True North Commercial REIT Reports Q1-2024 Results

Strategic disposition of four non-core assets at a gross sale price of $61.4 million and continuation of accretive trust unit repurchase strategy at an inferred distribution yield of 17.5%[2] under the normal course issuer bid

140,600 sq ft leased/renewed at a 2.6% increase over expiring base rents with a weighted average lease term of 5.8 years during Q1-2024

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TORONTO, ON – May 7, 2024 – True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced its financial results for the three months ended March 31, 2024.

"The first quarter of 2024 saw strong leasing activity by the REIT as well as a continued focus on our strategic initiative of strengthening the REIT's financial and liquidity position," stated Daniel Drimmer, the REIT's Chief Executive Officer. "The REIT successfully closed the sale of three non-core dispositions subsequent to quarter end and will continue to focus on the immediately accretive normal course issuer bid repurchase program whereby the trust units of the REIT can currently be repurchased at a significant discount to the REIT's net asset value per trust unit and at an inferred distribution yield of approximately 17.5%[2]."

On November 24, 2023 the REIT executed a consolidation of its trust units ("Units"), special voting Units of the REIT and the class B Limited Partnership Units of the REIT ("Class B LP Units") on the basis of 5.75:1. All Unit and per Unit amounts noted within have been retroactively adjusted to reflect the Unit consolidation. The REIT's presentation currency is the Canadian dollar. Unless otherwise stated, dollar amounts expressed in this press release are in thousands of dollars.

Q1 2024 Highlights

- Portfolio occupancy as at March 31, 2024 remained above average occupancy for the markets in which the REIT operates at approximately 90% with an average remaining lease term of 4.4 years excluding investment properties held for sale.
- The REIT contractually leased and renewed approximately 140,600 square feet with a weighted average lease term of 5.8 years and a 2.6% increase over expiring base rents.
- Revenue and net operating income ("NOI")[1] decreased 4% and 11%, respectively, both including and excluding investment properties held for sale, when compared to the first quarter of 2023 ("Q1 2023"). The decrease was driven by lease expiries in the second and fourth quarter of 2023 of 115,000 and 148,000 square feet, respectively, at properties in the REIT's Alberta and Greater Toronto Area ("GTA") portfolio where the tenant did not renew which was partially offset by a 6.7% increase in same property NOI[1] excluding assets held for sale (1.7% including assets held for sale) ("Same Property NOI").
- Funds from operations ("FFO")[1] and adjusted funds from operations ("AFFO")[1] basic and diluted per Unit decreased $0.10 to $0.56 and $0.07 to $0.57 relative to Q1-2023 due to the changes in NOI[1] described above and higher financing costs driven by a higher average balance outstanding on the REIT's credit facility ("Credit Facility").
- $36.4 million of available funds ("Available Funds")[1] at the end of the first quarter of 2024. From the commencement of the normal course issuer bid in April 2024 (the "2024 NCIB") to the date of this filing, the REIT had repurchased and cancelled 92,013 Units for $0.85 million at a weighted average price of $9.24 per Unit under the 2024 NCIB which represented an inferred distribution yield of approximately 18.5%[3].

(1) This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".
(2) Estimated using the $1.70775 per Unit distribution prior to reallocating funds used for distributions to the NCIB and the closing market price of the REIT on May 6, 2024. (3) Estimated using the $1.70775 per Unit distribution prior to reallocating funds used for distributions to the NCIB and the weighted average price the REIT repurchased Units at under the NCIB.

- The REIT continued to reallocate funds previously used to fund distributions for the repurchase and cancellation of 624,860 Units for $5,763 under the normal course issuers bid (the "2023 NCIB") during the three months ended March 31, 2024 at a weighted average price of $9.56 per Unit representing an inferred distribution yield of 17.9%[(1)]. From April 1, 2024 to the date of filing, the REIT repurchased and cancelled an additional 159,560 Units and 92,013 Units for $1.5 million and $0.85 million, respectively, under the 2023 NCIB and 2024 NCIB at a weighted average price of $9.13 and $9.24 per Unit representing an inferred distribution yield of 18.7%[(1)] and 18.5%[(1)].
- The REIT refinanced a $12,946 mortgage for a one year term and lower interest rate relative to the expiring rate, which represents approximately 16% of mortgages maturing in 2024 with the majority of the remaining 2024 debt maturities occurring towards the end of 2024 on loans with large Canadian financial institutions with whom the REIT and their asset manager have strong relationships.

Subsequent Events

- Subsequent to March 31, 2024, the REIT completed the sale of 251 Arvin Avenue located in Hamilton, Ontario for a sale price of $2,700, 6865 Century Avenue located in Mississauga, Ontario for a sale price of $15,300 and 135 Hunter Street East located in Hamilton, Ontario for a sale price of $6,375.
- Subsequent to March 31, 2024, the REIT entered into an unconditional agreement of purchase and sale to dispose of 9200 Glenlyon Parkway, Burnaby, British Columbia for a sale price of $37,000 that is expected to close on or about June 27, 2024. Together with the dispositions above, the REIT will generate estimated net proceeds of approximately $19,000 which it intends to use to repay existing indebtedness on its credit facility. The REIT also will continue to repurchase units under its 2024 NCIB, enhancing unitholder value by allocating available capital to generate the highest potential return.
- On April 17, 2024, the REIT established the 2024 NCIB, as approved by the Toronto Stock Exchange ("TSX"). Under the 2024 NCIB, the REIT has the ability to purchase for cancellation up to a maximum of 1,334,889 of its Units, representing 10% of the REIT's public float of 13,348,894 Units through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Unit equal to the market price at the time of acquisition. The 2024 NCIB became effective April 18, 2024 and will remain in place until the earlier of April 17, 2025 and the date on which the REIT has purchased the maximum number of Units permitted under the 2024 NCIB. Any Units acquired through the 2024 NCIB will be cancelled.
- The REIT intends to continue to purchase Units under the 2024 NCIB until the release of the Q2-2024 results in August of 2024 at which point the REIT will will evaluate the continuation of the 2024 NCIB or the reinstatement of a distribution as operating and capital market conditions improve.

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

[(1)] Estimated using the $1.70775 per Unit distribution prior to reallocating funds used for distributions to the NCIB and the weighted average price the REIT repurchased Units at under the NCIB.

Key Performance Indicators

	Three months ended March 31	
	2024	**2023**
Number of properties	44	46
Portfolio GLA	4,792,600 sf	4,950,300 sf
Occupancy (1)	90 %	91 %
Remaining weighted average lease term (1)	4.4 years	4.3 years
Revenue from government and credit rated tenants	77 %	80 %
Revenue	$ 32,464	$ 33,858
NOI (2)	16,586	18,638
Net income and comprehensive income	5,138	6,995
Same Property NOI (2)	19,993	19,700
FFO (2)	$ 8,841	$ 10,743
FFO per Unit - basic (2)	0.56	0.65
FFO per Unit - diluted (2)	0.56	0.65
AFFO (2)	$ 9,060	$ 10,581
AFFO per Unit - basic (2)	0.57	0.64
AFFO per Unit - diluted (2)	0.57	0.64
AFFO payout ratio - diluted (2)	— %	111 %
Distributions declared	$ —	$ 11,695

(1) Excludes investment properties held for sale.
(2) This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".
(3) Estimated using the $1.70775 per Unit distribution prior to reallocating funds used for distributions to the NCIB and the weighted average price the REIT repurchased Units at under the NCIB.

Operating Results

During Q1-2024, revenue and NOI decreased 4% and 11%, respectively both including and excluding investment properties held for sale relative to Q1-2023. The main contributor was the 148,000 square foot lease expiry in the fourth quarter of 2023 at a property in Alberta, a 115,000 square foot lease expiry in Q2-2023 at 3650 Victoria Park Avenue, Toronto, Ontario (the "Victoria Park Property"), lower occupancy from certain tenants in the REIT's Nova Scotia portfolio not renewing upon lease maturity in Q4-2023, combined with the disposition activity in 2023 (the "Primary Variance Drivers"). The decrease was partially offset by higher Same Property NOI.

Q1-2024 FFO and AFFO decreased $1,902 and $1,521, respectively compared to the same period in 2023. FFO and AFFO were negatively impacted by the Primary Variance Drivers, combined with higher financing costs as a result of higher interest rates on mortgage refinancings and higher interest expense on the Credit Facility. FFO and AFFO benefited from contractual rent increases, termination income and positive leasing activity primarily in the GTA and New Brunswick.

Q1-2024 FFO and AFFO basic and diluted per Unit decreased $0.10 to $0.56 and $0.07 to $0.57, respectively, over the comparable period.

Same Property NOI(1)

Occupancy (2)	As at March 31 2024	As at March 31 2023
Alberta	70.3 %	94.4 %
British Columbia	100.0 %	97.8 %
New Brunswick	86.7 %	85.5 %
Nova Scotia	81.0 %	96.2 %
Ontario	95.8 %	93.2 %
Total	90.1 %	93.0 %

NOI	Q1 2024	Q1 2023	Variance	Variance %
Alberta	$ 2,929	$ 3,518	$ (589)	(16.7)%
British Columbia	797	764	33	4.3 %
New Brunswick	1,261	791	470	59.4 %
Nova Scotia	1,100	1,680	(580)	(34.5)%
Ontario	13,215	11,341	1,874	16.5 %
	$ 19,302	$ 18,094	$ 1,208	6.7 %

Q1-2024 Same Property NOI increased by 6.7% excluding investment properties held for sale. Same Property NOI in Alberta decreased due to a lease maturity at one of the properties in Q4-2023 where the tenant did not renew. This was partially offset by contractual rent increases at another property.

New Brunswick Same Property NOI increased as a result of a new leases that commenced in the second and third quarter of 2023 on previously vacant space, coupled with 141,000 square feet of government renewals across three properties at higher rental rates and project management fees earned on tenant projects. Same Property NOI in Nova Scotia decreased due to lower occupancy from certain tenants not renewing upon lease maturity in Q4-2023 which was partially offset by contractual rent increases and new lease commencements.

Ontario Same Property NOI increased mainly due to new leases that commenced throughout 2023 on previously vacant space combined with higher rental revenue from a property in the Ottawa portfolio due to the free rent provided to a tenant in 2023 as part of the new lease term that commenced in addition to termination fees received from a tenant in the REIT's GTA portfolio that is terminating their lease at the end of 2024. The decrease in NOI generated from investment properties held for sale was due to the lead tenant vacating a property in the REIT's GTA portfolio on expiry in the second quarter of 2023.

Debt and Liquidity

	March 31, 2024	December 31, 2023
Indebtedness to GBV ratio [1]	62.1 %	61.9 %
Interest coverage ratio [1]	2.23 x	2.30 x
Indebtedness [1] - weighted average fixed interest rate	3.88 %	3.90 %
Indebtedness [1] - weighted average term to maturity	2.78 years	3.01 years

At the end of Q1-2024, the REIT had access to Available Funds of approximately $36,398, and a weighted average term to maturity of 2.78 years in its mortgage portfolio with a weighted average fixed interest rate of 3.88%. During the quarter, the REIT refinanced $12,946 of mortgages with a weighted average fixed interest rate of 7.41% for a one year term which represents approximately 16% of mortgages maturing during the year with the majority of the remaining debt maturities occurring towards the end of 2024 on loans with large Canadian financial institutions with whom the REIT and Starlight have strong relationships.

(1) This is a non-IFRS financial measure. Refer to the Non-IFRS financial measures section below.
(2) Excludes investment properties held for sale.

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 44 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.sedarplus.ca 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, net asset value ("NAV") per Unit 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, 2024 ("MD&A") and the Annual Information Form are available on the REIT's profile at www.sedarplus.ca.

Reconciliation of Non-IFRS financial measures

The following tables reconcile the non-IFRS financial measures to the comparable IFRS measures for the three amonths ended March 31, 2024 and 2023. 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	
	2024	2023
Revenue	$ 32,464	$ 33,858
Expenses:		
Property operating costs	(10,802)	(9,907)
Realty taxes	(5,076)	(5,313)
NOI	$ 16,586	$ 18,638

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	
	2024	2023
Number of properties	44	44
Revenue	$ 32,464	$ 32,703
Expenses:		
Property operating	(10,802)	(9,699)
Realty taxes	(5,076)	(5,095)
	$ 16,586	$ 17,909
Add:		
Amortization of leasing costs and tenant inducements	2,441	2,029
Straight-line rent	966	(238)
Same Property NOI	$ 19,993	$ 19,700
Less: Investment properties held for sale	691	1,606
Same Property NOI excluding investment properties held for sale	$ 19,302	$ 18,094
Reconciliation to condensed consolidated interim financial statements:		
Acquisitions, dispositions and investment properties held for sale	691	2,349
Amortization of leasing costs and tenant inducements	(2,441)	(2,038)
Straight-line rent	(966)	233
NOI	$ 16,586	$ 18,638

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, 2024 and 2023:

	Three months ended March 31	
	2024	**2023**
Net income and comprehensive income	$ 5,138	$ 6,995
Add (deduct):		
Fair value adjustment of Unit-based compensation	(46)	(299)
Fair value adjustment of investment properties	1,898	6,472
Fair value adjustment of Class B LP Units	(337)	(5,861)
Transaction costs on sale of investment property	—	244
Distributions on Class B LP Units	—	313
Unrealized (gain) loss on change in fair value of derivative instruments	(253)	842
Amortization of leasing costs and tenant inducements	2,441	2,037
FFO	$ 8,841	$ 10,743
Add (deduct):		
Unit-based compensation expense	81	168
Amortization of financing costs	363	380
Rent Supplement	—	743
Amortization of mortgage discounts	(8)	(9)
Instalment note receipts	12	14
Straight-line rent	966	(233)
Capital reserve	(1,195)	(1,225)
AFFO	$ 9,060	$ 10,581
FFO per Unit:		
Basic	$ 0.56	$ 0.65
Diluted	$ 0.56	$ 0.65
AFFO per Unit:		
Basic	$ 0.57	$ 0.64
Diluted	$ 0.57	$ 0.64
AFFO payout ratio:		
Basic	— %	110 %
Diluted	— %	111 %
Distributions declared	$ —	$ 11,695
Weighted average Units outstanding (000s):		
Basic	15,861	16,430
Add:		
Unit options and Incentive Units	10	4
Diluted	15,871	16,434

Indebtedness to GBV Ratio

The table below calculates the REIT's Indebtedness to GBV ratio as at March 31, 2024 and December 31, 2023. The Indebtedness to GBV ratio is calculated by dividing the indebtedness by GBV:

	March 31, 2024	**December 31, 2023**
Total assets	$ 1,324,380	$ 1,323,672
Deferred financing costs	7,060	6,976
GBV	$ 1,331,440	$ 1,330,648
Mortgages payable	792,007	797,393
Credit Facility	31,800	23,600
Unamortized financing costs and mark to market mortgage adjustments	3,017	3,289
Indebtedness	$ 826,824	$ 824,282
Indebtedness to GBV	62.1 %	61.9 %

Adjusted EBITDA

The table below reconciles the REIT's adjusted EBITDA to net income and comprehensive income for twelve month period ended March 31, 2024 and 2023:

	Twelve months ended March 31	
	2024	**2023**
Net income and comprehensive income	$ (42,478)	$ 8,618
Add (deduct):		
Interest expense	33,237	29,800
Fair value adjustment of Unit-based compensation	(318)	(755)
Transaction costs on sale of investment property	1,132	244
Fair value adjustment of investment properties	75,631	46,727
Fair value adjustment of Class B LP Units	(4,611)	(9,696)
Distributions on Class B LP Units	426	1,537
Unrealized loss (gain) on change in fair value of derivative instruments	63	(1,651)
Amortization of leasing costs, tenant inducements, mortgage premium and financing costs	11,014	8,730
Adjusted EBITDA (1)	$ 74,096	$ 83,554

Interest Coverage Ratio

The table below calculates the REIT's interest coverage ratio for the twelve month period ended March 31, 2024 and 2023. The interest coverage ratio is calculated by dividing Adjusted EBITDA by interest expense.

	Twelve months ended March 31	
	2024	**2023**
Adjusted EBITDA	$ 74,096	$ 83,554
Interest expense	33,237	29,800
Interest coverage ratio	2.23 x	2.80 x

Available Funds

The table below calculates the REIT's Available Funds as at March 31, 2024 and December 31, 2023:

	March 31, 2024	**December 31, 2023**
Cash	$ 8,198	$ 8,946
Undrawn Credit Facility	28,200	36,400
Available Funds	$ 36,398	$ 45,346

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 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 and trading value of the Units; risks related to the REIT and its business; fluctuating interest rates and general economic conditions, including fluctuating levels of inflation; credit, market, operational and liquidity risks generally; occupancy levels and defaults, including the failure to fulfill contractual obligations by tenants; lease renewals and rental increases; the ability to re-lease and secure new tenants for vacant space; the timing and ability of the REIT to acquire or sell certain properties; work-from-home flexibility initiatives on the business, operations and financial condition of the REIT and its tenants, as well as on consumer behavior and the economy in general; the ability to enforce leases, perform capital expenditure work, increase rents or raise capital through the issuance of Units or other securities of the REIT; the benefits of reallocating the distribution amounts to the NCIB and continuation of such program, or through other capital programs; the impact of the Unit consolidation; the ability of the REIT to resume distributions in future periods; and obtain mortgage financing on the REIT's properties and for potential acquisitions or to refinance debt at maturity on similar terms. 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) work-from-home initiatives 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 interest rates, inflation and the shift to hybrid working; (c) the factors, risks and uncertainties expressed above in regards to the hybrid work environment on the commercial real estate industry and property occupancy levels; (d) credit, market, operational, and liquidity risks generally; (e) the availability of investment opportunities for growth in Canada and the timing and ability of the REIT to acquire or sell certain properties; (f) repurchasing Units under the NCIB; (g) 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; (h) the benefits of reallocating the amounts previously distributed to the NCIB and continuation of such program, or through other capital programs; (i) the impact of the Unit consolidation; (j) the availability of debt financing for potential acquisitions or refinancing loans at maturity on similar terms; (k) the ability of the REIT to resume distributions at a defined point time; and (l) 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. 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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