

INOVALIS

REAL ESTATE INVESTMENT TRUST

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INOVALIS REAL ESTATE INVESTMENT TRUST ANNOUNCES FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2021

Toronto, Ontario, May 11, 2021 – Inovalis Real Estate Investment Trust (the “REIT”) (TSX: INO.UN) today reported financial results for the quarter ended March 31, 2021.

The REIT today announced results for its first quarter ended March 31, 2021. President Stephane Amine said “After one full year of global, pandemic-related economic impact, we have demonstrated the resilience of the office sectors in Paris, France and cities throughout Germany where our portfolio is located, in the hands of capable management. Rent has been collected, tenants have been retained and stable distributions continue to be paid to Unitholders. The remainder of 2021 will be the REIT’s platform for strategic action.”

HIGHLIGHTS

Net Rental Income

For the portfolio that includes only buildings owned entirely by the REIT (“IP Portfolio”), net rental income for the three months ended March 31, 2021 (“Q1 2021”), adjusted for IFRIC 21 – Levies (“IFRIC 21”), was CAD\$6,674 (EUR4,375), compared to CAD\$6,324 (EUR4,268) adjusted net rental income for the three months ended March 31, 2020 (“Q1 2020”). The positive impact of the CAD\$396 Bad Homburg asset’s Net Operating Income (“NOI”), now included in the IP Portfolio following acquisition in Q4 2020, is offset by the CAD\$173 bad debt provision on Metropolitan and the credit note granted for a new 10-year firm lease to another tenant in the building. The positive foreign exchange impact is CAD\$187.

In Q1 2021, for the portfolio that includes the REIT’s proportionate share in joint ventures (“Total Portfolio”), net rental income adjusted for IFRIC 21 was CAD\$8,627 (EUR5,655), compared to CAD\$8,690 (EUR5,865) for Q1 2020, mainly attributable to the factors described in the previous paragraph plus the CAD\$71 impact of the vacancy in the Duisburg property. The positive foreign exchange impact is CAD\$257 on the Total Portfolio.

COVID-19 Related Business Update

Management continuously monitors market conditions, adapting its operations to the measures taken by European governments and health officials to protect public health. Management is confident in the strength of its portfolio, as indicated by Q1 2021 results. Quarterly rent collection for Q1 2021 was strong. Management’s forecast for subsequent quarters of 2021 reflects the possibility of short-term downward pressure on rental revenue as the COVID-19 pandemic may necessitate additional lockdown measures causing economic disruption.

Rent collection

Rent for the French assets is invoiced and collected on a quarterly basis and 89% of rent has been received to date for Q1 2021. 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 Q1 2020.

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

Leasing Operations

In the REIT's Total Portfolio, more than 5,000 sq.ft. of vacant space was leased in Q1 2021, representing CAD\$61 additional annual rental revenue. Leasing negotiations were deferred by some potential new tenants until Q2 2021 when it is expected that there will be greater clarity about normal business operations. A lease renewal for 10 firm years has been signed on the Metropolitan building on 18,686 sq.ft. representing 10% of building's weighted areas (1% of total portfolio GLA) and CAD\$487 annual rental income. Efforts continue to lease unoccupied space (162,690 sq.ft., 12.5% of total weighted areas) in the portfolio. Management will selectively complete capital expenditure improvements on vacant areas to attract tenants and maximize rent. In addition, Orange, single tenant of the Arcueil property, which represents 34% of IP Portfolio annual rental income, has waived its break option for an early departure at the end December 2021 and shall therefore remain in place thereby adding to the REIT's cashflow for another 1.9 years. Management continues engage with Orange for a further lease extension beyond 2023.

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

The REIT follows the recommendations of the Real Property Association of Canada ("REALPAC") (February 2019 white paper) with certain exceptions. Refer to the *Non-GAAP Financial Measures* section of this MD&A for a more detailed discussion on FFO and AFFO.

In Q1 2020, the REIT reported Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") were CAD\$0.12 and CAD\$0.11 per Unit respectively, versus CAD\$0.16 and CAD\$0.12 for the same period last year. Effective with the onset of the pandemic in March 2020, the REIT conserved cash and paused its investment plans until the economic impact of the COVID-19 pandemic on the REIT's business became more apparent. The REIT deferred investing CAD\$55 million that had been earmarked for acquisitions of income-generating assets in the 2020 budget.

Financing Activity

As at March 31, 2021, the weighted average interest rate across the IP Portfolio debt was 2.02% and the debt ratio was 42.1% (35% net of cash), comfortably within the REIT's mandated threshold of 60%.

For the same period, the REIT had CAD\$69.5 million of cash on its consolidated balance sheet.

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

Bad Homburg

Following its acquisition end of October 2020, the contribution of the Bad Homburg property to the Q1 2020 net rental income represented CAD\$396, in increase of CAD\$114 compared to Q1 2020. The asset was 74% occupied over the first quarter 2021.

Courbevoie (Veronese)

The sale of the Courbevoie asset is expected to be completed by end 2021 at a price of EUR27,200 (CAD\$40,082). The sale is contingent on the buyer obtaining a building permit and the seller vacating the asset (cost estimated to CAD\$1.2 million) by the end of the year, each acting at their own expense. Given the uncertainty related to the conditions attached to the promise to sell, the Courbevoie property still does not qualify for the presentation as an asset held for sale as of March 31, 2021.

Extension of the Joint Venture Agreement on Duisburg

Subsequent to the quarter, on April 19, 2021, management signed a two-year extension of the Joint Venture Agreement ("JVA") with the partner in the Duisburg property, maturing on December 31, 2022. This extension together with the mortgage loan agreement maturing in June 2023, now enable management to proceed with leasing plans for the 7th floor.

Management Agreement Renewal

On March 23, 2021 the Board of Trustees approved a two-year extension of the Management Agreement with Inovalis S.A. by way of an amended and restated management agreement that became effective on April 1, 2021. The Board of Trustees and Inovalis S.A. agreed that, given the REIT's relative size, it was in the REIT's best interests to not internalize the asset and property management functions at the current time. The extended agreement contemplates internalization of the finance functions of the REIT which is expected to occur in Q2, 2022.

See "*Related Party Transactions - Extension of Management Agreement effective April 1, 2021*" in the Q1 2021 MD&A, and a full copy of the Fourth Amended and Restated Management Agreement is available on SEDAR.com.

Normal Course Issuer Bid

The Normal Course Issuer Bid ("NCIB") expired on April 13, 2021 and was not renewed. The REIT did not repurchase or cancel any Units under the NCIB during the three months period ended March 31, 2021.

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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