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TRUE NORTH APARTMENT REIT INCREASES ITS PORTFOLIO BY 47% WITH $286 MILLION TRANSFORMATIVE ACQUISITION & OFFERING OF $20 MILLION OF 5.75% CONVERTIBLE DEBENTURES

Toronto, ON (May 29, 2014) – True North Apartment Real Estate Investment Trust ("**True North**" or the "**REIT**") (TSX: TN.UN) announced today that it has agreed to acquire (the "**Acquisition**") a portfolio of 29 properties (the **"Acquisition Properties**") and instalment notes for an aggregate purchase price of approximately $286.0 million. The vendors of the Acquisition Properties are entities (collectively, the "**Vendors**") controlled by Daniel Drimmer, the Chairman of the Board of Trustees of the REIT (the "**Board**") and a significant unitholder of the REIT.

The REIT will finance a portion of the cash component of the purchase price through the sale, on a bought deal basis, of $20.0 million aggregate principal amount of 5.75% extendible convertible unsecured subordinated debentures ("**Debentures**") to a syndicate of underwriters co-led by CIBC and Raymond James Ltd. (collectively, the "**Underwriters**").

Highlights

- **True North agrees to acquire a portfolio of 29 properties located in Ontario and Alberta, comprising a total of 2,824 residential suites. The portfolio has an occupancy rate of 96.6% and an average monthly rent of $861**
- **The Acquisition will increase the number of residential suites in the REIT's portfolio by approximately 47%**
- **The acquisition price of $286.0 million is below the appraised value of the Acquisition Properties**
- **As partial consideration, the Vendors will be issued approximately 8.9 million Class B limited partnership units (economically equivalent to and exchangeable for units of the REIT) at a price of $9.00 per unit, representing an approximate $80.0 million retained interest, and an approximate 12% premium to the $8.05 May 28, 2014 closing price of the REIT's units**
- **The Acquisition is expected to be accretive to both FFO and AFFO per unit of the REIT**
- **The purchase price implies a capitalization rate of approximately 5.4%, or approximately $101,275 per residential suite**
- **The REIT's trustees unanimously recommend that unitholders vote in favour of the Acquisition**

The purchase price for the Acquisition Properties and the instalment notes will be satisfied by a combination of cash, assumed and new mortgages and the issuance to the Vendors of approximately 8.9 million Class B limited partnership units (economically equivalent to and exchangeable for trust units of the REIT ("**Units**")) ("**Class B LP Units**") of newly-formed limited partnerships that will hold the Acquisition Properties at closing, at a price of $9.00 per Class B LP Unit, representing an approximate $80.0 million retained interest and a 12% premium to the $8.05 May 28, 2014 closing price of the Units. The $286.0 million purchase price is inclusive of an issue price premium of approximately $8.4 million on the 8.9 million Class B LP Units that the Vendors will be taking back as partial consideration for the Acquisition Properties. The closing of the Acquisition is subject to certain customary closing conditions, including lender consents.

The Vendors have substantially upgraded the Acquisition Properties, investing approximately $14 million in capital improvements on the properties, the majority of which funds were expended within the last 12 months, and have agreed to spend an estimated further $3.2 million in additional improvements to the Acquisition Properties.

“We are pleased to acquire this attractive portfolio of assets and continue the execution of our growth strategy,” stated Leslie Veiner, the REIT’s President and Chief Executive Officer. “The geographic location of these assets is highly complementary to our existing core portfolio, and we are gaining greater exposure to the high growth Alberta market. Furthermore, the considerable scale of this acquisition will increase the size of our property portfolio and enable the REIT to begin to realize synergies associated with owning a larger portfolio. In addition, the benefits of owning these properties will grow over time, as we intend to drive rental rate growth and operating cost efficiencies.”

“This transaction also highlights the strategic nature of the REIT’s affiliation with Starlight,” added Mr. Veiner. “Their pipeline of quality properties provides us with a competitive advantage in our efforts to grow. Starlight’s long term commitment to the REIT is exhibited through the $80.0 million of Class B LP Units that will be issued to the Vendors at an approximate 12% premium to the $8.05 May 28, 2014 closing price of the Units as partial consideration for the Acquisition Properties.”

“Acquiring this portfolio should immediately strengthen the REIT’s position across multiple metrics,” stated J. Michael Knowlton, Chair of a special committee of independent trustees (the “**Special Committee**”) that the REIT established for the purposes of, among other things, evaluating the Acquisition. “We expect the acquisition to be accretive to unitholders on both an FFO and AFFO per unit basis.”

Description of the Acquisition Properties

The Acquisition Properties consist of 29 properties located in Ontario and Alberta that are currently owned and operated by the Vendors, comprising an aggregate of 2,824 residential suites in 11 high-rise properties, four mid-rise properties, 13 low-rise properties and one townhouse complex. As at April 30, 2014, the Acquisition Properties had an average occupancy rate of approximately 96.6%. The following table highlights certain information about the Acquisition Properties, including occupancy levels and average monthly rent per residential suite, which is set out as at April 30, 2014:

	Rentable Suites								
	Total Suites	Bachelor	One Bed-room	Two Bed-rooms	Three or More Bed-rooms	Year Built	Asset Type	Occupancy Level	Average Monthly Rent/ Suite(1)
37 Berkeley Place West, Lethbridge, Alberta	111	1	56	51	3	1980	High-Rise	95%	$936
590 & 600 Columbia Boulevard West, Lethbridge, Alberta	70	—	54	16	—	1982	Mid-Rise	91%	$798
1304-1310 23rd Avenue North, Lethbridge, Alberta	105	—	17	88	—	1974	Mid-Rise	96%	$825
3210 & 3310 23rd Avenue South, Lethbridge, Alberta	59	—	26	33	—	1977	Low-Rise	92%	$901
1603-1615 Scenic Heights South, Lethbridge, Alberta	105	12	24	69	—	1971	Low-Rise	96%	$843
2201 32nd Street South, Lethbridge, Alberta	50	—	31	19	—	1972	High-Rise	96%	$917
175 Columbia Boulevard West, Lethbridge, Alberta	48	4	20	24	—	1970	Low-Rise	81%	$892
256 Mayor Magrath Drive North, Lethbridge, Alberta	25	1	7	17	—	1975	Low-Rise	96%	$844
2014 15th Avenue North, Lethbridge, Alberta	24	—	13	11	—	1975	Low-Rise	92%	$829
915 44th Street SE, Calgary, Alberta	35	—	35		—	1975	Low-Rise	97%	$982
1219 Centre Street, Brooks, Alberta	24	—	8	16	—	2003	Low-Rise	92%	$850
1 Rosemount Drive, Toronto, Ontario	110	8	75	27	—	1972	High-Rise	100%	$912
2292 Weston Road, Toronto, Ontario	65	2	41	22	—	1964	High-Rise	94%	$1,009

	Rentable Suites								
	Total Suites	Bachelor	One Bed-room	Two Bed-rooms	Three or More Bed-rooms	Year Built	Asset Type	Occupancy Level	Average Monthly Rent/ Suite(1)
100 Rideau Street, Oshawa, Ontario	189	—	—		189	1979	Townhouse	98%	$1,109
33 Richmond Street West, Oshawa, Ontario	70	—	20	50	—	1973	High-Rise	99%	$1,014
740-758 Kipps Lane, London, Ontario	666	—	259	407	—	1971-78	High-Rise	98%	$742
135 Connaught Avenue & 543 Mornington Avenue, London, Ontario	58	—	—	58	—	1967-68	Low-Rise	97%	$773
155 Market Street, Hamilton, Ontario	116	—	86	30	—	1975	High-Rise	96%	$706
286 Chandler Drive, Kitchener, Ontario	79	—	2	77	—	1989	High-Rise	99%	$903
294 Chandler Drive, Kitchener, Ontario	162	16	69	47	30	1977	High-Rise	99%	$850
93-99 Westwood Drive, Kitchener, Ontario	48	4	26	18	—	1968	Low-Rise	98%	$750
285 Erb Street West, Waterloo, Ontario	100	—	23	44	33	1968	High-Rise	92%	$993
7-11 Manhattan Court, Guelph, Ontario	40	—	20	15	5	1968	Low-Rise	100%	$906
131 Maxwell Street, Sarnia, Ontario	112	8	60	44	—	1973	High-Rise	96%	$933
840 Water Street, Peterborough, Ontario	34	—	4	30	—	1985	Low-Rise	91%	$850
10 Cartier Court, Brockville, Ontario	24	—	1	23	—	1989	Low-Rise	92%	$769
36 Raglan Street & 252 Belleville Road, Napanee, Ontario	25	—	2	21	2	1970's	Low-Rise	96%	$841
2 Colborne Street West, Lindsay, Ontario	162	8	66	66	22	1976	Mid-Rise	98%	$902
25 Westwood Court, Lindsay, Ontario	108	2	44	62	—	1976	Mid-Rise	100%	$853
Total/Average	**2,824**	**66**	**1,089**	**1,385**	**284**			**97%**	**$861**

(1) Based on the monthly in-place rent of occupied suites.

Pro Forma Portfolio Breakdown

Approximately 59% of the residential suites comprising the Acquisition Properties contain two or more bedrooms. The portfolio distribution of the Acquisition Properties by size of rental suite, together with the *pro forma* portfolio distribution of the REIT's properties, after giving effect to the Acquisition, is as follows:

	Portfolio Composition by Suite (Acquisition Properties)	**Portfolio Composition by Suite (Pro Forma REIT)**
Three or more Bedrooms	10.0%	12.9%
Two Bedrooms	49.0%	50.0%
One Bedroom	38.7%	34.4%
Bachelor	2.3%	2.7%

As at April 30, 2014, approximately 84% of the residential suites comprising the Acquisition Properties have rental rates that are not in excess of $1,000 per month, complementing the low risk, mid-market position of the REIT's portfolio. The residential suite distribution of the Acquisition Properties by monthly in place rent paid per residential suite, together with the *pro forma* suite distribution of the REIT's properties by monthly in place rent paid per occupied suite, after giving effect to the Acquisition, is as follows:

	Monthly Rental Rate (Acquisition Properties)	**Monthly Rental Rate (Pro-Forma REIT)**
<$700	11.1%	27.7%
$701-$800	24.9%	28.4%
$801-$900	30.8%	23.1%
$901-$1,000	17.4%	11.2%
>$1,000	15.8%	9.6%

The geographic distribution of the residential suites comprising the Acquisition Properties, together with the *pro forma* geographic distribution of the REIT's residential suite base after giving effect to the Acquisition, is as follows:

	Geographic Diversification by Suite (Acquisition Properties)	**Geographic Diversification by Suite (Pro-Forma REIT)**
Alberta	23.2%	8.5%
Ontario	76.8%	53.3%
Québec	–	24.1%
New Brunswick	–	5.9%
Nova Scotia	–	8.2%

Acquisition Funding

The purchase price of approximately $286.0 million for the Acquisition Properties and instalment notes (the "**Instalment Notes**") (inclusive of an issue price premium of approximately $8.4 million on the 8.9 million Class B LP Units to be issued to the Vendors, but exclusive of transaction costs) implies a capitalization rate of approximately 5.4% and will be satisfied by a combination of: (i) approximately $12.9 million in cash, (ii) the assumption of approximately $65.6 million aggregate principal amount of existing mortgage debt, (iii) approximately $127.5 million aggregate principal amount of new mortgage debt, including a $0.75 million vendor take-back mortgage from the Vendors (the "**VTB**"), and (iv) the issuance to the Vendors of approximately $80.0 million of Class B LP Units at a price of $9.00 per Class B LP Unit and accompanying Special Voting Units (as defined below). The VTB will have a five year term (commencing from the date of completion of the Acquisition), and will bear interest at a rate of 3% per annum. The VTB will be fully open for prepayment without penalty during the first year of the term. Notwithstanding the terms of its asset management agreement with the REIT, Starlight Investments Ltd. has agreed to waive its acquisition fee in connection with the Acquisition.

The Vendors are providing an interest rate subsidy on three of the assumed mortgages in the form of the Instalment Notes. The weighted average effective interest rate of the assumed mortgages after giving effect to the Instalment Notes is expected to be 2.50% per annum. The new and assumed mortgages (after giving effect to the Instalment Notes) have an expected weighted average interest rate of approximately 3.10% and an expected weighted average term to maturity of approximately 4.1 years.

The Offering

In order to finance a portion of the cash component of the purchase price of the Acquisition and costs related to the Acquisition, the REIT has agreed to sell, on a bought deal basis by way of a short-form prospectus (the "**Offering**"), $20.0 million aggregate principal amount of Debentures to a syndicate of underwriters co-led by CIBC and Raymond James Ltd. The Debentures have a coupon of 5.75% per annum and will pay interest semi-annually in arrears on June 30 and December 31 in each year commencing on December 31, 2014. Each $1,000 principal amount of Debentures will be convertible at the option of the holder at any time after the Initial Maturity Date (as defined below) and prior to the close of business on the earlier of the Final Maturity Date (as defined below) and the business day immediately preceding the date fixed by the REIT for redemption (if applicable), into approximately 107.5 Units, representing a conversion price of $9.30 per Unit.

The REIT has also granted the Underwriters an over-allotment option (the "**Over-Allotment Option**") to purchase up to an additional $3.0 million aggregate principal amount of Debentures at the same offering price, exercisable at anytime not later than the earlier of (i) the 30th day following the closing of the Offering and (ii) the occurrence of a Termination Event. The term "Termination Event" means the earliest to occur of any of: (i) the closing of the Acquisition not occurring on or before 5:00 p.m. (EST) on August 29, 2014, (ii) the REIT declaring in writing that the Acquisition has been terminated, or that the REIT will not be proceeding with the Acquisition, or (iii) the REIT formally announcing to the public by way of a press release that it does not intend to proceed with the Acquisition.

The maturity date of the Debentures will initially be the date upon which a Termination Event occurs (the "**Initial Maturity Date**") and if the completion of the Acquisition occurs prior to the occurrence of a Termination Event, the maturity date of the Debentures will be automatically extended from the Initial Maturity Date to June 30, 2019 (the "**Final Maturity Date**"). In the event that the completion of the Acquisition does not occur prior to the occurrence of a Termination Event, the Debentures will mature on the Initial Maturity Date and the REIT will repay to holders the aggregate principal amount of outstanding Debentures, together with accrued and unpaid interest thereon.

The REIT expects to file a preliminary short form prospectus relating to the offering of the Debentures with the securities commissions or other similar regulatory authorities in each of the provinces and territories of Canada on or about June 2, 2014. Closing of the Offering is expected to occur on or about June 16, 2014, subject to the receipt of Toronto Stock Exchange ("**TSX**") and other necessary approvals.

As of May 28, 2014, there were 18,692,116 Units and 4,671,132 Class B LP Units outstanding. A total of 8,890,466 Class B LP Units will be issued to the Vendors as partial consideration for the Acquisition Properties. Following the completion of the Acquisition, Daniel Drimmer, who controls each of the Vendors, will hold an approximate 41% effective interest in the REIT through his ownership of, or control or direction over, Units, Class B LP Units, and the accompanying special voting units of the REIT (the "**Special Voting Units**"), which provide the holder with equivalent voting rights in respect of the REIT to holders of Units.

Acquisition Details

The Acquisition will be completed pursuant to an acquisition agreement among the REIT, the Vendors and True North General Partner Corp. (the **"Acquisition Agreement**") and will be conditional upon the satisfaction of certain conditions including lender consents, completion of the Offering, the approval of the unitholders of the REIT ("**Unitholders**"), *Competition Act* (Canada) approval and final TSX approval. The Acquisition Agreement contains customary provisions for transactions of this nature, including representations, warranties, covenants and indemnities of the parties. A copy of the Acquisition Agreement will be filed by the REIT on www.sedar.com. Completion of the Acquisition is expected to occur on or about June 27, 2014.

The Acquisition and VTB constitute "related party transactions" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). Pursuant to MI 61-101, the REIT is required to obtain prior approval of the Acquisition and the VTB by a majority of the minority Unitholders at an annual and special meeting (the "**Meeting**"), which has been scheduled for June 26, 2014.

The members of the Special Committee are J. Michael Knowlton (Chair), Graham L. Rosenberg and Denim Smith. Pursuant to the requirements of MI 61-101, CBRE Limited ("**CBRE**") was retained to prepare independent appraisals of each of the Acquisition Properties. The Special Committee also retained Origin Merchant Partners ("**Origin**") to both act as financial advisor and provide its opinion (the **"Fairness Opinion**") regarding the fairness, from a financial point of view, of the terms of the Acquisition to Unitholders. Origin has concluded that the Acquisition is fair, from a financial point of view to Unitholders, other than Daniel Drimmer and his affiliated entities. The Fairness Opinion is subject to a number of assumptions and limitations, and will be included in the materials provided to Unitholders in connection with the Meeting.

The independent appraisals prepared by CBRE indicate that the estimated aggregate value of the Acquisition Properties as of May 23, 2014, was $294.3 million, excluding any portfolio premium. The independent appraisals state that the appraisals and analyses were performed in accordance with the Canadian Uniform Standards of Professional Appraisal Practice and the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice in Canada and are subject to a number of assumptions and limitations. The independent appraisals will be posted by the REIT on www.sedar.com in conjunction with the filing of its preliminary short form prospectus.

The Special Committee has advised the Board that, based on a number of factors, the Acquisition and VTB are in the best interests of the REIT. As a result, the Special Committee has unanimously recommended to the Board that it recommend that Unitholders vote for the Acquisition and VTB at the Meeting. The Board (with the exception of Daniel Drimmer, who declared his interest and recused himself from voting) has unanimously resolved to recommend that Unitholders vote in favour of the Acquisition and VTB at the Meeting.

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 and readers are cautioned 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 Offering; the completion of the Acquisition, including receipt of all necessary Unitholder, regulatory and other approvals required in connection therewith; the REIT's financial position; business strategy; capital expenditures; financial results; operating costs; occupancy levels; average monthly rent; taxes; the REIT's intention with respect to, and ability to execute, its internal and external growth strategies; the REIT's debt strategy; and plans and policies regarding capital expenditures. In some cases, forward-looking information can be identified by such terms such as “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “seek”, “aim”, “estimate”, “target”, “goal”, “project”, “predict”, “forecast”, “potential”, “continue”, “likely”, “schedule”, or the negative thereof or other similar expressions concerning matters are not historical facts.

Forward-looking statements necessarily involve known and unknown risks and uncertainties, that 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 will 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, the risks discussed in the REIT’s materials filed with Canadian securities regulatory authorities from time to time on www.sedar.com, risks related to the Offering, risks related to the Acquisition, risks related to the Debentures, risks related to the Units issuable upon conversion of the Debentures and risks related to the REIT and its business. 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 that were applied in drawing a conclusion, including management’s perceptions of historical trends, current conditions and expected future developments, including the closing of the Offering and the Acquisition, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the Canadian economy will remain stable over the next 12 months; inflation will remain relatively low; interest rates will remain stable; conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate; the Canadian capital markets will provide the REIT with access to equity and/or debt at reasonable rates when required; and that the risks referenced above, collectively, will not have a material impact on the REIT. While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

The forward-looking statements made in this press release are dated, and relate only to events or information, as of the date of this press release. Except as specifically required by 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.

Non-IFRS Financial Measures

Certain terms used in this press release such as Funds from Operations (“**FFO**”) and Adjusted Funds from Operations (“**AFFO**”) are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. FFO and AFFO as computed by the REIT are unlikely to be comparable to similar measures as reported by other trusts or companies in similar or different industries.

FFO is a measure of operating performance based on the funds generated from the business of the REIT before reinvestment or provision for other capital needs. Management considers this non-GAAP measure to be an important measure of the REIT’s operating performance.

AFFO is calculated as FFO subject to certain adjustments. Management considers AFFO to be an important performance measure to determine the sustainability of future distributions paid to holders of Units and Class B LP Units. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

The Debentures have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States without registration or an applicable exemption from the registration requirements of that Act. This new release does not constitute an offer to sell the Debentures in the United States.

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 focuses on a long-term strategy to generate stable cash distributions on a tax-efficient basis for Unitholders. The REIT intends to actively look for opportunities to expand its asset base and increase its distributable cash flow through acquisitions of additional multi-suite residential rental properties across Canada, the United States and other jurisdictions where opportunities may arise. Additional information concerning the REIT is available at www.sedar.com.

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