



# True North Commercial REIT (TUERF)

Updated December 24<sup>th</sup>, 2025 by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$6.45	<b>5 Year Annual Expected Total Return :</b>	9.8%	<b>Market Cap:</b>	\$94 M
<b>Fair Value Price:</b>	\$7.80	<b>5 Year Growth Estimate:</b>	0.0%	<b>Ex-Dividend Date:</b>	12/31/2025
<b>% Fair Value:</b>	83%	<b>5 Year Valuation Multiple Estimate:</b>	3.9%	<b>Dividend Payment Date:</b>	01/15/2026
<b>Dividend Yield:</b>	7.8%	<b>5 Year Price Target</b>	\$7.80	<b>Years Of Dividend Growth:</b>	0
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Real Estate	<b>Rating:</b>	Sell

## Overview & Current Events

True North Commercial REIT is a Canadian office REIT that owns and operates a portfolio of single-tenant and select multi-tenant office properties across five provinces. As of September 30<sup>th</sup>, 2025, the Trust owned 38 office properties totaling 4.5 million square feet, with 94% occupancy and a weighted average lease term of 4.3 years. Roughly 72% of revenue is generated from government and credit-rated tenants, providing highly contractual and defensive cash flow despite structural challenges in the office sector. The portfolio is concentrated in Ontario (notably the GTA and Ottawa), with additional exposure to Alberta, Atlantic Canada, and British Columbia. The REIT generated \$88.3 million in rental revenue last year. It trades at a market cap of \$94 million and pays dividends on a monthly basis. The REIT reports its financials in CAD. All figures in this report have been converted to USD unless otherwise noted.

On November 11<sup>th</sup>, 2025, True North Commercial REIT reported its Q3 results for the quarter ended September 30<sup>th</sup>, 2025. Revenue from real estate properties was \$22.0 million, slightly up year over year, driven primarily by termination income from a GTA tenant, partially offset by asset dispositions and lower occupancy at properties held for sale. Net operating income declined 5% year over year to about \$11.1 million, reflecting weaker same-property performance in Alberta and British Columbia and the impact of dispositions, despite contractual rent steps elsewhere in the portfolio. Portfolio occupancy remained stable at 94% (excluding assets held for sale), with a 4.3-year weighted average lease term, supported by a tenant base dominated by government and credit-rated users. FFO per share of \$0.40 was down from \$0.45 last year despite ongoing unit repurchases. For FY2025, FFO, we see FFO/share of \$1.30.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>FFO</b>	\$2.78	\$2.65	\$2.79	\$2.49	\$2.52	\$2.67	\$2.68	\$2.57	\$1.90	\$1.68	<b>\$1.30</b>	<b>\$1.30</b>
<b>DPS</b>	\$3.42	\$3.42	\$3.42	\$3.42	\$3.42	\$3.42	\$3.42	\$3.42	\$1.71	---	<b>\$0.50</b>	<b>\$0.50</b>
<b>Shares<sup>1</sup></b>	3.6	4.4	6.6	9.7	11.9	15.6	15.9	16.2	16.4	15.2	<b>14.6</b>	<b>14.0</b>

True North's FFO per share trajectory has been quite disappointing over the past decade. From 2015 to 2017, the REIT's per-unit FFO was more or less stable. In 2018, however, FFO per unit was pressured by timing differential dilution, which means equity issuance occurred before proceeds were fully deployed into acquisitions, so more units were outstanding without the immediate NOI contribution. By 2019, NOI and scale grew with acquisitions, but management also pointed to higher G&A and rising finance costs tied to incremental debt as the portfolio expanded, keeping per-unit progress more muted than the top-line/NOI growth might imply.

In 2020, the REIT posted 99% contractual rent collection and sustained strong rent collections despite the pandemic, which helped keep cash flow comparatively resilient. In 2021, results were stable, with the key bridge being dispositions earlier in the year offset by an acquisition and modest same-property NOI growth (supported by renewals and some termination payments). In 2022, NOI benefited from same-property NOI uplift plus acquisitions, but was offset by occupancy decline and higher leasing-cost amortization/straight-line rent effects.

<sup>1</sup> Share count is in millions.

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The sharp step-down into 2023–2024 was driven by a real mix shift and earnings headwinds. Year 2023 saw the lap of large prior-year termination income, meaningful lease expiries/vacancy, dispositions, and higher financing costs from materially higher mortgage refi rates and credit facility interest. In 2024, revenue and NOI were again down year over year primarily because of disposition activity in an attempt to stabilize its highly leveraged balance sheet.

Moving forward, we expect no FFO per share growth as high indebtedness, elevated interest expense, ongoing asset dispositions, and limited leasing upside in the office portfolio are likely to offset the stability provided by government-anchored tenants. We also expect no growth in the monthly dividend which the company suspended in 2024 before resuming it in 2025 at a much lower rate.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/FFO	---	---	---	---	11.5	9.4	12.3	10.9	5.8	4.5	<b>5.0</b>	<b>6.0</b>
Avg. Yld.	---	---	---	---	11.8%	13.7%	10.4%	12.2%	15.5%	---	<b>7.8%</b>	<b>6.4%</b>

True North’s P/FFO was hovering in the high-single digits to low-teens up until 2022. However, it got compressed in the mid-single digits in the following years as a result of the company’s FFO/share struggling during a high-rate environment. Today, the stock trades at about 5x this year’s expected FFO/share. We believe a depressed multiple is justified since the balance sheet remains highly leveraged. Still, we believe that a P/FFO of 6x would be more reasonable for the REIT.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

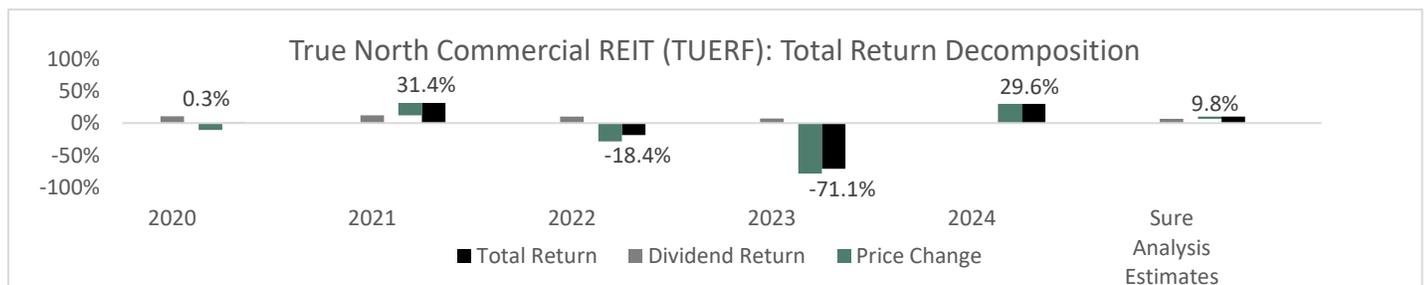
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	123%	129%	123%	137%	136%	128%	128%	133%	90%	---	<b>38%</b>	<b>38%</b>

True North Commercial REIT benefits from high tenant credit quality, with a portfolio heavily leased to government and government-related tenants, which provides contractual cash flow stability and predictable rent collection even in weak economic environments. The payout ratio also has improved materially and is now a more conservative 38% of expected 2025 FFO, offering some buffer at the distribution level. Still, overall safety remains constrained by high indebtedness, with leverage still elevated at roughly ~59% of gross book value, leaving the Trust highly sensitive to interest rates, refinancing risk, and asset valuations. Combined with structural headwinds in the office sector, limited organic growth, and reliance on dispositions to manage leverage, the REIT remains higher risk despite improved payout discipline and stable tenant quality, particularly in a prolonged downturn or tighter credit environment.

## Final Thoughts & Recommendation

True North has stable, government-backed cash flows and an improved payout profile, but high leverage and structural office market risks keep the investment firmly in the higher-risk category. We see the possibility for annualized total returns of 9.8% through 2030, to be driven by the dividend and the possibility of a valuation tailwind. Still, we stress that this return forecast is highly speculative. Regardless, we rate the stock a sell due to the lack of dividend growth lately.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	29	31	43	67	80	104	110	110	98	93
<b>Gross Profit</b>	18	19	27	39	47	62	66	66	53	47
<b>Gross Margin</b>	61.8%	60.3%	61.7%	58.5%	58.3%	60.1%	59.6%	60.0%	53.7%	50.4%
<b>SG&amp;A Exp.</b>	-	-	-	-	-	-	-	-	-	-
<b>D&amp;A Exp.</b>										
<b>Operating Profit</b>	13	9	16	28	37	57	61	69	55	41
<b>Operating Margin</b>	43.6%	28.3%	37.9%	41.4%	46.0%	55.1%	54.8%	62.6%	56.3%	44.0%
<b>Net Profit</b>	13	(0)	22	38	18	30	41	13	(30)	(15)
<b>Net Margin</b>	44.4%	-0.2%	51.3%	57.0%	22.7%	28.5%	36.8%	11.5%	-30.7%	-16.5%
<b>Free Cash Flow</b>	10	11	15	28	28	46	40	57	31	33
<b>Income Tax</b>	-	-	-	-	-	-	-	-	-	-

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	250	340	538	688	1,061	1,103	1,125	1,070	1,004	862
<b>Cash &amp; Equivalents</b>						19	4	7	7	9
<b>Accounts Receivable</b>										
<b>Inventories</b>	-	-	-	-	-	-	-	62	41	41
<b>Goodwill &amp; Int. Ass.</b>	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	170	215	340	422		690	698	685	660	573
<b>Accounts Payable</b>										
<b>Long-Term Debt</b>	139	175	276	352	-	638	649	625	605	513
<b>Shareholder's Equity</b>	80	125	198	266	407	412	428	385	343	289
<b>LTD/E Ratio</b>	1.87	1.51	1.56	1.46	1.50	1.55	1.52	1.65	1.81	1.85

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	4.9%	0.0%	5.0%	6.2%	2.1%	2.7%	3.7%	1.2%	-2.9%	-1.6%
<b>Return on Equity</b>	15.3%	-0.1%	13.7%	16.5%	5.4%	7.2%	9.7%	3.1%	-8.3%	-4.8%
<b>ROIC</b>	5.4%	0.0%	5.4%	6.6%	2.2%	2.9%	3.8%	1.2%	-3.0%	-1.7%
<b>Shares Out.</b>	3.6	4.4	6.6	9.7	11.9	15.6	15.9	16.2	16.4	15.2
<b>Revenue/Share</b>	7.97	6.16	6.56		6.74	6.66	6.94	6.73	5.96	6.11
<b>FCF/Share</b>	2.67	2.26	2.28		2.33	2.97	2.50	3.49	1.86	2.14

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

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