True North Commercial REIT Reports Q3-2024 Results

Completed 138,900 square feet leased/renewed with a weighted average lease term of 6.9 years, leasing spread of 0.9% and achieved normalized same property NOI growth of 1.5% during Q3-2024

REIT to continue accretive trust units repurchase strategy

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TORONTO, ON – November 12, 2024 – True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced its financial results for the three months ended September 30, 2024 ("Q3-2024") and nine months ended September 30, 2024 ("YTD-2024").

"Q3-2024 saw continued strength in leasing activity by the REIT highlighting its commitment to maintaining strong relationships with tenants which translated into reported occupancy within it's core portfolio of 93% and normalized same property net operating income growth of 1.5% for the quarter," stated Daniel Drimmer, the REIT's Chief Executive Officer. "The REIT continues to focus on maintaining occupancy levels, strengthening its financial position through the sale of non-core assets and also expects to continue the accretive normal course issuer bid repurchase program until the release of the Q4-2024 results in March 2025 at which point the REIT will evaluate the various options for allocation of its capital including the 2024 NCIB and the reinstatement of a distribution as operating and capital market conditions improve."

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 ("Unit Consolidation"). 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.

Q3-2024 Highlights

- The REIT's core portfolio occupancy(1) excluding assets held for sale as at September 30, 2024 was approximately 93% which remained above average occupancy for the markets in which the REIT operates. The REIT also had a weighted average lease term ("WALT")(1) of 4.3 years excluding investment properties held for sale.
- The REIT contractually leased and renewed approximately 138,900 square feet with a WALT of 6.9 years with positive leasing spreads on renewals reported at 0.9% for the quarter.
- The REIT's Q3-2024 revenue and net operating income ("NOI")(1) decreased relative to the same period in 2023 by 7% and 10%, respectively (YTD-2024 - 4% and 9%, respectively), primarily due to the disposition activity in 2023 and 2024 (the "Primary Variance Drivers"), which was partially offset by Q3-2024 normalized same property NOI ("Same Property NOI")(1) growth of 1.5%. The normalized Same Property NOI growth was primarily due to the REIT maintaining stable occupancy relative to Q3-2023 at approximately 93% (excluding held for sale properties) as well as contractual rent increases.
- Funds from operations ("FFO")(1) and adjusted funds from operations ("AFFO")(1) decreased $1,237 and $588, respectively when compared to the same period in 2023 primarily due to the Primary Variance Drivers and reduction in occupancy for the REIT's held for sale properties, which was partially offset by strong Same Property NOI growth.
- FFO basic and diluted per Unit decreased from $0.63 in Q3-2023 to $0.61, whereas AFFO basic and diluted per Unit increased from $0.61 to $0.64 relative to Q3-2023.
- The REIT had $63.8 million of available funds(1) at the end of Q3-2024 representing an increase of $18,458 from Q4-2023, primarily due to the disposition of non-core assets during YTD-2024 as well as the amendment of the REIT's credit facility.

(1) This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".

- From the commencement of the normal course issuer bid ("NCIB") on April 18, 2024 (the "2024 NCIB") to the date of this filing, the REIT had repurchased and cancelled 595,326 Units for $5,669 at a weighted average price of $9.52 per Unit under the 2024 NCIB which represented an inferred distribution yield of approximately 17.9%[1].
- During Q3-2024, the REIT also completed the refinancing of $15,516 of first mortgages at a weighted average interest rate of 4.95%. The REIT is also focused on renewing the remaining 2024 debt maturities with large Canadian financial institutions with whom the REIT and their asset manager have strong relationships.

YTD Highlights

- Contractually leased and renewed approximately 432,100 square feet with a WALT of 6.3 years and a 1.6% decrease over expiring base rents. The lower leasing spread in YTD-2024 was primarily due to a specific tenant lease entered into at 6925 Century Avenue in Q2-2024. Excluding the impact of one tenant renewal at 6925 Century Avenue, the REIT had positive renewal spreads of 3.2% for YTD-2024.
- Continued the NCIB with YTD-2024 completing the repurchase of 784,420 Units for $7,220 under the 2023 NCIB and 595,326 Units for cash of $5,669 under 2024 NCIB at a weighted average price of $9.52 per Unit and representing a combined inferred distribution yield of 18.4%.

Subsequent Events

- The REIT intends to continue the accretive purchase of Units under the 2024 NCIB until the release of the Q4-2024 results in March of 2025 at which point the REIT will evaluate the various options for allocation of its capital including the 2024 NCIB and the reinstatement of a distribution as operating and capital market conditions improve.

Key Performance Indicators

	Three months ended September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Number of properties[2]			40	44
Portfolio gross leasable area ("GLA")[2]			4,619,600 sf	4,791,500 sf
Occupancy[2][3]			93 %	93 %
Remaining WALT[2][3]			4.3 years	4.4 years
Revenue from government and credit rated tenants[2]			76 %	78 %
Revenue	$ 30,437	$ 32,789	$ 95,226	$ 99,337
NOI	16,257	18,082	50,364	55,202
Net loss and comprehensive loss	(3,383)	(42,472)	(5,793)	(34,684)
Same Property NOI	19,820	19,195	59,288	57,194
FFO	$ 9,114	$ 10,351	$ 27,894	$ 31,770
FFO per Unit - basic[4]	0.61	0.63	1.82	1.93
FFO per Unit - diluted[4]	0.61	0.63	1.82	1.93
AFFO	$ 9,513	$ 10,101	$ 28,671	$ 31,148
AFFO per Unit - basic[4]	0.64	0.61	1.87	1.89
AFFO per Unit - diluted[4]	0.64	0.61	1.87	1.89
AFFO payout ratio - diluted[4]	— %	69 %	— %	83 %
Distributions declared	$ —	$ 7,012	$ —	$ 25,731

[1] Estimated using the $1.70775 per Unit distribution prior to reallocating funds used for distributions to the NCIB and the average market price the REIT repurchased Units at under the NCIB up to the date of this filing.
[2] This is presented as at the end of the applicable reporting period, rather than for the quarter.
[3] Excluding assets held for sale.
[4] This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".

Operating Results

The REIT's Q3-2024 revenue and NOI decreased relative to the same period in 2023 by 7% and 10%, respectively (YTD-2024 - 4% and 9%, respectively), primarily due to the disposition activity in 2023 and 2024 (the "Primary Variance Drivers"), which was partially offset by Q3-2024 normalized Same Property NOI growth of 1.5%. The normalized Same Property NOI growth was primarily due to the REIT maintaining stable occupancy relative to Q3-2023 at approximately 93% (excluding held for sale properties) as well as contractual rent increases.

Q3-2024 FFO and AFFO decreased by $1,237 and $588, respectively when compared to the same period in 2023 primarily due to the Primary Variance Drivers and the reduction in occupancy for the REIT's held for sale properties, which was partially offset by strong Same Property NOI growth. YTD-2024 FFO and AFFO decrease was $3,876 and $2,477, respectively due to the same factors as outlined for Q3-2024. Same property interest costs (excluding the impact of properties' disposed during 2023 and 2024) remained relatively stable with the REIT's weighted average interest rate declining from approximately 4.03% in Q3-2023 to 3.90% during Q3-2024 primarily as a result of the repayment of first mortgages on the properties disposed during 2023 and 2024 which carried a higher weighted average interest rate. During Q3-2024, the REIT also completed the refinancing of $15,516 of first mortgages at a weighted average interest rate of 4.95%. The REIT is also focused on renewing the remaining 2024 debt maturities with large Canadian financial institutions with whom the REIT and their asset manager have strong relationships.

Q3-2024 FFO basic and diluted per Unit decreased from $0.63 in Q3-2023 to $0.61, whereas AFFO basic and diluted per Unit increased from $0.61 to $0.64 over the comparable period. YTD-2024 FFO and AFFO basic and diluted per Unit decreased $0.11 and $0.02 to $1.82 and $1.87, respectively, compared to YTD-2023, primarily due to the factors described above for FFO and AFFO partially offset by the reduction in the number of Units repurchased under NCIB program.

Same Property NOI

	As at September 30	
Occupancy[(1)]	**2024**	**2023**
Alberta	93.3 %	93.1 %
British Columbia	100.0 %	100.0 %
New Brunswick	87.9 %	85.8 %
Nova Scotia	86.1 %	89.5 %
Ontario	94.7 %	94.1 %
Total	93.1 %	92.8 %

	Three months ended September 30			
NOI	**2024**	**2023**	**Variance**	**Variance**
Alberta	$ 3,216	$ 2,976	$ 240	8.1 %
British Columbia	795	776	19	2.4 %
New Brunswick	1,320	1,297	23	1.8 %
Nova Scotia	1,303	1,776	(473)	(26.6) %
Ontario	12,770	11,75	1,016	8.6 %
	$ 19,404	$ 18,579	$ 825	4.4 %

Q3-2024 Same Property NOI increased by 4% (YTD-2024 - 8%) compared to the same period in 2023 which normalized to exclude the impact of termination income and free rent credits in both periods would have been 1.5% primarily as a result of contractual rent increases. Q3-2024 Same Property NOI included termination income of approximately $46 (Q3-2023 - $404) and free rent credits of $76 (Q3-2023 - $981) for certain tenants in the REIT's Ontario portfolio.

Q3-2024 Alberta Same Property NOI increased by 8% primarily attributable to the slight increase in occupancy from Q3-2023 to Q3-2024 as well as the impact of contractual rent increases at certain properties. Q3-2024 British Columbia Same Property NOI increased by 2% primarily as a result of stable occupancy and contractual rent increases.

Q3-2024 New Brunswick Same Property NOI increased by 2% relative to Q3-2023 as a result of the increase in occupancy resulting from strong leasing activity in late 2023. 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.

Q3-2024 Ontario Same Property NOI increased by 9% relative to Q3-2023 primarily due to new leases that commenced throughout 2023 and 2024 on previously vacant space in the GTA, higher rental revenue from a property in the Ottawa portfolio due to the free rent provided to the tenant in 2023 as part of the new lease term that commenced in 2023, partially offset by lower income in the rest of Ontario from the early termination of a tenant in 2023. Normalized Q3-2024 Ontario Same Property NOI growth (excluding the impact of termination income and free rent amounts in both periods) would have been 3.3%.

(1) Excluding assets held for sale.

Debt and Liquidity

	September 30, 2024	December 31, 2023
Indebtedness to GBV ratio(1)	61.0%	61.9 %
Interest coverage ratio(1)	2.20 x	2.30 x
Indebtedness(1) - weighted average fixed interest rate	3.94 %	3.90 %
Indebtedness(1) - weighted average term to maturity	2.39 years	3.01 years

At the end of Q3-2024, the REIT had access to available funds of approximately $63,804, and a weighted average term to maturity of 2.39 years in its mortgage portfolio with a weighted average fixed interest rate of 3.94%.

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 40 commercial properties consisting of approximately 4.6 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, Available Funds, occupancy and WALT 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, Available Funds, occupancy and WALT 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, 2024 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 and nine months ended September 30, 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 NOI, a non-IFRS financial measure:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Revenue	$ 30,437	$ 32,789	$ 95,226	$ 99,337
Expenses:				
Property operating	(9,363)	(9,699)	(30,041	(28,800)
Realty taxes	(4,817	(5,008)	(14,82	(15,335
NOI	$ 16,257	$ 18,082	$ 50,364	$ 55,202

(1) This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".

Same Property NOI

Same Property NOI is measured as the NOI 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	
	2024	**2023**	**2024**	**2023**
Number of properties	40	40	40	40
Revenue	$ 30,415	$ 31,000	$ 92,761	$ 92,731
Expenses:				
Property operating	(9,303)	(9,11	(29,212	(26,942)
Realty taxes	(4,817	(4,843)	(14,523	(14,409
	$ 16,295	$ 17,044	$ 49,026	$ 51,380
Add:				
Amortization of leasing costs and tenant inducements	2,521	2,393	7,385	6,588
Straight-line rent	1,004	(242)	2,877	(774
Same Property NOI	$ 19,820	$ 19,195	$ 59,288	$ 57,194
Less: properties held for sale included in the above	416	616	1,15	3,358
Same Property NOI excluding investment properties held for sale	$ 19,404	$ 18,579	$ 58,134	$ 53,836
Reconciliation to condensed consolidated interim financial statements:				
Acquisition, dispositions and investment properties held for	379	1,705	2,536	7,391
Amortization of leasing costs and tenant inducements	(2,521	(2,428)	(7,402)	(6,735)
Straight-line rent	(1,005	226	(2,904)	710
NOI	$ 16,257	$ 18,082	$ 50,364	$ 55,202

FFO and AFFO

The following table reconciles the REIT's FFO and AFFO to net loss and comprehensive loss, for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Net loss and comprehensive loss	$ (3,383)	$ (42,472)	$ (5,793)	$ (34,684)
Add (deduct):				
Fair value adjustment of Unit-based compensation	192	(54)	300	(486)
Fair value adjustment of investment properties and investment properties held for sale	6,236	50,087	20,837	68,391
Fair value adjustment of Class B LP Units	2,006	(584)	1,358	(9,179)
Transaction costs on sale of investment properties	—	1,131	1,969	1,375
Distributions on Class B LP Units	—	181	—	679
Unrealized loss (gain) on change in fair value of derivative instruments	1,542	(366)	1,821	(1,061)
Amortization of leasing costs and tenant inducements	2,521	2,428	7,402	6,735
FFO	$ 9,114	$ 10,351	$ 27,894	$ 31,770
Add (deduct):				
Unit-based compensation expense	129	114	124	446
Amortization of financing costs	421	329	1,266	1,071
Rent supplement	—	743	—	2,228
Amortization of mortgage discounts	(7)	(8)	(23)	(25)
Instalment note receipts	12	13	36	41
Straight-line rent	1,005	(226)	2,904	(710)
Capital reserve	(1,161)	(1,215)	(3,530)	(3,673)
AFFO	$ 9,513	$ 10,101	$ 28,671	$ 31,148
FFO per Unit:				
Basic	$0.61	$0.63	$1.82	$1.93
Diluted	0.61	0.63	1.82	1.93
AFFO per Unit:				
Basic	$ 0.64	$ 0.61	$ 1.87	$ 1.89
Diluted	0.64	0.61	1.87	1.89
AFFO payout ratio:				
Basic	— %	69 %	— %	83 %
Diluted	— %	69 %	— %	83 %
Distributions declared	$ —	$ 7,012	$ —	$ 25,731
Weighted average Units outstanding (000s):				
Basic	14,880	16,429	15,350	16,439
Add:				
Unit options and incentive Units	15	6	13	5
Diluted	14,895	16,463	15,363	16,467

Indebtedness to GBV Ratio

The table below calculates the REIT's Indebtedness to GBV ratio as at September 30, 2024 and December 31, 2023. The Indebtedness to GBV ratio is calculated by dividing the Indebtedness by GBV:

	September 30, 2024	December 31, 2023
Total assets	$ 1,254,456	$ 1,323,672
Deferred financing costs	6,826	6,976
GBV[1]	1,261,282	1,330,648
Mortgages payable	745,545	797,393
Credit Facility	20,870	23,600
Unamortized financing costs and mark to market mortgage adjustments	2,382	3,289
Indebtedness	$ 768,797	$ 824,282
Indebtedness to GBV ratio	**61.0 %**	**61.9 %**

[1] This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".

Adjusted EBITDA

The table below reconciles the REIT's Adjusted EBITDA(1) to net loss and comprehensive loss for twelve month period ended September 30, 2024 and 2023:

	Twelve months ended September 30	
	2024	**2023**
Net loss and comprehensive loss	$ $	(56,589)
Add (deduct):		
Interest expense	32,620	32,055
Fair value adjustment of Unit-based compensation	215	(479)
Transaction costs on sale of investment properties	1,970	1,375
Fair value adjustment of investment properties and investment properties held for sale	32,651	100,194
Fair value adjustment of Class B LP Units	402	(8,724)
Distributions on Class B LP Units	60	1,054
Unrealized loss (gain) on change in fair value of derivative instruments	4,040	(1,14
Amortization of leasing costs, tenant inducements, mortgage premium and financing costs	8 11,48	5 10,17
Adjusted EBITDA	$ $	77,918

Interest Coverage Ratio

The table below calculates the REIT's interest coverage ratio for the twelve month period ended September 30, 2024 and 2023. The interest coverage ratio is calculated by dividing Adjusted EBITDA by interest expense.

	Twelve months ended September 30	
	2024	**2023**
Adjusted EBITDA	$ 71,716	$ 77,918
Interest expense	32,620	32,055
Interest coverage ratio	2.20 x	2.43 x

Available Funds

The table below calculates the REIT's Available Funds as at September 30, 2024 and December 31, 2023:

	September 30, 2024	**December 31, 2023**
Cash	$ 9,674	$ 8,946
Undrawn Credit Facility	54,130	36,400
Available Funds	$ 63,804	$ 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, debt financing, 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, distributions, plans, the benefits and renewal of the NCIB, or through other capital programs, the impact of the Unit Consolidation 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.

[(1)] This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".

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 the NCIB, 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 the NCIB, 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 in future periods; 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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