

INOVALIS

REAL ESTATE INVESTMENT TRUST

INOVALIS REAL ESTATE INVESTMENT TRUST

Management Information Circular

And

Notice of Special Meeting of Unitholders

To be held on January 20, 2016

**At the offices of
Goodmans LLP
333 Bay Street, Suite 3400
Toronto, Ontario, Canada**

at 2:00 p.m. (Toronto time)

INOVALIS REAL ESTATE INVESTMENT TRUST

NOTICE OF SPECIAL MEETING OF UNITHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the “**Meeting**”) of holders (the “**Unitholders**”) of units and special voting units (collectively, the “**Units**”) of Inovalis Real Estate Investment Trust (the “**REIT**”) will be held at the offices of Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, Ontario, Canada on January 20, 2016 at the hour of 2:00 p.m. (Toronto time) for the following purposes:

- (a) to consider and, if deemed advisable, to pass, with or without modification, a resolution (the “**Amendment Resolution**”) authorizing certain amendments to the amended and restated declaration of trust of the REIT dated as of April 10, 2013 (as may be further amended, supplemented or restated from time to time) (the “**Declaration of Trust**”), as set out in Schedule “A” to the information circular dated December 21, 2015 prepared by management in connection with the Meeting (the “**Circular**”); and
- (b) to consider and, if deemed advisable, to pass, with or without modification, a resolution (the “**Acquisition Resolution**”) approving the acquisition of a property located at 35 rue Grenata, 75002 Paris, France from Inovalis SA for a purchase price of €46,800,000 (\$70,462,000) as set out in Schedule “B” to the Circular; and
- (c) to transact such other business as may properly be brought before the Meeting or any postponement or adjournment thereof.

The REIT’s board of trustees has fixed December 18, 2015 as the record date for determination of Unitholders entitled to notice of and to vote at the Meeting and at any adjournment or postponement thereof. Each registered Unitholder at the close of business on that date is entitled to such notice and to vote at the Meeting in the circumstances set out in the Circular.

Accompanying this Notice of Meeting is a copy of the Circular and a form of proxy. A Unitholder wishing to be represented by proxy at the Meeting or any adjournment or postponement thereof must deposit his, her or its duly executed form of proxy in person, by mail or by facsimile with the REIT’s transfer agent and registrar, CST Trust Company, P.O. Box 721, Agincourt, ON M1S 0A1, Fax: (416) 368-2502 (Attn: Proxy Department) prior to 5:00 p.m. (Toronto time) on the second business day preceding the Meeting, being January 20, 2016, or any postponement or adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof prior to the time of voting.

Non-registered Unitholders who receive this notice and related materials through an intermediary should complete and return the materials in accordance with the instructions provided to them by their intermediary. Failure to do so may result in their Units not being eligible to be voted at the Meeting.

DATED at Toronto, Ontario, this 21st day of December, 2015.

BY ORDER OF THE BOARD OF TRUSTEES

(signed) “*David Giraud*”
David Giraud
Chief Executive Officer

INOVALIS REAL ESTATE INVESTMENT TRUST

MANAGEMENT INFORMATION CIRCULAR

Dated: December 21, 2015

MANAGEMENT INFORMATION CIRCULAR

Solicitation of Proxies

This management information circular (the “Circular”) is furnished in connection with the solicitation of proxies by the management of Inovalis Real Estate Investment Trust (the “REIT”) for use at the special meeting (the “Meeting”) of holders (the “Unitholders”) of units (the “Units”) and special voting units (the “Special Voting Units”) of the REIT to be held at the time and place and for the purposes set forth in the Notice of Special Meeting dated December 21, 2015 sent by the REIT to Unitholders (the “Notice”) or at any adjournment thereof.

MEANING OF CERTAIN REFERENCES

References to the “REIT” in this Circular includes its subsidiaries, unless the context otherwise requires. References to “\$”, “Cdn\$”, “dollars” or “Canadian dollars” are to Canadian dollars and references to “€” or “Euros” are to Euros. In particular, the acquisition of the Metropolitan Property (as defined herein) will be in Euros.

EXCHANGE RATE INFORMATION

We disclose certain financial information contained in this Circular in Euros. The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for €1.00, expressed in Canadian dollars, published by the Bank of Canada.

	Nine Months Ended September 30, 2015	Six Months Ended June 30		Year Ended December 31		
		2015	2014	2014	2013	2012
	(C\$)	(C\$)	(C\$)	(C\$)	(C\$)	(C\$)
Highest rate during the period	1.5298	1.4357	1.5549	1.5549	1.4724	1.3446
Lowest rate during the period	1.3111	1.3111	1.4440	1.3927	1.2859	1.2153
Average rate for the period	1.4039	1.3777	1.5036	1.4671	1.3681	1.2851
Rate at the end of the period	1.4951	1.3911	1.4615	1.4038	1.4655	1.3118

Where there is a conversion of Euros to Canadian dollars in this Circular, the conversion was based on a rate of exchange of €1.00 equals \$1.5056, unless otherwise noted, which was the noon rate of exchange posted by the Bank of Canada for conversion of Euros into Canadian dollars on December 18, 2015, the last business day before the date of this Circular.

NOTICE CONCERNING FORWARD-LOOKING STATEMENTS

This document contains forward-looking information. Statements other than statements of historical fact contained in this document may be forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intent”, “estimate”, “anticipate”, “believe”, “should”, “plans”, “predict”, “estimate”, “potential”, “could”, “likely”, “approximately”, “scheduled”, “forecast”, “variation” or “continue”, or similar expressions suggesting future outcomes or events. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and the REIT’s objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to plans and objectives of the REIT’s Board of Trustees, or estimates or predictions of actions of tenants, suppliers, competitors or regulatory authorities; and

statements regarding its future economic performance. These forward-looking statements are based on the REIT's current expectations about future events. Some of the specific forward-looking statements in this document may include, but are not limited to, statements with respect to: (i) the REIT's stated objectives; (ii) the Metropolitan Acquisition; (iii) its ability to execute its business and growth strategies with Inovalis' assistance where applicable, including by making additional acquisitions of properties in its primary markets; and (iv) its access to available sources of debt and equity financing.

Forward-looking statements do not take into account the effect of transactions or other items announced or occurring after the statements are made. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after the forward-looking statements are made.

Although the REIT believes that the expectations reflected in the forward-looking information are reasonable, the REIT can give no assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this document as well as the following: (i) all closing conditions in respect of the Metropolitan Acquisition will be satisfied; (ii) the demographic and industry trends will remain unchanged; (iii) the REIT's future level of indebtedness and its future growth potential will remain consistent with the REIT's current expectations; (iv) the REIT will continue to receive financing on acceptable terms; (v) the tax laws as currently in effect remaining unchanged; (vi) the REIT will retain and continue to attract qualified and knowledgeable personnel as it expands its portfolio and business; (vii) impact of the current economic climate and the current global financial conditions on the REIT's operations, including its financing capability and asset value, will remain consistent with current expectations; (viii) there will be no material changes to government and environmental regulations adversely affecting the REIT's operations; (ix) conditions in the international and, in particular, the French and German real estate markets, including competition for acquisitions, will be consistent with the current climate; and (x) capital markets will provide the REIT with readily available access to equity and/or debt financing.

The forward-looking statements are subject to inherent uncertainties and risks, including, but not limited to, the factors discussed under the "Risk Factors" section of this Circular. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements

GENERAL PROXY INFORMATION

The solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone or electronic means by trustees or officers of the REIT or employees of Inovalis S.A., the manager of the REIT ("Inovalis"). None of these individuals will receive extra compensation for such efforts. The cost of solicitation will be borne by the REIT. The REIT has distributed, or made available for distribution, copies of the Notice, Circular and form of proxy to clearing agencies, securities dealers, banks and trust companies or their nominees ("Intermediaries") for distribution to holders of Units ("Non-Registered Unitholders") whose units are held by or in custody of such Intermediaries. Such Intermediaries are required to forward such documents to Non-Registered Unitholders. The solicitation of proxies from Non-Registered Unitholders will be carried out by the Intermediaries or by the REIT if the names and addresses of the Non-Registered Unitholders are provided by the Intermediaries. The REIT will reimburse reasonable expenses incurred by the Intermediaries in connection with the distribution of these materials.

The information contained in this Circular is given as of December 21, 2015, except where otherwise indicated. No person is authorized to give any information or make any representation other than those contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the REIT. The delivery of this Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date of this Circular.

IMPORTANT INFORMATION FOR NON-REGISTERED UNITHOLDERS

Information in this section is very important to all Unitholders, as all Units are registered in the name of CDS & Co. ("CDS") (as nominee of CDS Clearing and Depository Services Inc., which acts as a depository for

many Canadian brokerage firms). Units registered in the name of CDS can only be voted at the Meeting upon the instructions of the beneficial holder (the “Beneficial Unitholder”) of those Units. Therefore, Beneficial Holders should ensure that instructions in respect of the voting of their Units are communicated to the appropriate party.

Intermediaries are required to forward meeting materials to Beneficial Unitholders unless a Beneficial Unitholder has waived the right to receive them. Typically, Intermediaries will use service companies to forward the meeting materials to Beneficial Unitholders. Beneficial Unitholders who have not waived the right to receive meeting materials will either:

- (a) be given a voting instruction form which must be completed and signed by the Beneficial Unitholder in accordance with the directions on the voting instruction form, which may in some cases permit the completion of the voting instruction form by telephone or through the Internet. A Beneficial Unitholder who receives a voting instruction form cannot use that form to vote the Units directly at the Meeting; rather, the Beneficial Unitholder must complete the voting instruction form in accordance with the instructions contained therein well in advance of the Meeting; or
- (b) less frequently, be given a proxy which has already been signed by the intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Units beneficially owned by the Beneficial Unitholder but which is otherwise uncompleted. This form of proxy need not be signed by the Beneficial Unitholder. In this case, the Beneficial Unitholder who wishes to submit a proxy should otherwise properly complete the form of proxy received from the intermediary and deposit it with the REIT’s transfer agent, as described below under “Appointment of Proxies”.

The purpose of these procedures is to permit Beneficial Unitholders to direct voting of the Units they beneficially own. Should a Beneficial Unitholder who receives a proxy wish to attend and vote at the Meeting in person, or have another person attend and vote on behalf of the Beneficial Unitholder, the Beneficial Unitholder should insert the Beneficial Unitholder’s, or such other person’s, name in the blank space provided. A Beneficial Unitholder who receives a voting instruction form and wishes to attend and vote at the Meeting in person, or have another person attend and vote on behalf of the Beneficial Unitholder, should follow the corresponding instructions on the form. In either case, Beneficial Unitholders should carefully follow the instructions of their intermediaries and their service companies.

Appointment of Proxies

A registered Unitholder wishing to be represented by proxy at the Meeting or any adjournment or postponement thereof must deposit his, her or its duly executed form of proxy in person, by mail or by facsimile with the REIT’s transfer agent and registrar, CST Trust Company, P.O. Box 721, Agincourt, ON M1S 0A1, Fax: (416) 368-2502 (Attn: Proxy Department) prior to 5:00 p.m. (Toronto time) on the second business day preceding the Meeting, being January 18, 2016, or any postponement or adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof prior to the time of voting.

The persons named in the enclosed form of proxy accompanying this Circular are officers and/or trustees (the “Trustees”) of the REIT. A Unitholder has the right to appoint a person or company (who need not be a Unitholder) to attend and act on behalf of such Unitholder at the Meeting and at any postponement or adjournment thereof other than the persons designated in the enclosed form of proxy. Such right may be exercised by striking out the names of the persons specified in the form of proxy and inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the REIT’s transfer agent and registrar, CST in the manner specified above or to the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof prior to the time of voting. A proxy must be executed by the registered Unitholder or his or her attorney duly authorized in writing or, if the Unitholder is a corporation, by an officer or attorney thereof duly authorized. It is important to ensure that any other person that is appointed is attending the Meeting and is aware that his or her appointment has been made to vote the Units of the Unitholder. Proxyholders should, at the Meeting, present themselves to a representative of CST.

Revocation of Proxies

Proxies given by Unitholders for use at the Meeting may be revoked prior to their use:

- (a) by depositing an instrument in writing or transmitting an instrument by telephonic or electronic means executed (in writing or by electronic signature) by the Unitholder or by such Unitholder's attorney duly authorized in writing or, if the Unitholder is a corporation, under its corporate seal, by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing,
 - (i) to the REIT at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7, Tel: 416-845-1483, Fax: 647-775-8301, at any time up to and including 4:00 p.m. on the last business day preceding the day of the Meeting, being January 19, 2016, or any postponement or adjournment thereof; or
 - (ii) with the Chairman of the Meeting on the day of the Meeting, prior to the time of voting, or any postponement or adjournment thereof; or
- (b) in any other manner permitted by law.

A Non-Registered Holder may revoke a voting instruction form given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary is not required to act on a revocation of a voting instruction form that is not received by the Intermediary sufficiently in advance of the Meeting so that an Intermediary may act on such revocation. A Non-Registered Holder should contact its Intermediary to discuss what procedure to follow and the deadlines by which it needs to provide its revocation so that the Intermediaries can act on such revocation.

Exercise of Discretion by Proxies

All properly executed forms of proxy, not previously revoked, will be voted or withheld from voting on any poll taken at the Meeting in accordance with the instructions of the Unitholder contained therein. **A properly executed form of proxy containing no instructions regarding the matters to be acted upon will be voted in favour of such matters.** The form of proxy also confers discretionary authority in respect of amendments to, or variations in, all matters which may properly come before the Meeting or any postponement or adjournment thereof. At the time of the printing of this Circular, management of the REIT knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. However, if any such amendments, variations or other matters which are not now known to management, should properly come before the Meeting, the Units represented by the proxies hereby solicited will be voted thereon in such manner as such persons then consider proper.

VOTING OF SECURITIES

The Units represented by proxies will be voted or withheld from voting in accordance with the instructions of the Unitholder on any ballot that may be called for and, if the Unitholder specifies a choice with respect to any matter to be acted upon at the Meeting, Units represented by properly executed proxies will be voted accordingly. **In the absence of such specification, such Units will be voted at the Meeting as follows:**

- **FOR the approval of the Amendment Resolution as described in this Circular; and**
- **FOR the approval of the Acquisition Resolution as described in this Circular.**

For more information on these matters, please see the section entitled "Particulars of Matters to be Acted Upon at the Meeting" in this Circular.

The persons appointed under the Form of Proxy or voting instruction form provided by a broker or intermediary have discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting or any postponement or adjustment. At

the time of printing the Circular, management and the Trustees are not aware of any such amendments, variations or other matters to be presented for action at the Meeting. If any other matter should properly be presented at the Meeting or any postponement or adjustment, a proxyholder will have the discretion to vote the Units represented by such proxy in accordance with his or her best judgment.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The REIT has fixed the close of business on December 18, 2015 as the record date (the “**Record Date**”) for the purposes of determining Unitholders entitled to receive the Notice and vote at the Meeting.

The REIT is authorized to issue an unlimited number of Units and an unlimited number of special voting units (the “**Special Voting Units**”), of which 15,572,519 Units and 2,052,096 Special Voting Units were issued and outstanding as at the date of this Circular. Each Unit and Special Voting Unit entitles the holder thereof to one vote for each matter to be voted on at the Meeting.

The REIT or its transfer agent will prepare a list of the Unitholders on the Record Date. Each Unitholder named in the list will be entitled to vote the Units shown opposite his, her or its name on the list.

As of December 21, 2015, the Trustees and executive officers of the REIT, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 384,900 Units, representing approximately 2.4% of the issued and outstanding Units (2.2% of the issued and outstanding Units together with the Special Voting Units). In addition, through his controlling equity interest in Inovalis, Mr. Stephane Amine, Trustee and Chairman of the REIT, indirectly exercises control or direction over the Units and Special Voting Units held by Inovalis, as described below.

To the knowledge of the Trustees and senior officers of the REIT, and based upon the REIT’s review of the records maintained by CST and insider reports filed with the System for Electronic Disclosure by Insiders, as at the Record Date, the only persons who beneficially own, directly or indirectly, or exercise control or direction over voting securities of the REIT carrying more than 10% of the voting rights of the total issued and outstanding Units and Special Voting Units are as follows:

Name	Number of Units Owned			
	Units	Percentage of Class	Special Voting Units	Percentage of Class
Inovalis S.A.	380,000	2.4%	2,052,096	100.0%

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except in so far as they may be Unitholders and unless otherwise disclosed in this Circular, no person who has been a Trustee or executive officer of the REIT at any time since the beginning of the REIT’s last financial year, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matters to be acted upon at the Meeting.

PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

1. Amendment to the Declaration of Trust

Section 6.2(h) of the Declaration of Trust currently provides that the REIT shall not incur or assume any Indebtedness (as defined in the Declaration of Trust) if, after giving effect to the incurring or assumption of the Indebtedness, the total Indebtedness of the REIT would be more than 55% of the REIT’s Gross Book Value (as defined in the Declaration of Trust) (or 60% of Gross Book Value including convertible debentures).

At the Meeting, Unitholders will be asked to consider and, if deemed advisable, to pass, with or without amendment, a resolution (the “**Amendment Resolution**”) authorizing an amendment to Section 6.2(h) of the Declaration of

Trust increasing the maximum allowable Indebtedness of the REIT to 60% of the REIT's Gross Book Value (without reference to convertible debentures) (the "**Declaration of Trust Amendment**").

Approval of the Declaration of Trust Amendment is being sought in order to provide the REIT with more flexibility with respect to the nature of the Indebtedness that the REIT may incur. The Declaration of Trust currently allows the REIT to incur Indebtedness of up to 60% of the REIT's Gross Book Value if at least 5% of such Indebtedness is in the form of convertible debentures. Taking into account the historically low interest rate environment in Europe prevailing at the time of this Circular, the Trustees and management of the REIT believe that the REIT could realize lower interest rates on forms of Indebtedness other than convertible debentures. Accordingly, approval of the Declaration of Trust Amendment is being sought in order to allow the REIT to incur Indebtedness of up to 60% of the REIT's Gross Book Value, regardless of the form of such Indebtedness.

The Declaration of Trust Amendment will not result in any material changes to the Unitholders, but rather is contemplated in order to assist the REIT to implement changes that will assist in the continued growth of the REIT. The Amendment Resolution empowers the Trustees, without further notice to, or approval of, the Unitholders, not to proceed with the Amendment Resolution and to revoke the Amendment Resolution before it is acted on. The Trustees will also still be obligated to determine whether or not to incur future Indebtedness is in the best interests of the REIT.

In order to be effective, the Amendment Resolution must be approved by a majority of the votes cast by the Unitholders, voting together, in person or by proxy at the Meeting. **Unitholders should consider the Declaration of Trust Amendment carefully and come to their own conclusions as to whether or not to vote in favour of the Amendment Resolution.**

The Trustees unanimously recommend that Unitholders vote in favour of the Amendment Resolution. The persons named in the form of proxy which accompanies this Circular intend to vote FOR the Amendment Resolution unless the Unitholder has specified in the form of proxy that the Units represented by such form of proxy are to be withheld from voting in respect thereof.

2. Acquisition of the Metropolitan Property

At the Meeting, Unitholders will be asked to consider and, if deemed advisable, to pass, with or without amendment, a resolution (the "**Acquisition**") approving the acquisition of a property located at the address municipally known as 35 rue Grenata, 75002 Paris, France (the "**Metropolitan Property**") from Inovalis for a purchase price of €46,800,000 (\$70,462,000) (the "**Metropolitan Property Acquisition**").

Inovalis is the external manager of the REIT and as of the date of this Circular, holds 380,000 Units and 2,052,096 Special Voting Units, representing an approximate 13.8% effective interest in the REIT. Stephane Amine, Chairman and Trustee of the REIT, holds a 75.0% interest in Inovalis, representing an approximate 10.3% effective interest in the REIT.

Given that Inovalis is the indirect owner of the Metropolitan Property and the external asset and property manager of the REIT and based on Inovalis' current holding of Units and Special Voting Units, the Metropolitan Property Acquisition constitutes a "related party transaction" pursuant to Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") and, accordingly, such transaction was reviewed and considered by the Investment Committee of the REIT (the "**Investment Committee**"), which committee is made up of trustees of the REIT who are independent for purposes of National Instrument 58-101 — *Disclosure of Corporate Governance Practices*. See "Review of the Metropolitan Property Acquisition and recommendation of the Investment Committee" and "Unitholder Approval" below for further discussion on related party transaction matters and the requirements of MI 61-101.

To be effective, the Acquisition Resolution must be approved by a majority of the votes cast by the Unitholders other than Inovalis or any related parties, associates or affiliates of Inovalis (the "**Disinterested Unitholders**"), voting together, in person or by proxy at the Meeting.

Background

On November 13, 2014, AREF Second Property SARL, a wholly-owned subsidiary of Inovalis acquired the Metropolitan Property. The Metropolitan Property was constructed in 1993, and is comprised of 79,330 square feet (7,370 square meters) of GLA primarily for office use and retail use. The six-storey building is located in the region of Ile de France of Paris, in one of the most sought after office markets in Europe, within the Paris Central Business District. This region is a favoured location for numerous French and international companies as well as public and private institutions. Inovalis has managed the property since September 30, 2005.

At the time the Metropolitan Property was acquired by AREF Second Property SARL, it was 76% occupied (41% occupied taking into account tenant departures announced at such time) and had a weighted average base rental on office space of €37 per square foot (€402 per square meter) with a weighted average remaining lease term of 3.2 years as of September 30, 2014. As of the date of this Circular, the Metropolitan Property is 91% occupied and has a weighted average base rental on office space of €39 per square foot (€423 per square meter) with a weighted average remaining lease term of 8.0 years on the entire property.

The purchase price paid by AREF Second Property SARL for the Metropolitan Property (the “**Inovalis Purchase Price**”) was €30,500,000 (\$45,921,000). The Inovalis Purchase Price was funded in part by a loan from the REIT to Inovalis of €12,500,000 (\$18,820,000) (the “**Acquisition Loan**”). The terms of the Acquisition Loan provided that the loan bear interest at a rate of 8.75% for three years from the date of the acquisition (with an option to extend for one year) and was secured by a share pledge from a holding company (that also owns another property in the Greater Paris Region). The Acquisition Loan also included a right of first opportunity in favour of the REIT to purchase the Metropolitan Property at a discount to the then market price when the Metropolitan Property meets the investment criteria of the REIT (the “**REIT ROFO**”). If the REIT ROFO is not exercised and the Metropolitan Property is sold by Inovalis to a third party, the REIT (or its subsidiary) shall receive 50% of the profit generated by the sale of the property (inclusive of all interest received on the Acquisition Loan).

The Metropolitan Property is now being acquired from AREF Second Property SARL pursuant to the REIT ROFO. SCI Metropolitan, an indirect wholly-owned subsidiary of the REIT (“**SCI Metropolitan**”), and AREF Second Property SARL will enter into an agreement pertaining to the acquisition of the Metropolitan Property lease agreement (the “**Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement**”), the terms and conditions of which are summarized below. The terms and conditions of the Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement and the purchase price for the Metropolitan Property were determined based on negotiations between the Investment Committee, on behalf of the REIT, and Inovalis, after the consideration by the Investment Committee of, among other things, the factors listed below under “— Recommendation of the Investment Committee”.

Summary of the Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement

The following is a summary of certain provisions of the Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement, which summary is not intended to be complete and is subject to, and qualified in its entirety by reference to, the agreement pertaining to, a copy of which is available under the REIT’s SEDAR profile on www.sedar.com. A Unitholder should refer to the terms of the Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement for a complete description of the representations, warranties and indemnities being provided in favour of, and by, SCI Metropolitan and the REIT, and related limitations under the Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement.

The Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement will contain declarations by AREF Second Property SARL in favour of SCI Metropolitan (certain of which are qualified as to knowledge), which are typical for an agreement of this kind in France, relating to the underlying property lease, disputes (other than rental disputes), certain claims, status of lease payments, notices to and from subtenants, certain matters relating to the building, certain environmental matters, no insolvency, authorizations and no contravention. Such declarations will survive indefinitely (subject to French statutory limitations). No indemnity is being provided in connection with the Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement and any claim by SCI Metropolitan or the REIT in respect of a breach of the terms of the agreements, including a false declaration, will need to be based on a breach of contract.

There can be no assurance of recovery by the REIT or SCI Metropolitan for any breach of the declarations provided under the Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement, as there can be no assurance that the assets of AREF Second Property SARL will be sufficient to satisfy such obligations. Only SCI Metropolitan will be entitled to bring a claim or action for a breach of contract under the Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement and Unitholders will not have any contractual rights or remedies under the Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement.

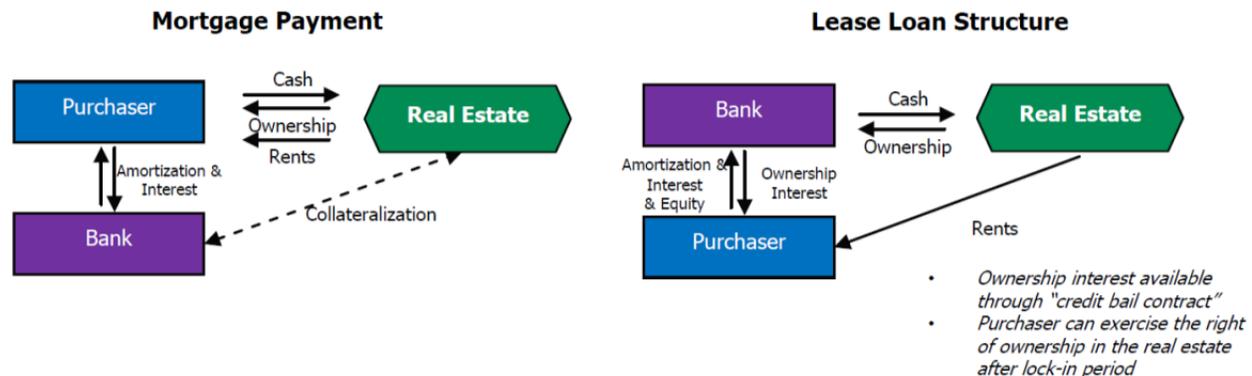
The Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement is a material contract of the REIT and will be available, following the Meeting, at www.sedar.com. Unitholders should refer to the terms of the Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement for a complete description of the declarations, and the other provisions of the Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement.

Certain Legal Matters Relating to Property in France

The Metropolitan Property is currently owned by AREF Second Property SARL. The owner has agreed to the sale of the property to the REIT. AREF Second Property SARL currently owns its interest in the Metropolitan Property through a leasehold interest (the “**Leasehold**”). Following the Metropolitan Property Acquisition, the Leasehold will be assigned to SCI Metropolitan.

The Leasehold was established pursuant to an acquisition structure commonly used in France as an alternative to a conventional purchase and sale transaction in which the property is financed with mortgage debt. AREF Second Property SARL used a sale-leaseback transaction to partially finance a portion of the acquisition price for the Metropolitan Property. The Leasehold will terminate on closing and SCI Metropolitan will immediately enter into a new finance lease contract with another institution (the “**New Leasehold**”).

The similarity of the French leasehold structure to a North American mortgage payment structure is illustrated below.



The New Leasehold requires Inovalis to make quarterly payments to the owner, which is a financial institution. These payments are financing lease obligations, which are economically akin to mortgage payments, and are set out under the section entitled “Profile of Payments under the New Leasehold”. At all times during the term of the lease, the lessee has an option to purchase the Metropolitan Property from the financial institution. The purchase price to acquire the Metropolitan Property under the New Leasehold would be €36,000,000 (\$54,202,000) on closing plus breakage costs. This amount will be reduced in time by the cumulative amount of principal payments made as of the closing and will include, if the option is exercised within a specified period following commencement of the applicable lease, certain breakage costs. The acquisition of the New Leasehold together with the option to acquire the Metropolitan Property is intended to allow the REIT to be in a position to become the owner of the Metropolitan Property.

The Metropolitan Property subject to the New Leasehold is required by French law to be owned by French financial institutions.

Profile of Payments under the New Leasehold

The following table sets out the principal payments, maturity, and weighted average interest rate of the lease payments required under the New Leasehold to be paid over the periods indicated (in thousands):

Year Ending December 31	Payments of Principal (000s €)	Debt Maturing During Year (000s €)	Total Principal Payments	Percentage of Total Debt
2016	€346	-	€346	1.0%
2017	€711	-	€711	2.0%
2018	€756	-	€756	2.1%
2019	€804	-	€804	2.2%
2020	€853	-	€853	2.4%
2021	€905	-	€905	2.5%
2022	€958	-	€958	2.7%
2023	€1,013	-	€1,013	2.8%
2024	€1,071	-	€1,071	3.0%
2025	€1,131	-	€1,131	3.1%
2026	€1,193	-	€1,193	3.3%
2027	€1,258	-	€1,258	3.5%
2028	-	€25,000	€25,000	69.4%
Weighted average interest rate				2.41%
Weighted average term to maturity				10.4 years

Note: Based on Euribor base rate of 0.56% for the first seven years. As an indication, 3M Euribor as of December 17, 2015 was -0.13% and 7-year swap rate for the 3M Euribor was 0.56%.

Description of Leasehold Structure

In general, ownership of the Metropolitan Property through a leasehold structure, together with the option to purchase the freehold interest, will place the REIT in a similar position as if it had acquired the freehold interest in the Metropolitan Property using mortgage financing. In particular, payments made under the leasehold interest are, from an economic point of view, comparable to mortgage payments, as the payments represent blended payments of principal and interest, with the initial principal amount outstanding representing the value of the financing on the acquisition of the property. In addition, the REIT will be able to transfer the leasehold interest, together with the option to purchase the freehold interest, provided that it obtains the prior consent of the financial institution owner, which consent cannot be withheld if certain conditions are satisfied, including that the leasehold payments are not in default, the sale price is equal to or greater than the residual value of the remaining lease (including but not limited to loan breakage costs) and the REIT provides certain information to the financial institution owner, including information relating to SCI Metropolitan. In respect of the Metropolitan Property, the financial institution does not have the right to sell or otherwise fundamentally change or mortgage the Metropolitan Property while the REIT is current on its leasehold payments. If the REIT is in default of its leasehold obligations (in particular, on its leasehold payments or of its other obligations including participation rights discussed below), the financial institution can terminate the leasehold and/or sell the property, which is similar, to a certain extent, to a mortgagee exercising its remedies, or change the lease to, among other things, increase the applicable interest rate. The termination of a leasehold and the subsequent disposal of the property may be easier under a leasehold than under a mortgage since a mortgagee needs to go before a court to enforce its mortgage and obtain the loan reimbursement following a specific adjudication process.

The financial institution owner of the Metropolitan Property has participation rights pursuant to which the lessee would need to obtain written consent from the respective financial institution prior to taking certain actions with respect to the Metropolitan Property, including cancelling the lease agreements with the tenants of the property or amending the lease by changing the sub-lessee or reducing the rental payments. If the financial institution does not give its prior consent to such actions, it may terminate the head lease and dispose the property. It should be noted that the rights of a lender under mortgage financing are not significantly different, as the borrower under the mortgage financing may be required (i) to inform the lender in case of a change of the lessee, and (ii) to sign new lease agreements, the condition of which are at least equivalent to those of the former lease agreement. If the borrower does not comply with these requirements, it would be in default of the mortgage and the loan would be repayable.

In the leasehold structure, there is a theoretical risk that the owner of the property (which is not related to the REIT) could become insolvent. The possibility of insolvency of the title holder is remote given the owner is a financial institution and, in any event, in the case of insolvency of the owner of the Metropolitan Property the applicable REIT subsidiary has the right to execute its option to acquire the property.

Anticipated Effect of the Metropolitan Property Acquisition on the REIT's Business and Affairs

Currently, the REIT owns an interest in ten office properties in France and Germany, comprising approximately 1,004,000 square feet of gross leasable area (taking into account the interests in the properties owned in joint-ventures). If and when the Metropolitan Property Acquisition is completed, the REIT would own an interest in a total of 11 office properties comprising approximately 1,083,000 square feet of GLA.

Independent Appraisal of the Metropolitan Property and Prior Valuations

Formal Valuation Requirements

Since the Metropolitan Property Acquisition constitutes a "related party transaction" pursuant to MI 61-101, the REIT is required to obtain a formal valuation in respect of the Metropolitan Property by an independent qualified valuator. For this Purpose, the Independent Trustees of the REIT retained Jones Lang LaSalle SAS (the "**Appraiser**") to provide an independent estimate of the market value of the Metropolitan Property (the "**Appraisal**"). The Appraiser was not given any limiting instructions.

Independence of Appraiser

Neither the Appraiser, nor any of its associated or affiliated entities (as such term is defined for purposes of MI 61-101) is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of Inovalis or its associates or affiliates (the "**Interested Parties**"). The Appraiser is not acting as an advisor to the REIT, Inovalis or any other Interested Party in connection with the Metropolitan Property Acquisition, other than acting as advisor to the Investment Committee, including the preparation and delivery of the Appraisal. During the 24 months before the Appraiser was first contacted by the Independent Trustees for the purpose of the Appraisal, neither the Appraiser nor any of its affiliated entities had a material financial interest in a transaction involving an Interested Party, other than with respect to the provision of professional services from time to time on a fee-for-services basis, on customary terms for customary fees. In addition, from time to time the Appraiser has provided valuation services on the above-noted basis to the REIT in connection with the REIT's acquisition of new properties, as required by the Declaration of Trust. Such engagements are completed on customary terms for customary fees. The Appraiser does not have a material financial interest in the completion of the Metropolitan Property Acquisition and the fees paid to the Advisor are not contingent upon the conclusions reached in the Appraisal or the outcome of the Metropolitan Property Acquisition. There are no understandings, agreements or commitments between the Appraiser and the REIT, Inovalis or any other Interested Party with respect to any future advisory business. The Appraiser may, in the future, in the ordinary course of its business, perform valuation services for the REIT, Inovalis or any other Interested Party. The Appraiser confirmed that it is of the view that it is "independent" (as that term is defined in MI 61-101) of all Interested Parties for the purposes of preparing and delivering the Appraisal.

Metropolitan Property Appraisal

The Appraisal was prepared in conformity with the requirements of the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors Standards. The Appraisal defines “market value” as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”. The date of the Appraisal of the Metropolitan Property was December 18, 2015.

In the Appraisal, the Appraiser estimated the net value of the Metropolitan Property, as at December 31, 2015, to be €3,500,000 (\$80,550,000).

The estimated value of the Metropolitan Property was determined by the Appraiser using the Term and Reversion Capitalization Method of valuation. This valuation method is traditionally used by investors when acquiring properties similar to the Metropolitan Property located in France. The Appraiser inspected the Metropolitan Property. In preparing the Appraisal and determining market value, the Appraiser gave consideration to market rental rates, the general real estate market in the local area, property taxes and performed cash flow modelling. In accordance with general market practice in France, the Appraiser did not make any deductions for purchaser’s or vendor’s legal or agent’s fees nor did the Appraiser take account of capital gains or other taxes that either party might have paid as a result of such transaction. The Appraisal takes into account the value of current tenant leases, proximity to public transportation and comparable rental and investment transactions in France in 2014 and 2015. The Appraisal of the Metropolitan Property takes into account the fact that the REIT may be responsible for certain capital expenditure costs related to the property.

In determining the approximate market value of the Metropolitan Property, the Appraiser relied on (i) tenancy schedules for the Metropolitan Property, (ii) certain plans of the Metropolitan Property from a surveyor expert, (iii) leases relating to the Metropolitan Property, and (iv) recoverable and non-recoverable building costs relating to the Metropolitan Property. Based on its review, and other relevant facts, the Appraiser considered such data to be reasonable and supportable.

Conclusion

Based on the Appraisal, the market value of the Metropolitan Property, as at December 31, 2015, is €3,500,000 (\$80,550,000). The market value reflects a capitalization rate (established in accordance with the Capitalization Method) for the Metropolitan Property of 4.1% on passing rents (after expiry of the rent free periods) and 4.5% on estimated rental value as determined by the Appraiser.

Caution should be exercised in the evaluation and use of the Appraisal. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisal is based on various assumptions of future expectations and while the Appraisers’ internal forecasts of net operating income for the Metropolitan Property is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisal.

The full text of the Appraisal describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by the Appraiser. The foregoing is a summary of the Appraisal and Unitholders are hereby cautioned that such summary may distort the findings of the Appraisal and are advised to read the Appraisal in its entirety. The Appraisal is available under the REIT’s SEDAR profile on the SEDAR website at www.sedar.com. In addition, the full text of the Appraisal may be viewed at the REIT’s offices located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7, and a copy of the Appraisal will be sent to any Unitholder upon request subject to a nominal charge to cover printing and mailing costs.

The Appraisal was one of many factors considered by the Independent Trustees in their evaluation of the Metropolitan Property Acquisition and should not be viewed as determinative of the views of the Investment Committee, the Board of Trustees or management with respect to the Metropolitan Property Acquisition or the purchase price provided for in the Metropolitan Property Acquisition.

Prior Valuations

An appraisal of the Metropolitan Property was prepared by the Appraiser for Inovalis on September 30, 2014 (the “**2014 Appraisal**”). The 2014 Appraisal was prepared in conformity with the requirements of the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors Standards, using the same definition of “market value” as the Appraisal. The 2014 Appraisal was prepared using the Term and Reversion Capitalization Method of valuation, and is based on substantially similar assumptions as the Appraisal (as described above).

In the 2014 Appraisal, the Appraiser estimated the net value of the Metropolitan Property, as at December 31, 2014 (based on projected cash flows), to be €29,500,000 (\$44,415,000).

The increase in value from the date of the 2014 Appraisal is accounted for by the increase in the Metropolitan Property’s occupancy rate from 41% to 91% and a higher average rent on office areas, combined with a significant capitalization rate compression in the Paris office investment market. Since the date of the 2014 Appraisal, Inovalis also incurred €152,000 (\$228,850) of capital expenditures and tenant improvement expenses on the ground and basement floors of the Metropolitan Property.

Caution should be exercised in the evaluation and use of the 2014 Appraisal. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The 2014 Appraisal is based on various assumptions of future expectations and while the Appraisers’ internal forecasts of net operating income for the Metropolitan Property is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets.

The full text of the 2014 Appraisal describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by the Appraiser. The foregoing is a summary of the 2014 Appraisal and Unitholders are hereby cautioned that such summary may distort the findings of the 2014 Appraisal and are advised to read the 2014 Appraisal in its entirety. The 2014 Appraisal is available under the REIT’s SEDAR profile on the SEDAR website at www.sedar.com. In addition, the full text of the 2014 Appraisal may be viewed at the REIT’s offices located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7, and a copy of the 2014 Appraisal will be sent to any Unitholder upon request subject to a nominal charge to cover printing and mailing costs.

There are no other “prior valuations” (as defined in MI 61-101) in respect of the REIT that relate to the subject matter of or are otherwise relevant to the Metropolitan Property Acquisition that have been made in the 24 months before the date of this Circular and the existence of which is known, after reasonable inquiry, to the REIT or to any Trustee or senior officer of the REIT.

Environmental Work

The Metropolitan Property was the subject of a Historical Record Review and Vulnerability Study (the “**Environmental Review**”) dated July 16, 2014 by a France-based independent environmental consultant. The purpose of the Environmental Review was to evaluate the risk of on-site pollution at the Metropolitan Property. The Environmental Review was prepared in accordance with the independent valuator’s procedures specific to this type of evaluation. In particular, based on a historical review and vulnerability review of the Metropolitan Property, the Environmental Review highlighted the geological and hydrogeological contexts of the Metropolitan Property, and analyzed the environmental aspects of drinking water supply, industrial water supply, domestic and agricultural water supply and natural protected areas. Intrusive sampling and analysis was not part of the Environmental Review.

Following the Environmental Review, the independent environmental consultant determined that the potential risk of contamination from the Metropolitan Property is low, and that no recommendations were necessary.

Conclusion

The REIT is of the view that current estimated cost of expenditures with respect to actual or potential environmental conditions of the Metropolitan Property will not have a material adverse effect on its operations or financial results.

The REIT is not aware of any material non-compliance with environmental laws at the Metropolitan Property that it believes would have a material adverse effect on the REIT. The REIT is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with the Metropolitan Property that would materially affect the REIT. It is expected that the REIT will implement policies and procedures to assess, manage, and monitor environmental conditions at the Metropolitan Property and to manage exposure to liability. However, the REIT cannot assure Unitholders that any environmental assessments performed have identified or will identify all material environmental conditions, that any prior owner of any facility did not create a material environmental condition not known to the REIT or that a material environmental condition does not or will not otherwise exist with respect to the Acquisition Properties or any future property held by the REIT. See “Risk Factors – Environmental contamination on properties may expose the REIT to liability and adversely affect our financial performance” and “Risk Factors – Limitations of appraisals and engineering and environmental reports”.

Property Condition Assessment

In July 2014, a property condition assessment report (the “**PCA Report**”) was prepared in connection with the Metropolitan Property. An independent France-based consultant was selected to undertake a visual inspection of the property in connection with the Metropolitan Property Acquisition. The purpose of the PCA Report was to advise on any aspects of the applicable property’s design, construction and condition that the independent consultant believed would have a material bearing on the Metropolitan Property Acquisition.

The PCA Report catalogued ongoing repairs, maintenance and replacement of capital items in respect of the Metropolitan Property. The PCA Report also identified and quantified principal items of disrepair, damage and non-compliance which would likely necessitate capital expenditures both in the short and medium term (i.e. one to five years) and over the long term (i.e. six to ten years) from the date of the PCA Report. Based on the PCA Report, the Metropolitan Property appears to be satisfactorily maintained in accordance with its use.

The PCA Report identified approximately (i) €310,000 (\$466,736) in estimated possible maintenance and capital expenditure costs in the first year, (ii) €655,000 (\$986,168) in estimated possible maintenance and capital expenditure costs in years two to five, and (iii) €355,000 (\$534,488) in estimated possible maintenance and capital expenditure costs in years six to ten. To date, Inovalis has already incurred €52,000 (\$228,850) of these expenditures.

Conclusion

Upon acquiring the Metropolitan Property, as part of our annual property review program, Inovalis and the REIT will monitor the appropriate level of repairs and maintenance and capital expenditures to ensure that the Metropolitan Property remains competitive. The REIT and Inovalis manage capital expenditures prudently and maintain the physical improvements of the Metropolitan Property in good condition. The REIT and Inovalis also expend capital on upgrades where appropriate, especially if the REIT believes such spending will accelerate lease up of vacant space and assist in the retention of expiring tenants.

Risk Factors Relating to the Metropolitan Property Acquisition

There are certain risks inherent in the activities of the REIT. In addition to the risks described herein, reference is made to the section entitled “Risk Factors” beginning on page 24 of the REIT’s annual information form for the year ended December 31, 2014 and the section entitled “Risks and Uncertainties” beginning at page 18 of the Annual MD&A and at page 21 of the Q3 MD&A, each of which is incorporated herein by reference. The risks described herein are not the only risks facing the REIT. Additional risks and uncertainties not currently known to the REIT, or that the REIT currently deems immaterial, may also materially and adversely affect its business.

Acquisition Risks

The REIT expects to complete the Metropolitan Property Acquisition, subject to satisfactory completion of closing conditions, as described in more detail in the section entitled “Summary of the Agreement Pertaining to the Acquisition of the Metropolitan Property Lease Agreement”. However, the REIT has no control over whether or not

the conditions will be met and there can be no assurance that all conditions will be satisfied or waived or that the Metropolitan Property Acquisition will be consummated.

If the Metropolitan Property Acquisition is not consummated, the REIT may realize a number of risks, including: (i) the price of the Units may decline to the extent that the relevant current market price reflects a market assumption that the Metropolitan Property Acquisition will be consummated; (ii) certain costs related to the transactions, such as legal, accounting and consulting fees, must be paid even if the Metropolitan Property Acquisition is not completed; and (iii) the REIT may be unable to identify other investments offering financial returns comparable to those of the Metropolitan Property.

Expected returns on the Metropolitan Property Acquisition may not be realized

The acquisition of the Metropolitan Property involves risks that could materially and adversely affect the REIT's business plan, including the failure of such acquisitions and loan to realize the results the REIT expects. While management considers such acquisition not to be dilutive to the REIT's Unitholders, such determination should not be regarded as a guarantee of future performance or results.

There may be undisclosed liabilities associated with the Metropolitan Property

The REIT has conducted its due diligence review of the Metropolitan Property, however, there may be liabilities, including under applicable environmental laws, that the REIT failed to discover or was unable to quantify in the due diligence review prior to the closing of the Metropolitan Property Acquisition and the REIT may not be indemnified for some or all of these liabilities. The subsequent discovery or quantification of any material liabilities could have a material adverse effect on the REIT's business, financial condition or future prospects, which may include diminution in the value of the affected properties or the inability to finance or dispose of the affected properties on acceptable terms.

The REIT may not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the initial appraisal of the value of the REIT's properties or the value of such properties from time to time.

Environmental contamination on the Metropolitan Property may expose the REIT to liability and adversely affect our financial performance

The Metropolitan Property may contain ground contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances such as polychlorinated biphenyl, dichlorodiphenyltrichlorethan, pentachlorophenol or lindane above the allowable or recommended thresholds, or the buildings could bear other environmental risks. The REIT bears the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances, wartime relics or other residual pollution. The discovery of any such residual pollution on the site and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against us. The remediation of any pollution and the related additional measures the REIT would have to undertake could negatively affect the REIT and could involve considerable additional costs that the REIT may have to bear. The REIT is also exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible, for example, because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials, wartime relics or other residual pollution can negatively affect the value of a property and our ability to lease or sell such a property. The REIT is subject to various federal, state and municipal laws relating to environmental matters. Such environmental laws impose actual and contingent liabilities on the REIT to undertake remedial action on contaminated sites and in contaminated buildings. These obligations may relate to sites the REIT currently own or operate, sites the REIT formerly owned or operated or sites where waste from our operations has been deposited. Furthermore, actions for damages or remediation measures may be brought against us, including under the *French Environmental Code* (Code de l'environnement). The costs of any removal, investigation or remediation of any residual pollution on such sites or in such buildings as well as costs related to legal proceedings, including potential damages, regarding such matters may be substantial, and it may be impossible, for a number of reasons, for the REIT to have recourse against

a former seller of a contaminated site or building or the party that may otherwise be responsible for the contamination. Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages. In addition, if our officers or employees infringe or have infringed environmental protection laws, the REIT could be exposed to civil or criminal damages. The *French Environmental Code* is governed by “the polluter pays principle”, according to which the costs arising from measures to prevent, reduce or combat pollution must be borne by the polluter. As a result, the REIT may be required to provide for additional reserves to sufficiently allocate toward our potential obligations to remove and dispose of any hazardous and toxic substances. Any such event could have a material and adverse effect on our cash flows, financial condition and results of operations and our ability to make distributions on the Units.

Upon closing of the Metropolitan Property Acquisition, the REIT will have insurance in place to protect against certain environmental liabilities in respect of certain of the Metropolitan Property, with limits which are customary and available for portfolios similar to the Metropolitan Property. In addition, under applicable law, the tenants must conduct their business in their leased premises in accordance with applicable environmental laws and regulations and will be responsible for any liabilities arising out of infractions to such laws and regulations.

The REIT will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, the REIT does not believe that costs relating to environmental matters will have a material adverse effect on our investments, financial condition, results of operations or distributions or cash interest payments. However, environmental laws and regulations can change and the REIT may become subject to more stringent environmental laws and regulations (or more stringent enforcement or administration of existing legislation) in the future.

Limitations of appraisals and engineering and environmental reports

In general, appraisals such as the Appraisal represent only the analysis and opinion of qualified experts and are not precise measures or guarantees of present or future value. As such, the Appraisal does not provide precise measures of market value but an estimate of market value based on subjective comparisons of related activity taking place in the real estate market. The Appraisal is based on various assumptions of future expectations. There is no assurance that the assumptions employed in determining the appraised value of the Metropolitan Property is correct or that such valuation actually reflects an amount that would be realized upon a current or future sale of the Metropolitan Property or that any projections included in the Appraisal will be attainable. Moreover, the appraised value of the Metropolitan Property may be significantly higher than the amount that can be obtained from the sale of the Metropolitan Property under a distress or liquidation sale. As a result, the fair market value of the Metropolitan Property shown on the Appraisal may be an unreliable indication of its current market value. The environmental and property condition assessment reports represent only the analysis of the individual engineers or site inspectors preparing such reports, and may not reveal all necessary or desirable repairs, maintenance or capital improvement items. The environmental reports and property condition assessment reports were obtained at the dates noted in this Circular and have not been subsequently updated. Generally, reports such as the Appraisal, environmental report and property condition assessment report are subject to material contractual limitations on the persons entitled to rely on such reports and on amounts that may be claimed thereunder in the event of any error or omission in such reports. As a result, it is unlikely that investors will have any right to recover any losses from any such error or omission against the parties who prepared the Appraisal, environmental report and property condition assessment report. Accordingly, caution should be exercised in the evaluation and use of the Appraisal.

Review of the Metropolitan Property Acquisition and Recommendation of the Investment Committee

At the time the Metropolitan Property was acquired by Inovalis, the members of the Investment Committee visited Metropolitan Property in order to assess the suitability of such property as an investment property for the REIT. After considering a number of factors, including the 2014 Appraisal, the members of the Investment Committee determined that the Metropolitan Property may be a suitable investment property for the REIT upon meeting the REIT’s investment criteria (including achieving tenant stabilization). Accordingly, the REIT entered into the Acquisition Loan as a strategic way for the REIT to have access to the Metropolitan Property prior to the property meeting the REIT’s investment guidelines, while at the same time benefitting from the REIT’s cost of equity and a share of the profit the REIT would have made had the Metropolitan Property been sold to a third party by way of a discount to the purchase price in the case of an acquisition by the REIT.

In August 2015, Inovalis advised the Investment Committee that the Metropolitan Property had reached an occupancy rate of over 90% with an average remaining lease term of 8.0 years on the entire property. Following further due diligence in September, 2015, the Investment Committee determined that the Metropolitan Property met the REIT's investment criteria, and on September 23, 2015, the Investment Committee approved in principle the Metropolitan Property Acquisition. The Investment Committee presented the Board of Trustees with information regarding the Metropolitan Property, and on November 27, 2015, the Metropolitan Property Acquisition was approved by the independent members of the Board of Trustees (the "**Independent Trustees**").

Based upon, among other things, the recommendations of, and discussions with management of the REIT, discussions with management of Inovalis, considering the advice of its legal advisors, considering the conclusions of the Appraiser and its own review and consideration of the Metropolitan Property Acquisition (including the purchase price consideration for the Metropolitan Property) and related agreements, the Independent Trustees have unanimously resolved that the Metropolitan Property Acquisition is on commercially reasonable terms and is in the best interests of the REIT and its Unitholders, and has unanimously approved the Metropolitan Property Acquisition. The Independent Trustees unanimously recommend that Unitholders vote in favour of the Acquisition Resolution set out in Schedule "B" hereto. In arriving at its conclusions and recommendations, the Investment Committee and the Independent Trustees reviewed and considered all aspects of the Metropolitan Property Acquisition, including the financial, legal and tax implications of the Metropolitan Property Acquisition and the benefits to the REIT and its Unitholders. The conclusions and recommendations of the Investment Committee and the Independent Trustees are based upon the following factors, among others:

- the Metropolitan Property Acquisition is consistent with the long-term strategy of the REIT, as disclosed in the REIT's public disclosure documents;
- the Metropolitan Property Acquisition expands the REIT's asset base and property portfolio;
- the Metropolitan Property Acquisition improves the quality of the REIT's property portfolio;
- the Metropolitan Property is a sizeable property well-located in an attractive market within downtown Paris, in a gentrifying sub-area of the 2nd district;
- the Metropolitan Property offers potential for further capital appreciation and higher rental income that could be achieved through the re-letting of the current vacant area (9% of total space) and the reversion potential as passing rent on office premises is below the estimated rental value (as determined by JLL);
- the Metropolitan Property offers a favourable tenant mix with tenants in diversified industries and of good credit quality;
- the Metropolitan Property has access to internal car parking spaces (though not part of the Metropolitan Property) that can be leased by tenants, which is sought after in downtown Paris;
- after the expiry of rent-free periods in the course of the first year following the Metropolitan Property Acquisition, the Metropolitan Property Acquisition is expected to strengthen the predictability and stability of the REIT's cash flow, which will in turn strengthen the predictability and stability of distributions to Unitholders;
- the Metropolitan Property Acquisition will improve the strategic relationship between the REIT and Inovalis, which will be to the benefit of the REIT;
- the Appraiser concluded that the estimated market value of the Metropolitan Property is at €3,500,000 (\$80,550,000) as at December 31, 2015;
- the purchase price of approximately €46,800,000 (\$70,462,000) to be paid by the REIT for Metropolitan Property is consistent with the estimated market value of €3,500,000 (\$80,550,000) as at December 31, 2015 less the €6,700,000 (\$10,088,000) discount negotiated in the Acquisition Loan; and

- the requirement under Section 5.6 of MI 61-101 to obtain approval of the Metropolitan Property Acquisition from a majority of the votes cast by the Disinterested Unitholders, voting together, in person or by proxy at the Meeting.

The foregoing discussion of the information and factors reviewed by the Investment Committee is not, and is not intended to be, exhaustive. In view of the wide variety of factors considered by the Investment Committee, the Investment Committee did not find it practicable to, and therefore did not, quantify or otherwise assign relative weight to specific factors in making their determination. The conclusions and recommendations of the Investment Committee were made after consideration of all of the above-noted factors in light of the collective knowledge of the members thereof of the operations, financial condition and prospects of the REIT and was also based upon the advice of its advisors.

Unitholder Approval

MI 61-101 provides a number of circumstances in which a transaction between an issuer and a related party may be subject to valuation and minority approval requirements. The Metropolitan Property Acquisition is subject to the formal valuation and minority approval requirements under MI 61-101. See “Independent Appraisal of the Metropolitan Property and Prior Valuations” for more information on the formal valuation in respect of the Metropolitan Property Acquisition.

As a result, the Metropolitan Property Acquisition must be approved by a majority of the votes cast by the Disinterested Unitholders, voting together, in person or by proxy at the Meeting. Accordingly, Inovalis will not be entitled to vote its 380,000 Units or 2,052,096 Special Voting Units, representing approximately 13.8% of the issued and outstanding Units and Special Voting Units as at the date of this Circular, in respect of the Acquisition Resolution. Stephane Amine, Chairman and Trustee of the REIT, holds a 75% interest in Inovalis, and is therefore an “interested party” “for purposes of MI 61-101. Accordingly, Mr. Amine will not be entitled to vote his 5,200 Units, representing approximately 0.03% of the issued and outstanding Units and Special Voting Units as at the date of this Circular, in respect of the Acquisition Resolution. Management of the REIT and the Trustees are not aware of any other Units that will be excluded from voting in respect of the Acquisition Resolution.

INDEBTEDNESS OF TRUSTEES, EXECUTIVE OFFICERS AND SENIOR OFFICERS

No Trustee, executive officer or senior officer of the REIT, nor each associate of any such Trustee or officer, is or has been indebted to the REIT at any time during the last completed financial year.

MANAGEMENT AGREEMENT

Pursuant to a management agreement entered into between the REIT, Inovalis and certain other entities on April 10, 2013 (the “**Management Agreement**”), Inovalis is the manager of the REIT and provides the strategic, advisory, asset management, project management, construction management, property management and administrative services necessary to manage the operations of the REIT. The address of Inovalis is 52 rue de Bassano, 75008 Paris, France.

Additional information regarding the Management Agreement can be found in the REIT’s annual information form filed on SEDAR at www.sedar.com. Unitholders may also request a copy of such document, free of charge, by contacting the REIT at the address set forth below under “Additional Information”.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as set out herein, or in the management information circular of the REIT dated May 13, 2015 in respect of the annual meeting of Unitholders held on May 13, 2015, no informed person (as such term is defined in the *Securities Act* (Ontario)), nor any associate or affiliate of the foregoing, has any interest, direct or indirect, in any material transactions in which the REIT has participated since the formation of the REIT or in any proposed transaction which has materially affected or will materially affect the REIT.

AUDITORS

Ernst & Young LLP has been the auditor of the REIT since the REIT's formation, and will continue to hold office until the next annual meeting of Unitholders or until their successors are appointed.

ADDITIONAL INFORMATION

Additional information relating to the REIT is available on SEDAR at www.sedar.com. Financial information is provided in the REIT's financial statements and management's discussion and analysis for its most recently completed financial year. Unitholders may contact the REIT at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7 to request copies of such documents, free of charge.

APPROVAL OF BOARD OF TRUSTEES

The contents of this Circular and the sending of it to each Trustee of the REIT, to the auditor of the REIT, to the Unitholders and to the applicable regulatory authorities, have been approved by the Trustees of the REIT.

DATED at Toronto, Ontario, this 21st day of December, 2015.

(signed) "*David Giraud*"
David Giraud
Chief Executive Officer

CONSENT

TO: The Independent Trustees of Inovalis Real Estate Investment Trust

We refer to the appraisal dated December 18, 2015, with an effective date of December 31, 2015, which we prepared for the Independent Trustees of Inovalis Real Estate Investment Trust in connection with the acquisition by Inovalis Real Estate Investment Trust of a property located at the address municipally known as 37 rue Grenata, 75002 Paris, France from Inovalis SA. We consent to the filing of the appraisal with the securities regulatory authority and the inclusion of a summary of the appraisal in the Circular of Inovalis Real Estate Investment Trust dated December 21, 2015. In providing our consent, no person other than the Independent Trustees of Inovalis Real Estate Investment Trust shall be entitled to rely upon our appraisal.

Toronto, Ontario
December 21, 2015

(signed) "*Jones Lang LaSalle SAS*".
Jones Lang LaSalle SAS

APPENDIX A

RESOLUTION OF THE UNITHOLDERS OF THE REIT

IT IS RESOLVED THAT:

1. the Declaration of Trust Amendment, replacing Section 6.2(h) as follows:

(h)The Trust shall not incur or assume any Indebtedness if, after giving effect to the incurring or assumption of the Indebtedness, the total Indebtedness of the Trust would be more than 60% of the Trust' Gross Book Value,

is hereby authorized and approved;

2. notwithstanding that this resolution has been duly passed by the Unitholders, the Trustees are hereby authorized and empowered, without further notice to, or approval of, the Unitholders, not to proceed with any of the aforementioned transactions and revoke this resolution before it is acted on in whole or in part;
3. any one trustee or officer of the REIT is authorized and directed for and on behalf of the REIT to execute and deliver all documents, instruments and agreements and take such other action as such trustee or officer may determine to be necessary or desirable to implement this resolution or otherwise in connection with the matters authorized or contemplated hereby, including any amending agreement or amended and restated declaration of trust to reflect the Declaration of Trust Amendment, such determination to be conclusively evidenced by the execution and delivery of any such action; and
4. capitalized terms used in this Resolution but not defined in this Resolution have the meanings ascribed to them in the Circular.

APPENDIX B

RESOLUTION OF THE DISINTERESTED UNITHOLDERS OF THE REIT

IT IS RESOLVED THAT:

1. the Metropolitan Property Acquisition is hereby authorized and approved.
2. notwithstanding that this resolution has been duly passed by the Unitholders, the Trustees are hereby authorized and empowered, without further notice to, or approval of, the Unitholders, not to proceed with any of the aforementioned transactions and revoke this resolution before it is acted on in whole or in part;
3. any one trustee or officer of the REIT is authorized and directed for and on behalf of the REIT to execute and deliver all documents, instruments and agreements and take such other action as such trustee or officer may determine to be necessary or desirable to implement this resolution or otherwise in connection with the matters authorized or contemplated hereby, such determination to be conclusively evidenced by the execution and delivery of any such action; and
4. capitalized terms used in this Resolution but not defined in this Resolution have the meanings ascribed to them in the Circular.