INOVALIS
REAL ESTATE INVESTMENT TRUST

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

Toronto, Ontario, November 10, 2021 – Inovalis Real Estate Investment Trust (the "REIT") (TSX: INO.UN) today reported financial results for the quarter ended September 30, 2021.

Stéphane Amine, President of the REIT, commented *"The resilience of our business model – investing in European offices in strategic locations – has proven itself throughout the pandemic, and gives us great confidence for the future. Building on a strong foundation, with a renewed Board of Trustees and an action-oriented strategic plan, with very clear targets, we will be deploying our cash, recycling our assets and strengthening our bottom line".*

HIGHLIGHTS

Net Rental Income

For the portfolio that includes only assets owned entirely by the REIT ("IP Portfolio"), net rental income for the three months ended September 30, 2021 ("Q3 2021") was CAD$7.0 million (EUR4.7 million) compared to CAD$7.3 million (EUR4.8 million) for the three months ended September 30, 2020 ("Q3 2020"). Net rental income for Q3 2021, adjusted for IFRIC 21 – Levies ("IFRIC 21"), was CAD$6.3 million (EUR4.2 million), compared to CAD$6.6 (EUR4.31) adjusted net rental income for Q3 2020. The decrease in net rental income of CAD$167,000 and in net rental income adjusted for IFRIC 21 – Levies of CAD$174,000 is mainly attributable to the negative foreign exchange impact of CAD$120,000, the IP portfolio increase of Bad Homburg in Q3 2020 being offset by the departure of the main tenant in the Sablière property in Q3 2021.

In Q3 2021 net rental income adjusted for IFRIC 21 for the portfolio that includes the REIT's proportionate share in joint ventures ("Total Portfolio"), was CAD$8.3 million (EUR5.6 million), compared to CAD$8.8 million (EUR5. 8 million) for Q3 2020, mainly attributable the departure of main tenant in the Sablière property (CAD$380,000) and the negative foreign exchange loss of CAD$146,000.

As at September 30, 2021, 82.2% of the REIT's wholly-controlled properties and 84.9% of the Total Portfolio are leased on a long-term basis to high-credit quality tenants. The weighted average lease break option of the Total Portfolio stands at 2.7 years.

COVID-19 Related Business Update

High levels of vaccination coupled with proof of vaccination requirements have allowed many markets to return to a much higher level of activity than we have seen over the last 18 months, but management continues to monitor market conditions carefully. Management remains confident in the strength of its portfolio, as indicated by Q3 2021 results and its strong rent collections, both in France and Germany.

Leasing Operations

In the REIT's Total Portfolio, over 12,000 sq. ft. of office space have been secured over the nine-month period, through new leases or maturity extensions on the Baldi, Pantin and Stuttgart properties. In addition, the REIT has signed two major leases that will result in over 46,000 sq.ft. of previously vacant office space being occupied starting in Q4 2021. At the Bad Homburg property, 37% of vacant space has been leased for sevenfirm years. On the Duisburg property, the lease of the vacant floor has been finalized which will increase occupancy of that property to 100% before the end of the year.

Overall, the occupancy rate on the Total Portfolio is 84.9%. For Q4, the occupancy rate will be impacted by the departure of the main tenant on the Baldi property (approximately 3.6% of total occupancy and CAD$1.5 million in rental income), but also two new significant leases signed on the Bad Homburg and Duisburg properties. Renewed inquiries from prospective tenants since Q2 2021 show growing confidence in both France and Germany. To bolster leasing efforts, management will selectively complete capital expenditure improvements on vacant areas to attract tenants and maximize rent.

Adjusted Funds from Operations

The REIT follows the recommendations of the Real Property Association of Canada ("REALPAC") (February 2019 white paper) with certain exceptions. Funds from Operations ("FFO") per unit and Adjusted Funds from Operations ("AFFO") per unit are Non-GAAP ratios. Non-GAAP ratios do not have standardized meaning under IFRS. These measures as computed by the REIT may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other entities. Refer to the *Non-GAAP Financial Measures* section of this MD&A for a more detailed discussion on FFO and AFFO.

In Q3 2021, the REIT reported FFO and AFFO of CAD$0.12 and CAD$0.11 per Unit respectively, versus CAD$0.19 and CAD$0.18 for the same period last year. As economic recovery is gradually restored in the Paris and German markets and the REIT's strategic review has been completed, management is launching plans to deploy its cash for acquisitions of income-generating assets.

Financing Activity

The REIT is financed almost exclusively with asset-level, non-recourse financing with an average term to maturity of 4.1 years.

As at September 30, 2021, the weighted average interest rate across the IP Portfolio debt was 2.02% and the debt-to-book value ratio was 40.6% (37% net of cash), comfortably within the REIT's mandated threshold of 60%.

At the same date, the REIT had CAD$38.6 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, which have been marginally affected by the economic consequences of the pandemic. The REIT should be able to finance assets on a less costly basis than that offered by traditional financing in Canada.

Bad Homburg

The contribution of the Bad Homburg property to the nine-month net rental income represented CAD$892,000, an increase of CAD$75,000 compared to the same period in 2020. The property was initially a jointly owned asset, with the REIT acquiring the outstanding 50% in October 2020. Although the property had a 48% vacancy rate at the end of Q3 2021, a new lease has been finalized on 18% of the property area for a firm seven-year period (plus five optional years) starting at the end Q4 2021.

Jeuneurs

On July 27th, as part of the new asset recycling program, the REIT signed an agreement to sell the asset for CAD$104.5 million (EUR71.2 million), excluding closing costs estimated at CAD$4.9 million (EUR3.3 million). The asset was sold to a Paris-based investor specialized in the repositioning of Central Business District assets, with a closing date scheduled for mid-December at the latest. The transaction is backed by a CAD$10.5 million (EUR7.1 million) deposit, of which CAD$5.2 million (EUR3.6 million) was received on the day of signing under the unilateral commitment to sell, which will be applied against the selling price of the property at the transaction date. The Paris City Hall preemption right condition was waived on August 11th and there are no other sale conditions. Given there are no conditions remaining uncertain under the commitment to sell, the Jeuneurs property has been classified as an asset held-for-sale as at September 30, 2021.

Courbevoie (Veronese)

The sale of the Courbevoie asset was initially conditionally scheduled to be completed by the end 2021 at a price of CAD$40.0 million (EUR27.2 million), the disposition being contingent on the buyer obtaining a building permit and the seller vacating the asset by the end of the year, each acting at their own expense. The building permit application was obtained on October 7th and final negotiations with tenants are underway. Given the uncertainty related to the conditions attached to the commitment to sell and the final timing of closing which may be deferred to the end of Q1 2022, the Courbevoie property does not qualify for the presentation as an asset held for sale as of September 30, 2021.

Duisburg

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. The only vacant floor has been leased to a new tenant with a firm five-year term, bringing the occupancy rate back to 100% this month. Refinancing of the in-place CAD$36.0 million (EUR24.5 million) mortgage loan agreement - maturing in June 2023 - is now being tendered to a handful of banks.

Environmental, Social and Governance (ESG)

Integrating ESG objectives and strategies into our business reflects the growing importance these factors play with many of our key stakeholders. Investors recognize the risks associated with changing regulatory requirements, tenants are including sustainability considerations in their leasing decisions, and employees want to work for responsible organizations. The REIT wants to improve its long-term environmental performance, and also invest in "human capital" for the implementation and monitoring of all ESG initiatives. We are completing a portfolio wide ESG independent audit of our assets, with the view to formalizing ESG priorities adjusted to the nature of our properties. The exercise will identify clear and measurable ESG practices and disclosures which we will apply and ensure are addressed by our third-party service providers.

FX hedging

Adjusting to the recent strengthening of the Canadian dollar against the Euro, a new hedging contract has been set for the period from November 2022 to October 2024, at more competitive rates relative to recent foreign exchange fluctuation. Twenty-three monthly forward exchange contracts have been signed for the conversion of CAD$2,200 at $1.53/EUR average exchange rate.

Capital Market Considerations

The REIT has reliably maintained returns to unitholders, continuing to pay a stable, attractive distribution and, in July 2021, paid out a special participatory distribution of $0.307 per unit. With an average trading price of CAD$9.65 in Q3 2021, the REIT provides a very attractive investment opportunity for investors who understand the long-term value of quality real estate in strategic European locations, all the more as the current unit price still represents a significant discount of the underlying net asset value. The REIT's unitholders' equity on September 30, 2021, was CAD$371,366, which implies a book value per Unit at that date of CAD$11.46/Unit or CAD$11.39/Unit on a fully diluted basis. The REIT is well positioned to opportunistically invest its substantial cash reserve in new assets as the real estate sector and European economy stabilizes. Several operational and value add opportunities are in the outlook for the remainder of 2021 and beyond.

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

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