



Northern Property
Real Estate Investment Trust

NPR reports third quarter 2013 financial results
FFO per unit increases 14.5%

CALGARY, November 5, 2013 – Northern Property Real Estate Investment Trust (the “REIT”) and NorSerCo Inc. (the REIT together with NorSerCo, “NPR”) (NPR.UN – TSX) today announced financial results for the three months ended September 30, 2013. NPR reported third quarter funds from operations (“FFO”) per unit of \$0.65. The results for the three months ended September 30, 2013 included a \$0.8 million dollar net lease termination fee relating to the sale of a non-core warehouse in British Columbia. Excluding this non-recurring item, FFO per unit was \$0.63, an increase of 14.5% from the comparable period of 2012.

President and COO Todd Cook commented, “We are pleased to see the financial results return to levels we experienced prior to the sale of the seniors’ portfolio last year. Over \$210 million of acquisitions and developments completed in the last 21 months have replaced the earnings displaced in 2012 when the seniors’ portfolio was sold. Today, NPR is well positioned with one of the strongest balance sheets in the REIT sector, low leverage, improved debt ratios and acquisition and development capacity.”

Mr. Cook continued, “The acquisitions and developments completed over the past year are starting to stabilize and contribute more to our financial results. While our vacancy remains higher than historical levels, we are seeing improvements in most areas as our operations teams focus on leasing and customer service.”

CEO Jim Britton added, “We had a busy quarter with 285 multi-family units being acquired and 59 multi-family development units being completed. We are excited about the completion of our first 47 units in Regina on October 1 as all the units have been leased and over 50% of the next building has been leased as the demand for new quality rentals remains high. We continue to push our development program forward and are actively pursuing land as evidenced by the recent purchases in Grande Prairie, AB and Fort St. John, BC.”

Mr. Britton continued, “We still are being selective on acquisitions as pricing remains high, especially when compared to the costs of new developments. We completed the acquisition of 97 multi-family units in St. John’s on October 31, 2013 for \$6.7 million at a going in cap rate of 6.1%. The latest acquisitions and developments have pushed our residential unit count over 10,000 as NPR continues to grow accretively.”

Financial performance at a glance

	Three months ended September 30			Nine months ended September 30		
(thousands of dollars, except per unit amounts)	2013	2012	Change	2013	2012	Change
Total revenue	45,607	40,709	12.0%	130,243	125,964	3.4%
Net operating income ⁽¹⁾	29,130	25,635	13.6%	78,788	79,546	-1.0%
Income before income taxes	18,839	10,832	73.9%	51,476	53,653	-4.1%
Income tax expense	158	3,674	-95.7%	235	191,572	-99.9%
Net and comprehensive income	18,681	7,158	161.0%	51,241	-137,919	-137.2%
Net income per Stapled Unit, diluted	\$0.59	\$0.22	168.2%	\$1.60	-\$4.43	-136.1%
Excluding SIFT current income tax						
FFO ⁽¹⁾	20,904	17,767	17.7%	54,987	54,195	1.5%
FFO per Stapled Unit, basic ⁽¹⁾	\$0.65	\$0.55	18.2%	\$1.71	\$1.74	-1.7%
FFO payout ratio ⁽¹⁾	59.5%	68.9%	-9.4%	67.4%	65.6%	1.8%
Distributions declared	12,362	12,246	0.9%	36,908	35,579	3.7%
Distributions per Unit	\$0.387	\$0.383	1.0%	\$1.152	\$1.148	0.3%

(1) NPR’s Management Discussion and Analysis (“MD&A”) for the three and nine months ended September 30, 2013 include reconciliations of net operating income and FFO, which are non-GAAP measures, to their closest GAAP measure. Readers are encouraged to review such reconciliations.



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FFO

FFO per Stapled Unit, excluding the net lease termination fee, was \$0.63 in the third quarter of 2013 compared to \$0.55 in the third quarter of 2012. As mentioned previously, the third quarter of 2013 is the first quarter in which the comparable 2012 quarter does not have results from the seniors' portfolio. The increase in FFO is a result of the 1,785 multi-family acquisitions since January 1, 2012 as well as new developments being completed and outperforming expectations. In addition, the existing portfolio is performing well as evidenced by the multi-family and commercial segment same door NOI growth.

Portfolio Summary (including joint ventures at 100% and discontinued operations) – September 30, 2013

Region	Multi-family	Execusuites & Hotels	Seniors' (Discontinued Operations)	Total Residential (units)	Commercial (sq. ft.)
British Columbia	2,857	-	-	2,857	85,686
Alberta	2,468	-	-	2,468	83,243
Newfoundland and Labrador	1,492	142	54	1,688	166,721
Northwest Territories	1,305	160	-	1,465	535,711
Nunavut	1,054	162	-	1,216	193,583
Saskatchewan	287	-	-	287	-
Quebec	161	-	-	161	-
Total	9,624	464	54	10,142	1,064,944

Residential vacancy loss

Region	For the three months ended September 30, 2013	For the three months ended June 30, 2013	For the three months ended September 30, 2012
British Columbia	15.4%	15.3%	8.0%
Alberta	2.9%	3.1%	6.2%
Newfoundland and Labrador	3.7%	3.0%	1.1%
Northwest Territories	8.3%	7.7%	3.4%
Nunavut	2.6%	2.6%	3.0%
Saskatchewan	3.8%	8.1%	5.6%
Quebec	0.2%	n/a	n/a
Overall	6.5%	6.5%	4.7%

Residential vacancy loss for the third quarter of 2013 was 6.5% compared to 4.7% for the same quarter of 2012 and 6.5% for the second quarter of 2013. In 2012, NPR acquired 1,500 multi-family units which was the main reason for the year over year increase in vacancy. If the 1,500 units purchased in 2012 are excluded, total vacancy for the three months ended September 30, 2013 would have been 5.8%.

In British Columbia, most regions have begun to see vacancy improve compared to the second quarter of 2013. In particular we are starting to see improvement in the recent acquisitions in Abbotsford, Prince George and Nanaimo. This is in part due to the continued focus on the transition of the acquisitions to NPR standards. Northeastern BC is generally still experiencing economic challenges, however, Fort St. John and Prince George continue to be the exception as vacancy has declined. Dawson Creek saw a significant increase in vacancy due to a lower level of activity in the natural gas sector.

Alberta continues to be an integral part of the overall success of NPR and its improvement in vacancy has contributed to the growth of NPR. The slight increase in the Fort McMurray vacancy from the second quarter of 2013 is a result of the new acquisition in the third quarter which came with a slightly higher vacancy than NPR's current Fort McMurray properties. Vacancy loss in Lloydminster decreased to 1.8% during the third quarter of 2013 from 4.9% reported in the second quarter of 2013 as the new 142 units were fully leased early in the second quarter.

In the Northwest Territories, improvement has been made in Inuvik over the last several months. Inuvik vacancy of 7.0% for the third quarter of 2013 improved from the 20.9% in the first quarter of 2013 as a new corporate tenant lease was signed in the first quarter of 2013 and the announced government project to build the road to Tuktoyaktuk. The Yellowknife market vacancy has increased to 8.6% in the third quarter of 2013 compared to 6.7% in the second quarter of 2013 and 1.0% in the third quarter of 2012. The increase in vacancy is due mostly to the softer economic conditions in Yellowknife in part due to a low level of exploration activity.



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In Nunavut, residential vacancy was 2.6% for the three months ended September 30, 2013 compared to 3.0% for the same period last year and 2.6% in the second quarter of 2013. Iqaluit has been able to absorb the additional development units completed over the last twelve months.

In the remaining regions vacancy has improved with the exception of Labrador. In Saskatchewan, residential vacancy was 3.8% for the third quarter of 2013, down significantly from 8.1% in the second quarter of 2013 as the property has stabilized after the December 2011 purchase. The increase in the Newfoundland and Labrador vacancy relates to Labrador City and the recently completed 31 unit development project that is still in the process of being leased up. Our initial investment into Quebec continues to perform well with next to zero vacancy and continued rent increases upon turnover and renewals.

Developments

During the third quarter of 2013, NPR completed an additional 59 residential units. NPR completed the final 12 out of 36 residential units in Iqaluit, NU, which have been leased to the Government of Canada for 10 years. On October 1, 2013, 47 units were completed in Regina, SK. This marks NPR's first units in Regina and is part of a larger 189 unit development. The 47 units were all leased as of October 21, 2013 as we continue to see the demand for new, quality multi-family units with rents in excess of expectation by \$100-\$200 a month. The next phase of 71 units is expected to be completed on December 1, 2013. Lease up of this building is progressing nicely with nearly half of the building already leased. The final 71 units are expected to be completed in early 2014.

Financial strength

(thousands of dollars, except per unit amounts)	September 30, 2013	December 31, 2012	September 30, 2012
Financial highlights			
Total assets	1,457,865	1,350,072	1,304,458
Total liabilities	657,661	564,110	708,762
Mortgages payable	584,804	518,123	488,389
Gross book value	1,431,252	1,331,514	1,270,690
Debt	635,575	545,354	491,055
Debt to gross book value (fair value) ⁽¹⁾	44.4%	41.0%	38.6%
Interest coverage ratio (times) ⁽¹⁾	3.94	3.65	3.62
Debt service coverage ratio (times) ⁽¹⁾	2.32	2.17	2.15
Weighted average mortgage interest rate	4.05%	4.37%	4.50%
Weighted average term to maturity (years)	4.78	4.10	4.13
Weighted average capitalization rate	8.0%	8.0%	8.0%

(1) NPR's MD&A for the three and nine months ended September 30, 2013 include reconciliations of debt to gross book value, interest coverage and debt service coverage, which are non-GAAP measures, to their closest GAAP measure. Readers are encouraged to review such reconciliations.

Debt to gross book value has increased to 44.4% as at September 30, 2013, up from 41.0% at December 31, 2012 as we use up-financing capacity to fund acquisitions and developments. During the nine months ended September 30, 2013, NPR completed \$147.6 million in mortgage financings and renewals at a weighted average interest rate of 3.15% and a weighted average term to maturity of 8.2 years. For the fourth quarter of 2013, there are approximately \$90 million of mortgage renewals and additional financing on existing and unencumbered assets available to fund ongoing acquisitions and developments.

Distributions to Stapled Unit holders

During the three months ended September 30, 2013, NPR declared monthly cash distributions of \$0.1275 for July 2013 and August 2013 and \$0.1317 for September 2013 (2012 - \$0.1275 each month) per Stapled Unit.

Tax status

As of September 30, 2013, the REIT meets all the requirements related to the qualification of the REIT as a real estate investment trust for tax purposes.

Bill C-4, which includes new stapled securities rules ("Stapled Securities Proposals") originally announced in 2011, received First Reading in the House of Commons on October 22, 2013, and therefore is considered to be "substantively enacted" for accounting purposes. NPR has determined its tax liability based on the Stapled Securities Proposals. As at September 30, 2013, NPR's total cash tax liability resulting from the Stapled



Securities Proposals is \$1.2 million, of which \$0.9 million relates to 2012 and was paid in July 2013 and recorded in the statement of financial position as a prepaid income tax installment. Income tax expense related to the Stapled Securities Proposals will be recorded in the fourth quarter of 2013.

On July 13, 2012, holders of NorSerCo Common Shares approved: (a) the sale of all or substantially all of the property of NorSerCo to the REIT; (b) the separation of the Stapled Units; and (c) the liquidation and dissolution of NorSerCo. Management expects these transactions to be completed in the first quarter of 2014.

Additional Information

NPR's unaudited condensed combined interim financial statements and the notes thereto and MD&A for the three and nine months ended September 30, 2013 can be found on NPR's website at www.npreit.com or on www.sedar.com.

Conference call

NPR's conference call will take place on Wednesday on November 6, 2013 at 11:00 a.m. Mountain Time, 1:00 p.m. Eastern Time. Participating on the call will be Mr. B. James Britton (Chair), Chief Executive Officer, Mr. Todd Cook, President and Chief Operating Officer, and Mr. Robert Palmer, Chief Financial Officer.

Investors and analysts are invited to participate in the call by calling 1-888-231-8191 or 647-427-7450. You will be required to provide the Conference Call Operator with the Conference ID #91149991 prior to being admitted to the call. A recorded playback of the call will be available from November 8, 2013 to November 22, 2013 by calling 416-849-0833 or 1-855-859-2056, passcode #91149991. The recording will also be available on our website on November 8, 2013.

About NPR

The REIT is an unincorporated open-end real estate investment trust and NorSerCo is a corporation under the Business Corporations Act (Alberta). NPR is primarily a multi-family residential real estate investor, providing a broad spectrum of rental accommodations in Canadian secondary markets with strong economic fundamentals where capitalization rates are generally higher and competition somewhat restrained. NPR's residential portfolio is comprised of: multi-family segment apartments, town homes and single family rental units; and execusuites and hotels, where the rental periods range from a few days to several months. NPR also has a portfolio of commercial buildings focused on government tenancies predominantly located in Canada's far north. Geographically, NPR operates in British Columbia, the Northwest Territories, Alberta, Saskatchewan, Nunavut, Quebec and Newfoundland and Labrador.

Cautionary/forward looking statements

This news release contains forward-looking statements relating to our growth strategy, acquisition activity, development of new buildings, vacancy rates, availability of mortgage renewals and additional financing to fund ongoing acquisitions and developments, and tax status. These statements are not guarantees of future events, performance or results and will not necessarily be accurate indications of whether, or the times at which, such events, performance or results will be achieved.

Forward-looking statements are based on information available at the time they are made, underlying estimates and assumptions made by management and management's good faith belief with respect to future events, performance and results, and are subject to inherent risks and uncertainties surrounding future expectations generally which could cause actual results to differ materially from what is currently expected. Such risks and uncertainties include, but are not limited to, risks associated with investment in and development of real property, competition, financing and refinancing risks, risks related to economic conditions, changes in taxation rules, reliance on key personnel, environmental matters, tenant risks, and other risk factors more particularly described in the our most recent Annual Information Form available on SEDAR at www.sedar.com. Additional risks and uncertainties not presently known to NPR or that NPR currently believes to be less significant may also adversely affect NPR.

Readers are cautioned that the above list of factors is not exhaustive and that should certain risks or uncertainties materialize, or should underlying estimates or assumptions prove incorrect, actual events, performance and results may vary significantly from those expected. There can be no assurance that the actual results, performance, events or activities anticipated by NPR will be realized or, even if substantially realized, that they will have the expected consequences to, or effect on, NPR. Readers, therefore, should not place undue importance on forward-looking information. Further, forward-looking statements speak only as of the date on which such statements are made. NPR disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

For further information contact Robert J. Palmer, CFO, at 403-531-0720.