

## PROREIT Announces Third Quarter 2020 Results

- **Property revenue of \$17.3 million, 30.7% increase from Q3 2019**
- **Net operating income<sup>1</sup> of \$10.4 million, 22.0% increase from Q3 2019**
- **Net loss and comprehensive loss of \$0.7 million**
- **AFFO<sup>1</sup> of \$5.9 million, 15.6% increase from Q3 2019**
- **AFFO payout ratio<sup>1</sup> of 76.8%, 30.8% improvement from Q3 2019**
- **Successful renewal of 92.5% of leases maturing in 2020 to date, at average 4% year one rent increase**

MONTREAL, Nov. 10, 2020 /CNW Telbec/ - PRO Real Estate Investment Trust ("PROREIT" or the "REIT") (TSX: PRV.UN) today reported its financial and operating results for the three-month period (or "third quarter") ended September 30, 2020.

"We are gratified with our third quarter results, which continue to highlight our robust performance across most of our key metrics, in the face of the ongoing impact of the COVID-19 pandemic over the past months and the consequent economic volatility," said Jim Beckerleg, President and CEO, PROREIT.

"We believe our outstanding collection capacity demonstrates the resilience of our portfolio and the stability of our cash flows with 99.2% of third quarter rent collected and 99.6% of rent collected for the first month of the fourth quarter currently under way," added Mr. Beckerleg.

"We have a sound diversification strategy, with exposure in performing markets and benefit from a strong tenant mix. Our occupancy rate remained firm at 98.1%, with over 86% of our portfolio base rent coming from national and government tenancies. Our retail segment continues to perform strongly as approximately 70% of our retail base rent is comprised of tenants providing essential services and products anchored by grocery stores and pharmacies," commented Mr. Beckerleg.

"We continue to focus on maintaining our solid tenant relationships while managing our business prudently. With our defensive portfolio, underpinned by solid operational fundamentals, we are confident in the future and in our ability to leverage significant growth opportunities as economic activity resumes, to the benefit of our unitholders," concluded Mr. Beckerleg.

### COVID-19 Impact

Given the ongoing pandemic, PROREIT has continued to closely monitor the situation and remained fully focused on ensuring the health and safety of its employees, tenants and the communities in which it owns properties.

<sup>1</sup> Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

In the second quarter and third quarter of 2020, PROREIT supported certain tenants that have been negatively impacted by the pandemic through the provision of rent deferrals on a case-by-case basis as well as participating in the Canada Emergency Commercial Rent Assistance ("CECRA") program, which provides qualifying tenants with a 75% gross rent reduction – 50% funded by the government and 25% by the landlord incurring a rent abatement. As at September 30, 2020, PROREIT has approximately \$0.7 million of rent deferrals to be repaid by tenants over various terms not exceeding 12 months. These amounts are being successfully collected as per their deferral agreements. For the three and nine-month ended September 30, 2020, PROREIT recorded respectively a \$0.3 million and \$0.7 million provision in relation to COVID-19 bad debt provisions, CECRA participation and rent abatements.

As previously announced, PROREIT's monthly collection of gross rent as of October 21, 2020 is as follows:

	Oct. 2020	Sept. 2020	August 2020	July 2020
Gross rent collections, including government and other tenants who typically pay at the end of the month, based on historical collection cycles	99.6%	99.6%	99.5%	98.5%
<b>Breakdown:</b>				
Industrial tenants	100.0%	100.0%	100.0%	97.9%
Mixed-use commercial tenants	98.5%	98.5%	98.5%	100.0%
Office tenants	100.0%	100.0%	100.0%	100.0%

Retail tenants	99.9%	99.7%	99.6%	97.4%
Temporary rent deferral agreements under fixed repayment terms	0%	0%	0%	0%
Gross rent in arrears and discussions with tenants are ongoing and managed on a case-by-case basis	0.4%	0.4%	0.5%	0.9%

## Results

**TABLE 1- FINANCIAL HIGHLIGHTS**

<i>(CAD \$ thousands except unit, per unit amounts and unless otherwise stated)</i>	<b>3 Months Ended September 30 2020</b>	3 Months Ended September 30 2019	<b>9 Months Ended September 30 2020</b>	9 Months Ended September 30 2019
<b>Financial data</b>				
Property revenue	\$ 17,302	\$ 13,241	\$ 52,221	\$ 40,312
Net operating income (NOI) <sup>(1)</sup>	\$ 10,399	\$ 8,525	\$ 30,527	\$ 25,431
Total assets	\$ 634,079	\$ 628,604	\$ 634,079	\$ 628,604
Debt to Gross Book Value <sup>(1)</sup>	58.72%	56.72%	58.72%	56.72%
Interest Coverage Ratio <sup>(1)</sup>	2.8x	2.8x	2.7x	2.7x
Debt Service Coverage Ratio <sup>(1)</sup>	1.6x	1.7x	1.6x	1.7x
Weighted average interest rate on mortgage debt	3.73%	3.74%	3.73%	3.74%
Net cash flows provided from operating activities	\$ 8,936	\$ 5,339	\$ 13,137	\$ 9,498
Funds from Operations (FFO) <sup>(1)</sup>	\$ 5,527	\$ 4,410	\$ 16,119	\$ 10,279
Basic FFO per unit <sup>(1)(2)</sup>	\$ 0.1381	\$ 0.1234	\$ 0.4031	\$ 0.3126
Diluted FFO per unit <sup>(1)(2)</sup>	\$ 0.1349	\$ 0.1205	\$ 0.3943	\$ 0.3050
Adjusted Funds from Operations (AFFO) <sup>(1)</sup>	\$ 5,863	\$ 5,070	\$ 17,070	\$ 14,747
Basic AFFO per unit <sup>(1)(2)</sup>	\$ 0.1465	\$ 0.1419	\$ 0.4269	\$ 0.4485
Diluted AFFO per unit <sup>(1)(2)</sup>	\$ 0.1431	\$ 0.1386	\$ 0.4176	\$ 0.4376
AFFO Payout Ratio – Basic <sup>(1)</sup>	76.8%	111.0%	89.6%	105.4%
AFFO Payout Ratio – Diluted <sup>(1)</sup>	78.6%	113.6%	91.6%	108.0%
<p>(1) Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".</p> <p>(2) Total basic units consist of trust units of PROREIT and Class B LP Units (as defined herein). Total diluted units also include deferred trust units and restricted trust units issued under the REIT's long-term incentive plan.</p>				

PROREIT owned 92 investment properties at September 30, 2020, compared to 91 properties at the same time last year. Total assets amounted to \$634.1 million at September 30, 2020, representing an increase of \$5.5 million, or 0.9%, compared to \$628.6 million at September 30, 2019. PROREIT acquired two investment properties in the twelve-month period ended September 30, 2020, and sold one property on September 28, 2020.

Year-over-year variances for the three and nine-month periods ended September 30, 2020 also reflect the timing of seven acquisitions made in September 2019 – out of the 91 properties owned at September 30, 2019 – which consequently have a marginal impact on the results of the three and nine-month periods ended September 30, 2019.

For the third quarter ended September 30, 2020:

- Property revenue was \$17.3 million. The increase of \$4.1 million, or 30.7%, compared to the same period last year, is primarily due to incremental revenues from seven property acquisitions in September 2019 and two property acquisitions in the twelve-month period ended September 30, 2020.
- Same property net operating income<sup>1</sup> was \$7.8 million, a decrease of \$0.2 million, or 3.0%, compared to the same quarter last year. The decrease is mainly attributable to COVID-19 related bad debt provisions, CECRA participation and rental abatements of \$0.3 million.
- Net operating income<sup>1</sup> was \$10.4 million, an increase of \$1.9 million, or 22.0%, compared to \$8.5 million for the same period last year. This increase results primarily from the favourable impact of the seven

property acquisitions in September 2019 and the 2 property acquisitions in the twelve-month period ended September 30, 2020.

- AFFO<sup>1</sup> totalled \$5.9 million, a \$0.8 million increase compared to \$5.1 million for the same period last year, or a 15.6% increase year over year. This increase is mainly due to the favourable impact of the seven property acquisitions in September 2019 and the 2 property acquisitions in the twelve-month period ended September 30, 2020.
- AFFO payout ratio<sup>1</sup> stood at 76.8% compared to 111.0% for the same period last year, a 30.8% improvement. The favourable variance mainly relates to the revision of PROREIT's monthly distributions to \$0.0375 per unit from \$0.0525 commencing April 2020.
- On September 28, 2020, PROREIT sold a free-standing retail property in Saint John, New Brunswick, for gross proceeds of \$5.1 million, in excess of its IFRS carrying value.

For the nine-month period ended September 30, 2020:

- Property revenue was \$52.2 million. The increase of \$11.9 million, or 29.5%, compared to the same period last year, is primarily due to incremental revenues from seven property acquisitions in September 2019 and two property acquisitions in the twelve-month period ended September 30, 2020.
- Same property net operating income<sup>1</sup> was \$23.8 million, a decrease of \$0.6 million, or 2.4%, compared to the same period last year. The decrease is mainly attributable to COVID-19 related bad debt provisions, CECRA participation and rental abatements of \$0.6 million.
- Net operating income<sup>1</sup> was \$30.5 million, an increase of \$5.1 million, or 20.0%, compared to \$25.4 million for the same period last year. This increase results primarily from the favourable impact of seven property acquisitions in September 2019 and two property acquisitions in the twelve-month period ended September 30, 2020.
- AFFO<sup>1</sup> totalled \$17.1 million, a \$2.3 million increase compared to \$14.7 million for the same period last year, or a 15.8% increase year over year. This increase is mainly due to the favourable impact of the 7 property acquisitions in September 2019 and the 2 property acquisitions in the twelve-month period ended September 30, 2020.
- AFFO payout ratio<sup>1</sup> stood at 89.6% compared to 105.4% for the same period last year, a 15.0% improvement. The favourable variance mainly relates to the revision of PROREIT's monthly distributions to \$0.0375 per unit from \$0.0525 commencing April 2020.
- During the first quarter of 2020, PROREIT acquired a 100% interest in a 135,494 square-foot light industrial property in Moncton, New Brunswick, for \$8.4 million before closing costs.

<sup>1</sup> Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

**TABLE 2- RECONCILIATION OF NET OPERATING INCOME TO NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

	3 Months Ended September 30 2020	3 Months Ended September 30 2019	9 Months Ended September 30 2020	9 Months Ended September 30 2019
<i>(CAD \$ thousands)</i>				
Property revenue	\$ 17,302	\$ 13,241	\$ 52,221	\$ 40,312
Property operating expenses	6,903	4,716	21,694	14,881
<b>Net operating income (NOI) <sup>(1)</sup></b>	<b>10,399</b>	<b>8,525</b>	<b>30,527</b>	<b>25,431</b>
General and administrative expenses	854	623	2,430	1,720
Long-term incentive plan expense	789	662	(1,527)	2,329
Depreciation of property and equipment	66	65	207	137
Amortization of intangible assets	93	93	279	279
Interest and financing costs	3,829	3,094	11,505	9,644
Distributions – Class B LP Units	173	407	757	1,255
Fair value adjustment – Class B LP Units	585	155	(7,361)	4,081
Fair value adjustment – investment properties	5,012	(3,255)	10,271	(9,983)
Other income	(562)	(599)	(1,562)	(1,944)
Other expenses	269	370	869	1,180
Transaction costs	-	-	-	3,076
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ (709)</b>	<b>\$ 6,910</b>	<b>\$ 14,659</b>	<b>\$ 13,657</b>

(1) See "Non-IFRS and Operational Key Performance Indicators".

For the three months ended September 30, 2020, net loss and comprehensive loss was \$0.7 million, compared to net income and comprehensive income of \$6.9 million for the same prior-year period. The \$7.6 million decrease mainly relates to the \$8.3 million difference in the non-cash fair value adjustment on investment properties and the \$0.7 million increase in interest and financing costs, partially offset by a \$1.9 million favourable impact in net operating income<sup>1</sup> for the quarter ended September 30, 2020, compared to the same period in 2019.

For the nine months ended September 30, 2020, net income and comprehensive income was \$14.7 million, an increase of \$1.0 million compared to \$13.7 million for the same period last year, mainly as a result of the favourable \$11.4 million impact of the non-cash fair value of Class B LP Units combined with the \$3.9 million non-cash long-term incentive plan expense and \$5.1 million favourable impact in net operating income<sup>1</sup>, partially offset by the \$20.3 million difference in non-cash fair value adjustment on investment properties for the nine months ended September 30, 2020, compared to the same period last year.

During the third quarter, PROREIT updated its independent external appraisals for 36 properties, resulting in a fair market value expense of approximately \$3.1 million, and \$5.4 million for the three and nine-month periods ended September 30, 2020. A total of 56 independent external appraisals have been updated for the nine-month period ended September 30, 2020.

<sup>1</sup> Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

### Strong Balance Sheet and Solid Cash Position

PROREIT continued to exercise prudent capital management and remains committed to maintaining a conservative balance sheet. At the end of the third quarter, its debt to gross book value<sup>1</sup> ratio was 58.72% and the weighted average interest on mortgage debt was 3.73%. PROREIT has no mortgage maturities coming due in 2020, with only \$6 million due in 2021.

PROREIT has an adequate liquidity position, with \$10 million of cash and credit available as at November 10, 2020.

On July 16, 2020, PROREIT entered into a new non-revolving credit facility of \$5 million bearing interest at prime plus 325.0 basis points or bankers' acceptance rate plus 425.0 basis points. PROREIT is also currently in negotiations with respect to other sources of liquidity that should be available in the fourth quarter of 2020.

### TABLE 3- TOTAL PORTFOLIO BASE RENT

#### BY ASSET CLASS

	September 30, 2020		September 30, 2019	
	Number of Properties	% Base Rent	Number of Properties	% Base Rent
Retail	48	35.4	49	37.8
Commercial Mixed Use	8	18.9	8	17.9
Office	10	15.6	10	16.2
Industrial	26	30.1	24	28.2
TOTAL	92	100.0	91	100.0

#### BY PROVINCE

	September 30, 2020		September 30, 2019	
	Number of Properties	% Base Rent	Number of Properties	% Base Rent
Maritime Provinces	38	41.6	37	40.6
Quebec	16	14.7	16	15.3
Western Canada	26	14.3	26	14.8
Ontario	12	29.4	12	29.4
TOTAL	92	100.0	91	100.0

At September 30, 2020, PROREIT's portfolio remains well-diversified with commercial mixed-use and industrial

exposure at 49.0% at the end of the third quarter of 2020 while the Ontario, Quebec and Maritime markets account for 85.7% of its portfolio.

1 Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

**TABLE 4- OPERATIONAL HIGHLIGHTS**

	<b>September 30 2020</b>	September 30 2019
<b>Operational data</b>		
Number of properties	<b>92</b>	91
Gross leasable area (square feet) ("GLA")	<b>4,571,311</b>	4,396,004
Occupancy rate <sup>(1)</sup>	<b>98.1%</b>	98.2%
Weighted average lease term to maturity (years)	<b>5.2</b>	5.6

(1) Occupancy rate includes lease contracts for future occupancy of currently vacant space. Management believes the inclusion of this committed space provides a more balanced reporting. The committed space at September 30, 2020 was approximately 43,203 square feet of GLA (30,327 square feet of GLA at September 30, 2019).

GLA increased 4.0% to 4,571,311 square feet at September 30, 2020, compared to 4,396,004 square feet at September 30, 2019. The increase of 175,307 square feet in GLA is a result of the acquisition of nine investment properties in the twelve-month period ended September 30, 2020.

#### **Well-diversified and Robust Tenant Base**

Occupancy rate remained solid at 98.1% as at September 30, 2020, in line with the previous quarter. 86% of PROREIT's portfolio base rent is from national and government tenants, and the anchored, high-profile 10 largest tenants by base rent in the portfolio accounted for approximately 36.7% of base rent at September 30, 2020. Credit quality tenants represent 47.0% of in-place annualized base rent, and 68.4% of the base rent in the retail segment is from tenants providing essential services to the public, including grocery stores, pharmacies, financial institutions, government offices and medical offices.

Weighted average lease term to maturity stood at 5.2 years, and 92.5% of PROREIT's leases maturing in 2020 have been renewed to date, at an additional 4% average year one rent increase, largely driven by certain significant industrial renewals.

#### **Distributions**

Distributions to unitholders totaling \$0.0375 per trust unit of the REIT were declared monthly during the three months ended September 30, 2020, representing distributions of \$0.45 per unit on an annual basis. Equivalent distributions are paid on the Class B limited partnership units of PRO REIT Limited Partnership ("Class B LP Units"), a subsidiary of the REIT.

On October 21, 2020, subsequent to quarter-end, PROREIT announced a cash distribution of \$0.0375 per unit for the month of October 2020. The distribution is payable on November 16, 2020, to unitholders of record as at October 30, 2020.

#### **Renewal of Normal Course Issuer Bid**

On September 21, 2020, PROREIT announced that the Toronto Stock Exchange accepted its notice to renew its normal course issuer bid ("NCIB") for a one-year period. The NCIB commenced on September 24, 2020 and will terminate on the earlier of: (i) September 23, 2021, and (ii) the date on which the maximum number of Units that can be acquired pursuant to the NCIB are purchased. PROREIT may purchase up to 1,924,228 Units under the NCIB, representing 5.0% of the REIT's 38,484,562 issued and outstanding Units as at September 18, 2020.

#### **Outlook**

PROREIT will continue to proactively adapt its near-term strategy in light of the global pandemic and consequent economic disruption, while mitigating the potential risks facing its business. PROREIT also remains fully committed to the health and safety of all its stakeholders, as well as maintaining its longstanding tenant relationships.

With interest rates announced at historical lows over the next few years, PROREIT intends to leverage the low-rate environment opportunity to fully optimize its debt profile. Over the long term, PROREIT is confident in its ability to drive organic growth as the economy recovers, to the benefit of its unitholders.

### **Investor Conference Call and Webcast Details**

PROREIT will hold a conference call to discuss its third quarter 2020 results on November 11, 2020, at 9:30 a.m. ET. There will be a question period reserved for financial analysts. To access the conference call, please dial (888) 664-6383 or 416-764-8650 or 514-225-6995 (conference id: 82695004). A recording of the call will be available until November 18, 2020, by dialing (888) 390-0541 or 416-764-8677, access code 695004.

The conference call will also be accessible via live webcast on PROREIT's website at [www.proreit.com](http://www.proreit.com) or [https://produceredition.webcasts.com/starthere.jsp?ei=1395079&tp\\_key=949588c16c](https://produceredition.webcasts.com/starthere.jsp?ei=1395079&tp_key=949588c16c)

### **Non-IFRS and Operational Key Performance Indicators**

PROREIT's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). In this press release, as a complement to results provided in accordance with IFRS, PROREIT discloses and discusses certain non-IFRS financial measures, including same property net operating income (or same property NOI), adjusted funds from operations or AFFO, AFFO payout ratio, net operating income or NOI, debt to gross book value, gross book value, interest coverage ratio, debt service coverage ratio, and funds from operations or FFO. These non-IFRS measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other issuers. PROREIT has presented such non-IFRS measures as management of the REIT believes they are relevant measures of PROREIT's underlying operating performance and debt management. Non-IFRS measures should not be considered as alternatives to net income, cash generated from (utilized in) operating activities or comparable metrics determined in accordance with IFRS as indicators of PROREIT's performance, liquidity, cash flow, and profitability. For a full description of these measures and, where applicable, a reconciliation to the most directly comparable measure calculated in accordance with IFRS, please refer to the "Non-IFRS and Operational Key Performance Indicators" section in PROREIT's management's discussion and analysis for the three months ended September 30, 2020 (the "Q3 2020 MD&A"), available under PROREIT's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward-Looking Statements**

This news release contains forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements are based on a number of assumptions and are subject to a number of risks and uncertainties, many of which are beyond PROREIT's control, that could cause actual results and events to differ materially from those that are disclosed in or implied by such forward-looking statements.

Forward-looking statements contained in this press release include, without limitation, statements pertaining to the ability of the REIT to execute its growth strategy, the duration and impact on the REIT and its tenants of the COVID-19 pandemic, the liquidity position and cash flow of the REIT and its capacity to pay all expenses, the future use of capital available to the REIT, and the future performance of the REIT. PROREIT's objectives and forward-looking statements are based on certain assumptions, including management's perceptions of historical trends, current conditions and expected future developments.

The forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement. All forward-looking statements in this press release are made as of the date of this press release. PROREIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by law.

Additional information about these assumptions and risks and uncertainties is contained under "Risk Factors" in PROREIT's latest annual information form and "Risks and Uncertainties" in the Q3 2020 MD&A, both of which are available under PROREIT's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

*Neither the TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this release.*

### **About PROREIT**

PROREIT ([www.proreit.com](http://www.proreit.com)) is an unincorporated open-ended real estate investment trust owning a diversified portfolio of 92 commercial properties across Canada representing over 4.5 million square feet of GLA. Established in March 2013, PROREIT is mainly focused on strong primary and secondary markets in Québec, Atlantic Canada and Ontario, with selective exposure in Western Canada.

SOURCE PROREIT

For further information: PRO Real Estate Investment Trust, James W. Beckerleg, President and Chief Executive Officer, 514-933-9552; PRO Real Estate Investment Trust, Gordon G. Lawlor, CPA, CA, Executive Vice President, Chief Financial Officer and Secretary, 514-933-9552

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<https://proreit.mediaroom.com/2020-11-10-PROREIT-Announces-Third-Quarter-2020-Results>