



True North Commercial REIT Reports Q2 2020 Results

Resilient quarter with 39% growth in NOI, stable occupancy reflective of 76% government and credit rated tenant base, and strong rent collection of 99% for Q2 2020

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TORONTO, ON – August 5, 2020 – True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the “REIT”) today announced its financial results for the three and six months ended June 30, 2020.

“The REIT has successfully completed another quarter with positive financial and operational results while it continues to navigate through the COVID-19 pandemic. The REIT continues to focus on supporting our tenants through this unprecedented time.” commented Daniel Drimmer, the REIT’s President and Chief Executive Officer. “Our financial position, liquidity and covenant tenant base remain strong, providing the REIT with the financial resources and flexibility to effectively manage our way through the effects of the pandemic on our operations and the ability to provide continued value to our unitholders.”

Q2 Highlights

- Strong liquidity with \$34.5 million in cash and \$20 million available in undrawn unsecured credit facilities
- Contractually leased and renewed approximately 56,000 square feet with an average increase of approximately 2.5% over expiring rates on renewals, including 10,187 square feet in Miramichi, NB and 7,396 square feet in Edmonton, AB
- Portfolio occupancy remained at 97% from Q1 2020 with an average remaining lease term of 5.0 years
- Revenue and NOI increased 33% and 39%, respectively compared to Q2 2019. Same Property NOI experienced an overall decline of 1.9%, the majority of which can be attributed to an increase in vacancy in the REIT’s sole asset in Edmonton, AB and the REIT’s participation in the Canada Emergency Commercial Rent Assistance (“CECRA”) program. Excluding this impact, Same Property NOI increased 1.3%
- FFO per Unit on both a basic and diluted basis remained stable compared to Q2 2019 at \$0.15. AFFO per Unit on a both a basic and diluted basis have decreased \$0.01 compared to Q2 2019 mainly due to the decrease in Same Property NOI
- Refinanced three mortgages totaling \$35.8 million with a weighted average fixed interest rate of 2.96% for five and ten year terms providing the REIT with additional liquidity of approximately \$14.5 million, net of costs

COVID-19 Update

- To date the REIT has received on average approximately 99% of Q2 2020 and 99% of July contractual rent, a direct result of its credit tenant roster
- The REIT’s 25% rental contribution granted to tenants as part of the CECRA program resulted in a \$0.07 million expense recognized in property operating costs during Q2 2020. The REIT has extended the program to eligible tenants to include the month of July in conjunction with the government extension of the CECRA program
- The REIT agreed to defer approximately \$0.2 million of Q2-2020 rental payments for certain tenants to be repaid by the end of 2020

It is difficult to forecast the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have 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 be potentially impacted include rental income, occupancy, future demand for space and market rents, which all ultimately impact the underlying valuation of investment properties.

While the situation continues to evolve and we move toward a "new normal" in the short to medium term, the REIT is confident the strategic measures implemented to date will help to ensure our continued success and our ability to provide value to Unitholders.

Key Performance Indicators

	Three months ended		Six months ended	
	June 30		June 30	
	2020	2019	2020	2019
Number of properties			49	46
Portfolio GLA			4,836,600 sf	3,721,700 sf
Occupancy rate			97 %	96 %
Remaining weighted average lease term			5.0 years	4.0 years
Revenue from government and credit rated tenants			76 %	80 %
Revenue	\$ 33,999	\$ 25,489	\$ 69,328	\$ 51,256
NOI	20,991	15,151	42,100	29,971
Net income and comprehensive income	4,462	12,256	22,072	13,608
Same Property NOI	15,536	15,839	30,067	30,412
Same Property NOI growth	(1.9)%	0.2 %	(1.1)%	0.8 %
FFO	\$ 13,457	\$ 9,471	\$ 26,630	\$ 18,412
FFO per Unit - Basic	0.15	0.15	0.30	0.30
FFO per Unit - Diluted	0.15	0.15	0.30	0.29
AFFO	\$ 12,907	\$ 9,163	\$ 25,494	\$ 17,798
AFFO per Unit - Basic	0.14	0.15	0.29	0.29
AFFO per Unit - Diluted	0.14	0.15	0.29	0.28
AFFO payout ratio - Diluted	103 %	102 %	104 %	105 %
Distributions declared	\$ 13,250	\$ 9,184	\$ 26,438	\$ 18,336

Operating Results

The REIT completed another successful quarter with positive financial results for Q2 2020. During the past twelve months, the REIT has increased its portfolio by approximately 1.1 million square feet. At the end of Q2 2020, occupancy increased to 97% and our average remaining lease term increased to 5.0 years from 4.0 years at the end of Q2 2019.

Acquisitions totaling \$395.8 million during the latter part of Q4 2019 have been the main contributor to the increase in revenue and NOI of 33% to \$34.0 million and 39% to \$21.0 million, respectively when compared to same quarter in 2019. FFO per Unit on both a basic and diluted basis have remained stable when compared to Q2 2019 at \$0.15. AFFO per Unit on both a basic and diluted basis have decreased \$0.01 compared to same period in 2019 mainly due to the decrease in Same Property NOI.

Same Property Results

As at June 30							
Occupancy	2020	2019	NOI	Q2 2020	Q2 2019	Variance	Variance %
Alberta	89.3 %	98.3 %	Alberta	\$ 1,735	\$ 2,183	\$ (448)	(20.5)%
British Columbia	100.0 %	100.0 %	British Columbia	1,260	1,183	77	6.5 %
New Brunswick	93.5 %	89.8 %	New Brunswick	1,249	1,242	7	0.6 %
Nova Scotia	92.5 %	91.9 %	Nova Scotia	1,600	1,559	41	2.6 %
Ontario	98.3 %	98.0 %	Ontario	9,692	9,672	20	0.2 %
Total	96.1 %	96.4 %		\$ 15,536	\$ 15,839	\$ (303)	(1.9)%

Same Property NOI decreased 1.9% and 1.1% YTD 2020.

The vacancy at 13140 St. Albert Trail located in Edmonton, Alberta continues to negatively impact the REIT's Same Property NOI growth. The REIT completed a 7,396 square foot lease during the quarter with rents expected to commence in Q4 2020 which has resulted in an increase in occupancy of 8% to 77%. Excluding the impact of this property, Same Property NOI would have increased 0.9% for the quarter and 1.8% YTD 2020. Same Property NOI was negatively impacted by the REIT's participation in the CECRA program and the 25% rental contribution granted to tenants, resulting in a decrease of 0.4% in Q2 2020.

Same Property NOI growth in British Columbia and Nova Scotia was favourable due to increased revenue from contractual rent step ups.

Ontario Same Property NOI increased due to occupancy increases and contractual rent step ups offset by a decrease in parking revenue at certain properties.

Leasing Activity

During the first two quarters of 2020, the REIT contractually leased and renewed approximately 432,000 square feet with a weighted average lease term of 8.5 years and an average increase of approximately 6.4% over expiring rates. In Q2 2020, the REIT secured a high quality tenant totaling 10,187 square feet in Miramichi, New Brunswick. The REIT also completed a 7,396 square foot lease at 13140 St. Albert Trail in Edmonton, Alberta increasing occupancy to 77% with rents expected to commence in Q4-2020. As COVID-19 restrictions began to lift and provinces began reopening, leasing activity increased during the quarter allowing us to successfully increase rates and attract new tenants. YTD 2020 includes a key ten-year renewal with the Federal Government of Canada at 340 Laurier Avenue West in Ottawa, Ontario totaling 272,705 square feet.

Debt

	June 30, 2020	December 31, 2019
Indebtedness to GBV ratio	58.2 %	57.6 %
Interest coverage ratio	3.01 x	3.01x
Indebtedness - weighted average fixed interest rate	3.37 %	3.38 %
Indebtedness - weighted average term to maturity	4.42 years	3.87 years

YTD 2020 the REIT refinanced ten mortgages totaling \$129.3 million with a weighted average fixed interest rate of 3.12% and weighted average term to maturity of 8.0 years providing the REIT with additional liquidity of approximately \$39.9 million.

As at June 30, 2020, the REIT had \$34.5 million in cash and \$20 million available in undrawn unsecured credit facilities. We are currently refinancing the remaining 2020 maturities which are expected to close in August and will provide additional liquidity of \$2.2 million. The REIT has limited refinancing exposure with only 5.0% of our portfolio maturing from now until the end of 2021.

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 49 commercial properties consisting of approximately 4.8 million square feet in urban and select strategic secondary markets across Canada focusing on long term leases with government and credit-rated tenants.

The REIT is focused on growing its portfolio principally through acquisitions across Canada and such other jurisdictions where opportunities exist. Additional information concerning the REIT is available at www.sedar.com or the REIT's website at www.truenorthreit.com.

Non-IFRS measures

Certain terms used in this press release such as funds from operations ("FFO"), adjusted funds from operations ("AFFO"), net operating income ("NOI"), same property net operating income ("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 adjusted cash provided by operating activities are not measures defined by International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board ("IASB"), 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, NOI, Same Property NOI, Indebtedness, GBV, Indebtedness to GBV ratio, Adjusted EBITDA, interest coverage ratio and adjusted cash provided by operating activities as computed by the REIT may not be comparable to similar measures presented by other issuers. The REIT uses these measures to better assess the REIT's underlying performance and provides these additional measures so that investors may do the same. Details on non-IFRS measures are set out in the REIT's Management's Discussion and Analysis for the three and six months ended June 30, 2020 ("MD&A") and the Annual Information Form ("AIF") are available on the REIT's profile at www.sedar.com.

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 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 trust units of the REIT, risks related to the REIT and its business, and any risks related to the uncertainties surrounding the duration and the direct or 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 behaviours and the economy in general, including the ability to enforce leases, perform capital expenditure work, increase rent and obtain mortgage financings. 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 performance of the Units; (b) the REIT's ability to mitigate any impacts related to COVID-19; (c) credit, market, operational, and liquidity risks generally; (d) Starlight Group Property Holdings Inc., or any of its affiliates ("Starlight"), will continue its involvement as asset manager of the REIT in accordance with its current asset management agreement; and (e) other risks inherent to the REIT's business and/or factors beyond its control which could have a material adverse effect on the REIT.

The forward-looking statements made relate only to events or information as of the date on which the statements are made in this press release. Except as specifically required by applicable Canadian law, the REIT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

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