

INOVALIS

REAL ESTATE INVESTMENT TRUST

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

Toronto, Ontario, November 12, 2020 – Inovalis Real Estate Investment Trust (the “REIT”) (TSX: INO.UN) today reported financial results for the quarter ended September 30, 2020.

Dollar amounts in the press release are presented in thousands of Canadian dollars and Euros except per unit amounts or as otherwise stated. Information contained in this press release is based on information available to management as of November 12, 2020.

Stéphane Amine, President of the REIT, commented *"I am pleased to report that the REIT has effectively maintained its occupancy and collected rents throughout the most challenging two quarters since our initial public offering. Our investors are telling us that they appreciate the stability of strong, consistent distributions underscored by the resilience of our operating fundamentals. We are now focused on identifying opportunities for deploying the REIT's capital that was held in reserve throughout the volatile circumstances earlier in 2020."*

HIGHLIGHTS

Net Rental Income

For the wholly controlled properties, net rental income for the three months ended September 30, 2020 (“Q3 2020”), adjusted for IFRIC 21 – Levies (“IFRIC 21”), was CAD\$6,553 (EUR4,162), compared to CAD\$6,101 (EUR4,151) adjusted net rental income for the three months ended September 30, 2019 (“Q3 2019”). The year-over-year increase is mainly due to the impact of foreign exchange coupled with the net impact of the acquisition of Arcueil and the sale of Vanves (+CAD\$2,036), the acquisition of Trio property (+CAD\$828), offsetting the Courbevoie vacancy since Q3 2019 (-CAD\$1,335).

In Q3 2020, for the portfolio that includes the REIT’s proportionate share in joint ventures (“Total portfolio”), net rental income adjusted for IFRIC 21 was CAD\$8,793 (EUR5,641), compared to CAD\$9,119 (EUR6,208) for Q3 2019, the decrease is mainly attributable to the Q3 2019 departure of a principal tenant in the Courbevoie property which is currently being marketed for sale.

COVID-19 Related Business Update

The REIT is reporting near-normal quarterly rent collection for Q3 2020 and will focus on providing support to tenants throughout the coming months. Management continues to monitor and assess market conditions and adapt its strategy to address the impact of measures taken by government and health officials to protect public health.

The REIT is confident in the strength of its portfolio, as indicated by the solid Q3 2020 results. While current results are strong, the REIT continues to monitor market conditions to formulate the outlook for the remainder of 2020 and ahead in 2021. It is possible that downward pressure on rental revenue may occur in the short-term as a result of the second wave of the COVID-19 pandemic, partial lockdown measures, and consequent economic disruption.

Rent collection

Rent collection for the French assets is recorded on a quarterly basis and 94% of rent has been received for Q3 2020. This is generally in line with the timing and percentage of pre-COVID-19 rent collection levels with a few minor exceptions.

For the REIT's German properties, rents are collected on a monthly basis and nearly 100% of rent was received in Q3 2020.

Management is actively monitoring rent payment deferral requests to maintain consistent rent collection while supporting tenant needs.

Leasing Operations

About 10,500 sq. ft. of incremental space was leased during Q3. Efforts continue to lease unoccupied space (152,603 sq. ft., 9.9% of total GLA) in the portfolio. Management will selectively complete capital expenditure improvements on vacant areas to attract tenants and maximize rent.

Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO")

In Q3 2020, the REIT reported Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") were \$0.19 and \$0.18 per unit respectively, versus CAD\$0.23 and CAD\$0.21 for the same period last year. While both ratios saw an increase compared to Q2 2020 (CAD\$0.16 and CAD\$0.15 per unit respectively), financial performance has been affected by the conservative 2020 investment strategy to assess the economic impact of the COVID-19 pandemic on the REIT's business prior to deploying capital. As of September 30th, the REIT has CAD\$73.3 million of cash on its balance sheet, including CAD\$19.4 million proceeds from the partial repayment of the Rueil construction loan principal to the REIT in July. The REIT's Canadian funds held in Euros had an unrealized foreign exchange gain of CAD\$1,855 (which represents an equivalent of approximately CAD\$0.06 per unit of FFO) over the nine months of 2020. This gain has been conservatively excluded from the FFO determination due to the volatility of the Canadian dollar against the Euro, despite REALPAC guidance to the contrary on this matter.

Financing Activity

The weighted average interest rate across the portfolio debt is 2.06% and the debt ratio is 40.7% (33.8% net of cash), comfortably within the REITs mandated threshold of 60%.

The REIT is considering other refinancing opportunities to take advantage of historically low interest rates in Europe. The REIT anticipates being able to finance assets on a less costly basis than that offered by traditional financing in Canada.

In France, banks and financial lessors have been encouraged by the French Government's measures to ease the debt service conditions of their clients from the start of the pandemic. The REIT has benefited from deferrals on Sabliere, Courbevoie, Metropolitan, Baldi and Delizy properties representing a CAD\$1.9 million (EUR1.2 million) positive impact on the Q3 available cash, on top of the deferrals obtained in Q2. Deferral on the Arcueil lease liability was finalized in October 2020, while the quarterly payments of CAD\$1.3 million (EUR0.86 million) due on April 8, 2020 and July 8, 2020 have been deferred to April 8, 2027.

For the total year 2020, the positive impact on cash of senior debt deferrals represents CAD\$6.3 million (EUR4.0 million), including the Arcueil deferral agreement signed in October 2020 and disclosed in the Subsequent Events section at the end of this document. As there are no penalties for these deferrals, it is in the best interest of the REIT to have the flexibility to conserve this cash for future investments.

Rueil acquisition loan

Subsequent to the quarter, on October 2nd, 2020, the REIT has exercised its option and acquired a 20% stake in the company it financed to build the Rueil property. The building was delivered on October 19th, in line with our budgetary assumptions related to the valuation of the REIT's profit participation component in the development loan (call option). On July 30, 2020, CAD\$19,388 (EUR12,416) out of the initial CAD\$26,805

(EUR17,166) loan has been returned to the REIT by the borrowing entity. A gain of CAD\$9,937 in fair value has been recognized in relation to the profit participation component of the loan over the three years since its inception in December 2016. Management has successfully achieved the business plan objective to generate additional profit in the form of fund inflows from this loan.

Bad Homburg

Subsequent to the quarter, the REIT completed the buy-back of its JV partner's 50% stake in the Bad Homburg asset, for a total purchase price of EUR5,873 (CAD\$8,957) including the JV partner's loan. The asset has been jointly held since 2015.

Stuttgart

The REIT and its JV partner have taken steps to sell the Stuttgart asset which has been jointly held since 2017. A top-tier international broker has been engaged for the sale and a bidder was granted a 6-week exclusivity period on November 2nd. The disposition of this asset will contribute to the REIT's positioning for future opportunistic investments and further simplify its asset ownership structure.

Courbevoie (Veronese)

The REIT has taken steps to sell the Courbevoie (Veronese) asset, one of the REIT's initial properties. A top-tier international broker has been engaged for the sale and a marketing plan has helped the REIT to identify one bidder, presently under exclusivity to confirm its pricing by mid- November. The disposition of this asset will contribute to the REIT's positioning for future opportunistic investments.

Normal Course Issuer Bid

As reported in Q2, the TSX approved the REIT's Normal Course Issuer Bid which was undertaken in response to the extreme volatility that affected the trading price of the REIT. Management believes that the purchase by the REIT of a portion of its outstanding Units is an appropriate use of available resources and in the best interests of the REIT and its unitholders. Between April 22 and September 30, 2020, the REIT bought back 884,675 Units at Unit prices ranging between \$6.41 and \$8.00 for a total CAD\$6,679 buy-back of Units. Prior to the end of Q3 and before the onset of a scheduled blackout on trading for REIT insiders pending the release of Q3 financial results, the REIT initiated an automatic purchase plan with a broker to repurchase a daily limit of 20,890 units at a maximum price of \$8.50 per unit, for the period from September 30 until November 14, 2020.

Special Committee to Review Strategic Alternatives

Subsequent to quarter end on October 28, 2020, the REIT announced the formation of a special committee of independent members of the Board of Trustees (the "Special Committee") to consider strategic alternatives available to the REIT. The Special Committee expects to review and evaluate a wide range of strategic alternatives to enhance unitholder value. The REIT will continue to evaluate possible acquisition or disposition of certain portfolio assets throughout this process.

FORWARD-LOOKING INFORMATION

Although we believe that the expectations reflected in the forward-looking information are reasonable, we 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) we will continue to receive financing on acceptable terms; (ii) our future level of indebtedness and our future growth potential will remain consistent with our current expectations; (iii) there will be no changes to tax laws adversely affecting our financing capability, operations, activities, structure, or distributions; (iv) we will retain and continue to attract qualified and knowledgeable personnel as we expand our portfolio and business; (v) the impact of the current economic climate and the current global financial conditions on our operations, including our financing capability and

asset value, will remain consistent with our current expectations; (vi) there will be no material changes to government and environmental regulations adversely affecting our operations; (vii) 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; (viii) capital markets will provide us with readily available access to equity and/or debt financing; and (ix) the impact the COVID-19 pandemic will have on the REIT's operations, the demand for the REIT's properties and global supply chains and economic activity in general. The forward-looking statements are subject to inherent uncertainties and risks, including, but not limited to, the factors listed under the Risk and Uncertainties section of Q3 2020 MD&A. Consequently, actual results and events may vary significantly from those included in, contemplated, or implied by such statements.

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.

SOURCE Inovalis Real Estate Investment Trust

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