-19. The current economic environment has become difficult to predict with record high inflation along with significant interest rate hikes by the Bank of Canada. We have experienced a delayed response in return to office initiatives due to health concerns and a shift in employee expectations resulting in lower than anticipated physical occupancy levels in 2022. As a result of the pandemic, some companies have adapted to a flexible hybrid work model causing tenants to re-assess their space requirements. Employers continue to remain focused on providing employees with amenity rich spaces and providing a physical environment that will help build a cultural hub and community in order to draw employees back to the office.

The REIT continues to experience strong rent collections and positive leasing activity. As of November 2, 2022, the REIT had collected, approximately 99.5% of its Q3-2022 and YTD-2022 contractual rent.

It continues to be difficult to predict the continuing impact of COVID-19 and rising interest rates and inflation 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.

## **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 47 commercial properties consisting of approximately 5.0 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](http://www.sedar.com) or the REIT's website at [www.truenorthreit.com](http://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 nine months ended September 30, 2022 ("MD&A") and the Annual Information Form ("AIF") are available on the REIT's profile at [www.sedar.com](http://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 nine months ended September 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 September 30		Nine months ended September 30	
	2022	2021	2022	2021
Revenue	\$ 36,677	\$ 34,222	\$ 108,124	\$ 103,062
Expenses:				
Property operating costs	(9,526)	(9,012)	(27,048)	(25,924)
Realty taxes	(5,175)	(4,655)	(15,221)	(14,962)
NOI	\$ 21,976	\$ 20,555	\$ 65,855	\$ 62,176

### 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 September 30		Nine months ended September 30	
	2022	2021	2022	2021
Number of properties	45	45	45	45
Revenue	\$ 35,704	\$ 34,221	106,190	\$ 102,396
Expenses:				
Property operating	(9,313)	(9,012)	(26,613)	(25,758)
Realty taxes	(5,008)	(4,655)	(14,909)	(14,861)
	\$ 21,383	\$ 20,554	64,668	\$ 61,777
Add:				
Amortization of leasing costs and tenant inducements	1,584	1,558	4,772	4,274
Straight-line rent	585	130	1,547	275
Same Property NOI	\$ 23,552	\$ 22,242	70,987	\$ 66,326
Reconciliation to financial statements:				
Acquisitions and dispositions	589	1	1,177	416
Amortization of leasing costs and tenant inducements	(1,584)	(1,559)	(4,772)	(4,291)
Straight-line rent	(581)	(129)	(1,537)	(275)
NOI	\$ 21,976	\$ 20,555	65,855	\$ 62,176

### FFO and AFFO

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
<b>Net income and comprehensive income</b>	\$ 8,046	\$ 15,847	\$ 38,437	\$ 32,088
Add (deduct):				
Fair value adjustment of Unit-based compensation	(105)	(40)	(587)	693
Fair value adjustment of investment properties	6,842	(3,372)	10,122	1,142
Fair value adjustment of Class B LP Units	(1,629)	(514)	(5,045)	3,087
Transaction costs on sale of investment property	—	—	—	623
Distributions on Class B LP Units	400	462	1,298	1,435
Unrealized gain on change in fair value of derivative instruments	(702)	(398)	(5,362)	(2,868)
Amortization of leasing costs and tenant inducements	1,584	1,559	4,772	4,291
<b>FFO</b>	\$ 14,436	\$ 13,544	\$ 43,635	\$ 40,491
Add (deduct):				
Unit-based compensation expense	93	112	541	333
Amortization of financing costs	405	337	1,133	971
Amortization of mortgage discounts	(11)	(13)	(36)	(39)
Instalment note receipts	15	27	47	80
Straight-line rent	581	129	1,537	275
Capital reserve	(1,229)	(1,196)	(3,609)	(3,569)
<b>AFFO</b>	\$ 14,290	\$ 12,940	\$ 43,248	\$ 38,542
<b>FFO per Unit:</b>				
Basic	\$ 0.15	\$ 0.15	\$ 0.47	\$ 0.45
Diluted	\$ 0.15	\$ 0.15	\$ 0.47	\$ 0.44
<b>AFFO per Unit:</b>				
Basic	\$ 0.15	\$ 0.14	\$ 0.47	\$ 0.43
Diluted	\$ 0.15	\$ 0.14	\$ 0.47	\$ 0.42
<b>AFFO payout ratio:</b>				
Basic	97 %	104 %	95 %	105 %
Diluted	97 %	105 %	95 %	106 %
Distributions declared	\$ 13,900	\$ 13,506	\$ 41,300	\$ 40,394
<b>Weighted average Units outstanding (000s):</b>				
Basic	93,408	90,909	92,604	90,636
Add:				
Unit options and Incentive Units	26	601	95	797
Diluted	93,434	91,510	92,699	91,433

### Indebtedness to GBV Ratio

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

	September 30, 2022	December 31, 2021
Total assets	\$ 1,467,614	\$ 1,421,177
Deferred financing costs	7,600	7,171
GBV	\$ 1,475,214	\$ 1,428,348
Mortgages payable	854,082	820,402
Credit Facility	4,100	—
Unamortized financing costs and mark to market mortgage adjustments	3,810	3,977
Indebtedness	\$ 861,992	\$ 824,379
Indebtedness to GBV	58.4 %	57.7 %

### Adjusted EBITDA

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

	Twelve months ended September 30	
	2022	2021
Net income and comprehensive income	\$ 57,353	\$ 40,387
Add (deduct):		
Interest expense	27,978	27,402
Fair value adjustment of Unit-based compensation	(479)	881
Transaction costs on sale of investment property	—	696
Fair value adjustment of investment properties	2,761	2,257
Fair value adjustment of Class B LP Units	(4,531)	5,401
Distributions on Class B LP Units	1,747	2,008
Unrealized loss on change in fair value of derivative instruments	(6,331)	(3,363)
Amortization of leasing costs, tenant inducements, mortgage premium and financing costs	7,910	6,661
Adjusted EBITDA	\$ 86,408	\$ 82,330

### Interest Coverage Ratio

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

	Twelve months ended September 30	
	2022	2021
Adjusted EBITDA	\$ 86,408	\$ 82,330
Interest expense	27,978	27,563
Interest coverage ratio	3.09 x	3.00 x

### Available Funds

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

	September 30, 2022	December 31, 2021
Cash	\$ 7,736	\$ 5,476
Undrawn Credit Facility	63,900	60,000
Available Funds	\$ 71,636	\$ 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, the ability of the REIT to manage inflation and rising interest rates, 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; fluctuating mortgage and interest rates and general economic conditions, including increased levels of inflation; credit, market, operational and liquidity risks generally; the effectiveness, acceptance and availability of vaccines (including third and fourth doses), as well as the duration of associated immunity and efficacy of the vaccines against variants of COVID-19 which may prolong the impact of COVID-19 on the Canadian economy; and the direct and indirect impacts 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 fluctuating mortgage and interest rates, inflation and COVID-19; (c) the factors, risks and uncertainties expressed above in regards to vaccines and the impact on COVID-19 on the commercial real estate industry, property occupancy levels and the REIT; (d) credit, market, operational, and liquidity risks generally; (e) 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 (f) 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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