

INOVALIS

REAL ESTATE INVESTMENT TRUST

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INOVALIS REAL ESTATE INVESTMENT TRUST ANNOUNCES FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2020

Toronto, Ontario, May 13, 2020 – Inovalis Real Estate Investment Trust (the “REIT”) (TSX: INO.UN) today reported financial results for the quarter ended March 31, 2020 (“Q1 2020”).

Today the REIT announced its Q1 2020 results. David Giraud, Chief Executive Officer of Inovalis REIT, commented that *“the REIT’s strong liquidity position puts the REIT and its unitholders in a comfortable position in which to see 2020 through the current economic volatility”*. The REIT’s office portfolio, primarily occupied by large scale tenants has no hospitality or retail tenants, which are the sectors that have been hardest hit by the closure of businesses during the COVID-19 pandemic. In France, office rent for the portfolio is collected on a quarterly basis and in Germany rent for the portfolio is collected on a monthly basis and most of Q1 2020 rents had been secured prior to the onset of the COVID-19 crisis. The REIT is reporting near-normal quarterly rent collection for the second quarter of 2020 and will focus on providing support to tenants throughout the coming months as their employees re-enter the workplace.

HIGHLIGHTS

- **Arcueil Joint Venture winding up**

Further to the December 18th, 2019 repurchase of the 75% equity interest of the REIT’s partner in the Arcueil joint venture, the winding up of the joint venture was completed on January 22, 2020. Arcueil real estate property and net rental income is now fully consolidated into the REIT’s financial position and operating result.

- **Rueil acquisition loan**

On December 19, 2019, the sale agreement for the underlying asset relating to the “Rueil development loan” was executed by the company that is developing the project. The economics of this agreement confirm the budgetary assumptions applied by management since 2018 in valuing the profit participation component of the loan. The construction of this project is on a short hiatus due to the COVID-19 related confinement, however it is expected to resume in due course. As the project is in the final months of completion, management can now forecast that the 2020 fund inflows following the reimbursement of the loan are expected to be as per the initial loan plan. No additional gain in fair value was recognized in relation to the profit participation component of the loan for Q1 2020 in addition to the \$9.5 million amount that was accrued since the inception of the loan.

- **Sale of Vanves property**

Further to the disposition of the Vanves property on December 16th, 2019 for a sale price of €95 million (\$140.9 million), the REIT has settled the remainder of the lease equalization agreement for an amount of €0.9 million (\$1.4 million) and the input VAT on the sale of this asset for €6.5 million (\$10.2 million).

- **Leasing Operations**

About 2,500 S.M. or 25,000 S.F. incremental space was leased during the quarter. Efforts continue to lease space to reduce the remaining portfolio vacancies. Management will selectively complete CAPEX improvements on vacant areas to attract tenants and maximize rent.

- **Net Rental Income**

For the portfolio of properties owned by the REIT (“IP Portfolio”), net rental income for Q1 2020 (adjusted for IFRIC 21) was a \$6.32 million (EUR4.27 million), an increase over the \$5.51 million (EUR3.65 million) adjusted net rental income for the same period in 2019. The gain of \$0.81 million (EUR0.63) in adjusted net rental income is mainly due to the income contribution following the acquisition of the Trio property and acquisition of control in the Arcueil joint venture, partially offset by sale of Vanves and the departure of Smart&Co, the main tenant in Courbevoie.

In Q1 2020, for the portfolio that includes the REIT’s proportionate share in joint ventures (“Total Portfolio”), net rental income (adjusted for IFRIC 21) increased by \$0.04 million (EUR 0.13 million) compared to the same period in the previous year.

- **Funds from Operations (“FFO”), Adjusted Funds from Operations (“AFFO”)**

In Q1 2020, the REIT reported Funds from Operations (“FFO”) and Adjusted Funds from Operations (“AFFO”) were of \$0.17 and \$0.12 per unit respectively, offset this quarter by the above-mentioned anticipated \$1.4 million reimbursement of the lease equalization agreement attached to the Vanves property, and knowing that the REIT has \$55 million of cash ready to deploy. Management estimates that the opportunity cost of reserving \$55 million in cash, previously earmarked for investment in 2020, has a quarterly effect on FFO in the range of \$0.03 to \$0.04 per unit. The \$55 million has been held in Euros since December 2019 and has shown an unrealized foreign exchange gain of \$2.6 million (\$0.076/Unit) over Q1 2020, a gain which has been excluded from FFO given the volatility of the Canadian and Euro currencies.

- **Financing Activity**

The weighted average interest rate across the portfolio is 2.06% and the debt ratio is 39.8% (33.4% net of cash), comfortably within the REIT’s mandated threshold of 60%. The refinancing of the Duisburg property, held in joint venture, is progressing with at least two German banks.

- **COVID-19 Related Business Update**

On April 17, 2019, the REIT issued a press release providing a business update related to the COVID-19 pandemic. As discussed in that press release, although the ultimate impact of the health crisis is difficult to predict, the REIT remains in a good financial position and is well-positioned to withstand the impact of the pandemic. As mentioned above, the REIT is reporting near-normal quarterly rent collection for the second quarter of 2020 and will focus on providing support to tenants throughout the coming months as their employees re-enter the workplace. The REIT will continue to assess market conditions and adapt its strategy to address the economic, social and health care impact of the pandemic.

The REIT is confident in the strength of its portfolio, as indicated by its strong Q1 2020 results. However, the REIT’s first quarter results cannot be taken alone in formulating an outlook for the remainder of 2020. It is possible that downward pressure on rental revenue may occur in the short-term as a result of the COVID-19 pandemic and consequent economic disruption.

ABOUT INOVALIS REAL ESTATE INVESTMENT TRUST

Inovalis Real Estate Investment Trust is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust under the laws of the Province of Ontario. The REIT has been created for the purpose of acquiring and owning office properties primarily located in France and Germany but also opportunistically in other European countries where assets meet the REIT’s investment criteria.

Basis of Presentation and Non-GAAP Measures

The REIT’s Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS). Financial information included within this news release does not contain all disclosures required by IFRS, and accordingly should be read in conjunction with the REIT’s unaudited interim condensed consolidated financial statements (“**Consolidated Financial Statements**”) and management’s discussion and analysis (“**MD&A**”) for the three months ended March 31, 2020, which is available on SEDAR at www.sedar.com.

Management of the REIT uses certain financial measures to assess the REIT's financial performance, which are not in accordance with generally accepted accounting principles (GAAP) under IFRS. FFO and AFFO, as well as other measures that may be discussed elsewhere in this news release, do not have a standardized definition prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other reporting issuers. The REIT supplements its IFRS measures with these non-GAAP measures to aid in assessing the REIT's underlying performance and reports these additional measures so that investors may do the same. Non-GAAP measures should not be considered as alternatives to net earnings or comparable metrics determined in accordance with IFRS as indicators of the REIT's performance, liquidity, cash flow, and profitability. For full definitions of these measures, please refer to the "Non-GAAP Financial Measures" section in the REIT's MD&A for the three months ended March 31, 2020.

Forward-Looking Information

This news release contains forward-looking information within the meaning of applicable securities legislation. Forward-looking information generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the REIT's control that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, global and local economic and business conditions; ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; and interest and currency rate functions. The REIT's objectives and forward-looking statements are based on certain assumptions, including that the Canadian and European economies remain stable, interest rates remain stable, conditions within the real estate market remain consistent, competition for acquisitions remains consistent with the current climate and that the capital markets continue to provide ready access to equity and/or debt. In particular, there is uncertainty about the spread of the COVID-19 virus and the impact it will have on the REIT's operations, the demand for the REIT's properties and global supply chains and economic activity in general. All forward-looking information in this news release speaks as of the date of this news release. The REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise except as required by law. Additional information about these assumptions and risks and uncertainties is contained in the REIT's filings with securities regulators, including its latest annual information form and MD&A.

SOURCE Inovalis Real Estate Investment Trust

For further information, please contact:

David Giraud, Chief Executive Officer
Inovalis Real Estate Investment Trust
Tel: +33 1 5643 3323
david.giraud@inovalis.com

Khalil Hankach, Chief Financial Officer
Inovalis Real Estate Investment Trust
Tel:+33 1 5643 3313
khalil.hankach@inovalis.com