

INOVALIS

REAL ESTATE INVESTMENT TRUST

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INOVALIS REAL ESTATE INVESTMENT TRUST ANNOUNCES Q2 2019 FINANCIAL RESULTS

TORONTO, August 14, 2019 /CNW/ - Inovalis Real Estate Investment Trust (the "REIT") (TSX: INO.UN)

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

In Q2 2019, the REIT reported Funds from Operations (FFO) and Available Funds from Operations (AFFO) of CAD\$0.21 per unit. This marks a return to guidance, following Q1 2019's results of CAD\$0.17 and CAD\$0.19 per unit for FFO and AFFO respectively. In line with these increases both the REIT's FFO and AFFO payout ratios improved, quarter to quarter, from 125.2% to 101;4% and the AFFO payout ratio improved from 113.5% to 98.6%.

- **Leasing Operations**

Q2 2019 saw the REIT benefit from Management's efforts to let several vacant spaces of the portfolio assets. New leases were signed at both our IP (Sablière) and JV Portfolio (Arrow - Neu-Isenburg), and a lease renewal was signed at the Baldi property.

Subsequent to quarter end, at Jeuneurs property, an agreement was signed with the current single tenant to extend the in-place lease by 2 years and 8 months. Management continues to strive to lease the remaining vacant surfaces, selectively completing CAPEX improvements on vacant areas to attract tenants, maximize rents and, subsequently, sustain returns to Unitholders.

- **Net Rental Income**

Net rental for Q2 2019 (adjusted for IFRIC 21) was CAD\$5.86 million (EUR3.90 million), in-line with the adjusted net rental income for the same period in 2018 CAD\$6.01 million (EUR3.91 million). This stabilization is due to the successful integration of the Trio asset into the REIT's portfolio: it has generated a net rental income of approximately CAD\$1.06 million for the quarter, compared to historical quarterly net rental income of CAD\$0.51M from the Hannover asset, thus supporting Management's rationale for the decision to sell Hannover and reinvest the sale proceeds in the Trio asset. This increased net rental income does offset the reduced rental income from the Vanves asset, following the departure of ADEME (this vacancy being handled as part of the asset repositioning presently under study), and keeps the REIT's year-on year net rental income stable.

In Q2 2019, net rental income (adjusted for IFRIC 21) for our Total Portfolio was CAD\$8.89 million (EUR5.92 million), compared to CAD\$9.25 (EUR 6.02 million) for the same period in the previous year, this decrease (EUR0.1 million) being due to service charges settlements on the JV Portfolio.

- **Rueil Development Loan**

Subsequent to quarter end, on July 25, 2019, the forward sale agreement for the underlying asset relating to the "Rueil development loan" was signed. The economics of this agreement confirm the budgetary assumptions applied by Management in valuing the profit participation component of the loan since 2018 and allow Management to anticipate future (2020) fund inflows following the reimbursement of the loan, as per the initial loan plan.

- **Financing Activity**

The REIT currently has a weighted average interest rate of 2.03% across the Total Portfolio. Following recent refinancing operations – Veronese (Courbevoie) and Metropolitan properties - the REIT has a debt level of 52.4%, comfortably within its mandated threshold of 60%.

During the quarter, the REIT also extended the financing in place for the Duisburg asset. Our joint-venture partner also agreed to extend the joint venture agreement until year end, as reletting options beyond December 2020 are being studied.

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.

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