



## **True North Commercial REIT Reports Q3 2021 Results**

***Positive operating results and strong rent collection continues at 99.5%***

***208,200 sq ft leased/renewed with WALT of 4.4 years***

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**TORONTO, ON – November 3, 2021** – True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the “REIT”) today announced its financial results for the three and nine months ended September 30, 2021 and provides a COVID-19 update.

“The REIT's high quality tenant roster of government and credit rated tenants has continued to allow us to deliver strong operating results and industry leading rent collections notwithstanding the challenging operating environment the pandemic has brought upon commercial real estate.” stated Leslie Veiner, the REIT’s Chief Executive Officer. “With vaccination rates above 80% in all our markets, we are optimistic that we will start to see increased return to work trends and leasing activity”.

### **Q3 Highlights**

- Collected approximately 99.5% of contractual rent.
- Contractually leased and renewed approximately 208,200 square feet with a weighted average lease term of 4.4 years and a 1.5% increase over expiring base rents.
- Portfolio occupancy was 96% with an average remaining lease term of 4.6 years.
- The REIT had access to \$66.05 million of cash and undrawn credit facilities at the end of Q3 2021.
- NOI decreased 2% compared to Q2 2020 due to the sale of four properties during the last 12 months partially offset by an increase in Same Property NOI.
- Same Property NOI experienced an increase of 1%, which can be attributed to increased occupancy at certain properties combined with contractual rent step ups, new leases at higher rental rates, higher project management fees and one-time termination payments. This increase was partially offset by increased vacancy at certain properties in New Brunswick and the GTA.
- FFO and AFFO per Unit on both a basic and diluted basis remained stable compared to Q3 2020 at \$0.15 and \$0.14, respectively.

### **Subsequent Event**

On October 13, 2021, the REIT completed the acquisition of a 52,000 square foot office property located at 1112 Fort Street, Victoria, British Columbia for approximately \$22 million plus closing costs. The purchase price was satisfied by first mortgage financing of approximately \$14.3 million with an interest rate of 2.49% for a five year term and cash on hand.

### **COVID-19**

- Collections remain strong with approximately 99.5% of contractual rents collected for the three and nine months ended September 30.
- The Canada Emergency Rent Subsidy (“CERS”) program was established to assist businesses experiencing a significant drop in revenue as a result of the COVID-19 pandemic. Currently five tenants are participating in the CERS program and the REIT recognized a \$0.02 million and \$0.07 million expense in property operating costs representing its rental provision granted to tenants for the three and nine months ended September 30, 2021, respectively. The program ended on October 23, 2021.

- The REIT has deferred a total of \$0.45 million of rental payments for certain tenants since the start of the pandemic. As of September 30, 2021, all deferred rental payments had been received.

With approximately 84% of Canada's eligible population fully vaccinated as of the date hereof, there is optimism that employers can initiate return to office plans in the near-term. Further, companies are making preparations to return to work, with many large employers implementing fully vaccinated mandates for employees following the announcement by the federal government requiring all public service employees to be fully vaccinated. As the winter season approaches, uncertainty surrounding case counts and hospitalization remain, particularly given the emergence of COVID-19 variants of concern that are more transmissible and carry increased health risks. Although emergency measures have started to ease in many provinces and territories as more Canadians receive vaccinations and active cases decline, the uncertainty created by variants of concern and potential further closures of certain business could impact the REIT's business and operations for a prolonged period.

It continues to be difficult to predict the duration and extent of the impact of COVID-19 on the REIT's business and operations, both in the short and long-term. Certain aspects of the REIT's business and operations that could potentially be impacted include, without limitation, rental income, occupancy, tenant inducements, future demand for space and market rents, all of which ultimately may impact the underlying valuation of the REIT's investment properties and its ability to maintain its distributions to Unitholders.

### Key Performance Indicators

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Number of properties			45	48
Portfolio GLA			4,745,300 sf	4,818,500 sf
Occupancy			96 %	98 %
Remaining weighted average lease term			4.6 years	4.8 years
Revenue from government and credit rated tenants			76 %	76 %
Revenue	\$ 34,222	\$ 33,914	\$ 103,062	\$ 103,242
NOI	20,555	20,901	62,176	63,001
Net income and comprehensive income	15,847	9,381	32,088	31,453
Same Property NOI	22,242	22,015	66,326	66,016
Same Property NOI growth	1.0 %	(1.9)%	0.5 %	(1.1)%
FFO	\$ 13,544	\$ 13,364	\$ 40,491	\$ 39,994
FFO per Unit - basic	0.15	0.15	0.45	0.45
FFO per Unit - diluted	0.15	0.15	0.44	0.45
AFFO	\$ 12,940	\$ 12,852	\$ 38,542	\$ 38,346
AFFO per Unit - basic	0.14	0.14	0.43	0.43
AFFO per Unit - diluted	0.14	0.14	0.42	0.43
AFFO payout ratio - diluted	105 %	104 %	106 %	104 %
Distributions declared	\$ 13,506	\$ 13,319	\$ 40,394	\$ 39,757

### Operating Results

Revenue increased by 1% (YTD - decrease by 0.2%) and NOI decreased by 2% (YTD - decrease by 1%), respectively, due to the sale of four properties during the last twelve months offset by an increase in Same Property NOI of 1.0%. Three of the dispositions were located in smaller tertiary markets and reflect the REIT's strategy to focus on office properties in larger urban markets. The fourth disposition totaling 40,000 square feet was an opportunistic sale of a smaller asset and the sale price was above both original purchase price and IFRS value.

FFO and AFFO per Unit on both a basic and diluted basis have remained stable at \$0.15 and \$0.14, respectively when compared to Q3 2020. YTD 2021 FFO basic per Unit remained at \$0.45 and FFO diluted per unit decreased by \$0.01 to \$0.44 compared to the prior year. YTD 2021 AFFO basic per Unit remained at \$0.43 and AFFO diluted per Unit decreased \$0.01 to \$0.42.

## Same Property Results

Occupancy	As at September 30		NOI	Q3 2021	Q3 2020	Variance	Variance %
	2021	2020					
Alberta	97.1 %	95.6 %	Alberta	\$ 3,608	\$ 3,448	\$ 160	4.6 %
British Columbia	100.0 %	100.0 %	British Columbia	1,266	1,259	7	0.6 %
New Brunswick	90.7 %	93.5 %	New Brunswick	1,218	1,339	(121)	(9.0)%
Nova Scotia	96.7 %	93.4 %	Nova Scotia	1,726	1,587	139	8.8 %
Ontario	95.6 %	99.3 %	Ontario	14,424	14,382	42	0.3 %
Total	95.6 %	97.7 %		\$ 22,242	\$ 22,015	\$ 227	1.0 %

Same Property NOI increased 1% for the quarter and 0.5% YTD 2021.

Same Property NOI in Alberta increased 4.6% mainly due to a termination payment received from a tenant in our downtown Calgary property. The REIT's Edmonton property continues to experience an increase in NOI due to higher occupancy compared to the same period last year.

New Brunswick Same Property NOI experienced a decline due to a decrease in occupancy. Nova Scotia continues to be positively impacted by contractual rent step ups and from a new 22,000 square foot short term lease.

While occupancy has decreased in the REIT's Ontario portfolio, Same Property NOI has increased 0.3% when compared to the same period in 2020. The increase is mainly due to higher rental rates associated with a 78,000 square foot lease expiry in Q2 and Q3 of 2020, the majority of which was re-leased with revenue commencing in the first half of 2021. Contractual rent step ups and higher project management fees are also contributed to increased Same Property NOI. The increase was offset by higher vacancy in the GTA portfolio mainly due to a tenant reducing their space on lease renewal.

### Leasing Activity

In Q3 2021, the REIT completed 5,900 square feet of new leasing including a five year lease in Edmonton, Alberta and a three year lease in Halifax, Nova Scotia. The REIT also renewed and replaced 202,300 square feet with a weighted average lease term of 4.4 years representing a 1.5% increase in base rents over expiring rates. This included a five year renewal with a credit rated tenant in Ottawa, Ontario for 148,100 square feet. The REIT's renewal activity YTD 2021 achieved a 2.1% increase in base rents over expiring rates and included 387,000 square feet of government and credit-rated renewals with a weighted average lease term of 5.0 years.

### Debt and Liquidity

	September 30, 2021	December 31, 2020
Indebtedness to GBV ratio	57.5 %	57.8 %
Interest coverage ratio	3.00 x	2.96 x
Indebtedness - weighted average fixed interest rate	3.35 %	3.37 %
Indebtedness - weighted average term to maturity	3.57 years	4.06 years

During Q3-2021 the REIT refinanced a total of \$47 million with a weighted average fixed interest rate of 2.56% (0.27% basis points lower than existing rates) for five year terms providing the REIT with additional liquidity of approximately \$10.4 million. All 2021 debt maturities have been addressed. The REIT is exploring early refinancing opportunities to take advantage of the low interest rate environment for its 2022 debt maturities. The REIT's weighted average term to maturity of its mortgage portfolio is 3.57 years with a weighted average fixed interest rate of 3.35%.

As at September 30, 2021, Indebtedness to GBV ratio was 57.5%, a level well within the 75% limit set out in the REIT's amended and restated declaration of trust.

## **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 46 commercial properties consisting of approximately 4.7 million square feet in urban and select strategic secondary markets across Canada focusing on long term leases with government and credit rated tenants.

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

## **Non-IFRS measures**

Certain terms used in this press release such as 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 nine months ended September 30, 2021 ("MD&A") and the Annual Information Form ("AIF") are available on the REIT's profile at [www.sedar.com](http://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 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, the REIT's ATM Program and the intended use of proceeds from such program, taxes, plans and objectives of or involving the REIT. In some cases, forward-looking information can be identified by such terms as "may", "might", "will", "could", "should", "would", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", or the negative thereof or other similar expressions suggesting future outcomes or events.

Forward-looking statements involve a number of risks and uncertainties, including statements regarding the outlook for the REIT's business and results of operations and the effect of the coronavirus (SARS-CoV-2) ("COVID-19") pandemic on the REIT's business and operations. Forward-looking statements involve known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the REIT's control, affect the operations, performance and results of the REIT and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to, risks and uncertainties related to the trust units of the REIT ("Units"), risks related to the REIT and its business, and any risks related to the uncertainties surrounding the duration and the direct and indirect impact of the COVID-19 pandemic on the business, operations and financial condition of the REIT and its tenants, as well as on consumer behavior and the economy in general, including the ability to enforce leases, perform capital expenditure work, increase rents, raise capital through the issuance of Units or other securities of the REIT and obtain mortgage financing on the REIT's properties. The foregoing is not an exhaustive list of factors that may affect the REIT's forward-looking statements. Other risks and uncertainties not presently

known to the REIT could also cause actual results or events to differ materially from those expressed in its forward-looking statements. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions applied in drawing a conclusion or making a forecast or projection, including management's perception of historical trends, current conditions and expected future developments, as well as other considerations believed to be appropriate in the circumstances. There can be no assurance regarding: (a) the impact of COVID-19 on the REIT's business, operations and performance, including the performance of its Units; (b) the REIT's ability to mitigate any impacts related to COVID-19; (c) the effectiveness, acceptance and availability of vaccines, as well as the duration of associated immunity and efficacy of the vaccines against variants of COVID-19; which may prolong the impacts of COVID-19 on the Canadian economy, the retail and commercial real estate industries, occupancy levels and the REIT; (d) credit, market, operational, and liquidity risks generally; (e) Starlight Group Property Holdings Inc., or any of its affiliates ("Starlight"), continuing as asset manager of the REIT in accordance with its current asset management agreement; and (f) other risks inherent to the REIT's business and/or factors beyond its control which could have a material adverse effect on the REIT.

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

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