# TRUE NORTH COMMERCIAL REIT
# ANNOUNCES FIRST QUARTER 2014 RESULTS

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**TORONTO, ON – MAY 8, 2014 –** True North Commercial Real Estate Investment Trust (TSX: TNT.UN) (the "REIT") today announced its financial results for the three months ended March 31, 2014.

"In the first quarter of 2014, the REIT made sequential progress with respect to all major financial metrics," stated Daniel Drimmer, the REIT's Chief Executive Officer. "In terms of revenue, net operating income, normalized AFFO and payout ratio, our first quarter results all exceeded those of the previous quarter, being the most comparable period. We benefitted from our industry leading occupancy rate of 99.5%, which is attributable to our core strategy of acquiring quality properties in secondary markets, tenanted by government and credit-rated corporations."

"While capital markets were not conducive to acquisitions during the first quarter, we continued to prepare for growth by obtaining an additional floating rate revolving credit facility of $10 million, for a total of $15 million" continued Mr. Drimmer. "As capital markets improve, we are well positioned to add to our asset base with further property acquisitions that fit our unique investment criteria."

**Financial Highlights**

- Revenue from property operations for the first quarter of 2014 totaling $5.6 million, compared with $2.5 million in Q1 2013 and $5.1 million in Q4 2013;
- Net Operating Income ("NOI") for the first quarter of 2014 of $3.2 million, compared with $1.7 million in Q1 2013 and $3.1 million Q4 2013;
- Adjusted Funds from Operations ("AFFO") of $0.13 per unit and normalized AFFO of $0.16 per unit for the first quarter of 2014, compared with $0.13 per unit and $0.15 per unit respectively in Q4 2013;
- Q1 2014 normalized AFFO payout ratio of 94% compared with 99% in Q4 2013;
- Distributions for the first quarter of $1.8 million;
- Maintained an industry-leading occupancy rate of 99.5%, with 87.5% of revenue derived from government and credit-rated tenants; and
- Weighted average fixed interest rate of 3.53%, with negligible debt maturities until 2018.

**New Credit Facility**

On March 31, 2014, the REIT amended its credit agreement to include a second revolving credit facility of $10.0 million, for a total of $15 million. This second facility bears interest on cash advances above $1 million at 285 basis points per annum over the floating banker's acceptance rate or under $1 million at 185 basis points over prime rate. The facility matures on February 12, 2015. As at March 31, 2014, there were no drawings against this second facility.

## Operating Results and Financial Position

| | As at March 31, 2014 | As at March 31, 2013 | As at December 31, 2013 |
|---|---|---|---|
| **Summary of Financial Information** | | | |
| Gross Book Value [1] | $188,775 | $157,091 | $184,890 |
| Indebtedness [2] | $109,407 | $99,137 | $109,818 |
| Indebtedness to Gross Book Value [3] | 57.96% | 63.11% | 59.40% |
| Weighted average mortgage fixed interest rate | 3.53% | 3.48% | 3.53% |
| Weighted average mortgage term to maturity | 3.97 years | 4.83 years | 4.21 years |

| | Three months ended March 31 | |
|---|---|---|
| | 2014 | 2013 [4] |
| Revenue | $5,632 | $2,486 |
| NOI | $3,232 | $1,683 |
| Income (loss) and comprehensive income (loss) | $5,194 | ($3,426) |
| FFO | $1,750 | $982 |
| FFO per unit - basic [5] | $0.14 | $0.13 |
| FFO per unit - diluted [5] | $0.13 | $0.12 |
| AFFO | $1,652 | $416 |
| AFFO per unit - basic [5] | $0.13 | $0.05 |
| AFFO per unit - diluted [5] | $0.13 | $0.05 |
| AFFO payout ratio - basic | 109% | 268% |
| AFFO - Normalized [6] | $1,914 | $1,009 |
| AFFO Normalized per unit - basic [5] | $0.16 | $0.13 |
| AFFO Normalized per unit - diluted [5] | $0.15 | $0.12 |
| AFFO Normalized payout ratio - basic | 94% | 110% |
| Units outstanding for FFO, AFFO and AFFO Normalized per unit: | | |
| Weighted average (000s) – basic [5] | 12,341 | 7,608 |
| Add: Unexercised unit options and warrants | 725 | 587 |
| Weighted average (000s) – diluted [5] | 13,066 | 8,195 |

**Notes:**

(1) "Gross Book Value" is defined in the REIT's amended and restated declaration of trust made as of December 14, 2012 (the "DOT") and includes deferred financing costs of $941 as at March 31, 2014, $883 as at December 31, 2013 and $676 as at March 31, 2013. This excludes the derivative instrument of $72 as at March 31, 2014, $459 as at December 31, 2013 and $nil as at March 31, 2013.

(2) "Indebtedness" is defined in the DOT and excludes unamortized financing costs of $739 as at March 31, 2014, $729 as at December 31, 2013 and $658 as at March 31, 2013.

(3) Defined as the ratio of Indebtedness to Gross Book Value.

(4) The performance measures used by the REIT do not represent a useful comparable measure for the three months ended March 31, 2013 given the majority of the REIT's portfolio was acquired on February 12 and 14, 2013.

(5) For purposes of calculating FFO and AFFO per Unit, Class B LP Units are included as Units outstanding on both a basic and diluted basis. Diluted amounts assume the conversion of the unexercised Unit Options and Warrants.

(6) AFFO Normalized is adjusted for non-recurring items such as due diligence acquisition costs related to property acquisitions the REIT is no longer pursuing and rental income recognized as purchase price adjustments under IFRS.

Revenue from property operations for the first quarter of 2014 was $5.6 million, compared with $2.5 million in Q1 2013 and $5.1 million in Q4 2013, the most comparable period. NOI for the same periods was $3.2 million, compared with $1.7 million and $3.1 million, respectively. The increase in revenue and NOI compared with Q1 2013 was attributable to the increased size of the REIT's portfolio. Importantly, the Q1 2014 NOI and NOI margin from properties held throughout the first quarter of 2013 increased 10.7% to $290,000 and 0.8 percentage points to 71.6% respectively, attributable to lease commencements of two units comprising 6,713 square feet.

For the first quarter, basic and diluted Funds from Operations ("FFO") were $0.14 per unit and $0.13 per unit respectively. This compares with $0.13 per unit and $0.12 per unit respectively in Q1 2013, and $0.13 per unit for both in Q4 2013. After normalizing for non-recurring costs, basic and diluted AFFO per Unit was $0.16 per unit and $0.15 per unit respectively in Q1 2014. This compares with $0.13 per unit and $0.12 per unit respectively in Q1 2013, and $0.15 per unit and $0.14 and per unit respectively in Q4 2013. The REIT's normalized AFFO payout ratio was 94% in Q1 2014, compared with 110% in Q1 2013 and 99% in Q4 2013.

Occupancy for the portfolio as at March 31, 2014 was 99.5%, unchanged from year-end 2013.

**Liquidity and Capital Resources**

As at March 31, 2014, the REIT's indebtedness to Gross Book Value was 57.96%, a level well within the 75% limit set out in the REIT's DOT. The weighted average interest rate on the REIT's mortgage portfolio was 3.53%, and the weighted average term to maturity was 4.0 years. The REIT has negligible mortgage maturities until 2018, and all interest rates are fixed for the terms of their respective mortgages.

**Tenant Profile**

As at March 31, 2014, the weighted-average term to maturity of leases at the REIT's properties was 4.3 years and the REIT has minimal near term lease expirations. Only 4.4% of the portfolio's gross leasable area will mature by the end of 2016, with the majority in 2018 and thereafter.

Government tenants and credit rated tenants account for 71.1% and 16.4%, respectively, or 87.5% combined, of the REIT's annualized gross revenue.

Management believes the lease maturity and tenant profile provides the REIT with significant visibility regarding future revenue.

**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 is focused on acquiring and operating commercial rental properties across Canada and such other jurisdictions where opportunities exist.

For complete financial statements and management's discussion and analysis for the period, and any other information relating to the REIT, please visit www.sedar.com or the REIT's website at www.truenorthreit.com.

**Non-IFRS measures**

The REIT's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The following measures, NOI, FFO, AFFO, AFFO Normalized, Gross Book Value and Indebtedness as well as other measures discussed elsewhere in this news release, do not have a standardized definition prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other reporting 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 (MD&A) for the period ended March 31, 2014 and 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 position and results of operations 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 the REIT's future outlook and anticipated events or results, including the number and type of securities that may be sold under the Prospectus, and may include statements regarding the financial position, business strategy, budgets, projected costs, capital expenditures, financing rates and costs, taxes and plans and objectives of or involving the REIT. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the REIT or the real estate industry are forward-looking statements. In some cases, forward-looking information can be identified by terms such as “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “seek”, “aim”, “estimate”, “target”, “project”, “predict”, “forecast”, “potential”, “continue”, “likely”, or the negative thereof or other similar expressions concerning matters that 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 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 including the risks discussed in the REIT's Annual Information Form and MD&A at “Risks and Uncertainties” 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, including management's perceptions of historical trends, current conditions expected future developments as well as other considerations that are believed to be appropriate in the circumstances, such as: 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 continue to provide the REIT with access to equity and/or debt at reasonable rates when required; Starlight Investments Ltd. will continue its involvement as asset manager of the REIT in accordance with its current asset management agreement; and the risks identified or 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.

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