

INOVALIS

REAL ESTATE INVESTMENT TRUST

FOR IMMEDIATE RELEASE

INOVALIS REAL ESTATE INVESTMENT TRUST ANNOUNCES CDN\$61 MILLION OF PROPERTY ACQUISITIONS, A CDN\$14.3 MILLION ACQUISITION LOAN AND A CDN\$37 MILLION BOUGHT DEAL OF TRUST UNITS

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- Upon closing, the acquisition of the two office properties located in the Greater Paris Region will increase the REIT's real estate portfolio to an interest in seven properties located in France and Germany
- The REIT will also make an acquisition loan for a third property located in Paris, France which will include a right of first opportunity to purchase the property at a discount once it meets the REIT's investment criteria
- The Acquisitions and the Acquisition Loan will be funded by a portion of the net proceeds from the issuance of Units and from existing cash on hand
- The Acquisitions and the Acquisition Loan are expected to be immediately accretive to the REIT's AFFO per Unit

Toronto, Ontario, October 17, 2014 – Inovalis Real Estate Investment Trust (the “**REIT**”) (TSX: INO.UN) announced today that its Board of Trustees has approved the acquisition of two office properties located in the Greater Paris Region (the “**Properties**”), comprising 196,301 square feet of gross leasable area (“**GLA**”) with a portfolio occupancy rate of approximately 90% on the office space comprising the properties, and a weighted average lease term of 5.9 years on such space (the “**Acquisitions**”). The Acquisitions will be acquired at a weighted average capitalization rate of approximately 7.4% (after giving effect to a one-year vendor lease on each property entered into with the vendor) and are expected to be immediately accretive to the REIT's AFFO per unit of the REIT (“**Units**”).

The Acquisitions

The Properties are being acquired for an aggregate net purchase price of CDN\$61 million, representing a 7.4% capitalization rate. The Acquisitions will be financed by a portion of the net proceeds from the equity offering described below. The Properties consist of two office buildings located in the Greater Paris Region (Paris and Saint Ouen). The Properties are being acquired at a 7.0% discount to the recently appraised value of CDN\$66 million.

Sablère Property

The Sablière property, located at 27-29 rue de la Sablière, 75014 Paris, France, was constructed in 1985, and is comprised of 41,043 square feet (3,813 square meters) of GLA. It is a five-storey building with two underground levels situated in the 14th district of Paris, which engulfs the majority of the Montparnasse region, along with the Tour Montparnasse and the metro station Montparnasse Bienvenue which is an important hub for travelers and tourists. The property is leased to five tenants, with the main tenant, Direction Spécialisée des Impôts (the French Tax Authority), occupying 40% of the total GLA with a nine year lease expiring in June, 2021. Inovalis S.A. has managed the property since June 9, 2005.

Baldi Property

The Baldi property, located at 44/50 Avenue du Capitaine Glarner, 93400 Saint-Ouen, France, was constructed in 1990, and is comprised of 155,258 square feet (14,424 square meters) of GLA of which 61% is office space and 39% is mixed use area. The four buildings are situated 300 meters from the Paris ring road. The property is leased to seven tenants, with the main tenant, Rue du Commerce, occupying 33% of the total GLA in accordance with a nine year lease expiring December, 2021. Inovalis S.A. has managed the property since September 30, 2005.

The Acquisition Loan

The REIT has also agreed to make a €10 million (CDN\$14.31 million) loan to Inovalis S.A. for purposes of acquiring the Metropolitan Property (the “**Acquisition Loan**”), which is expected to be acquired by Inovalis S.A. at the same time that the REIT acquires the Properties. The Acquisition Loan will bear interest at an annual rate of 8.75% for three years (with an option to extend for one year) and will be secured by a share pledge from a holding company (that also owns another property in the Greater Paris Region) and will include a right of first opportunity in favour of the REIT to purchase the property at a discount to the then market price when the property meets the investment criteria of the REIT (the “**REIT ROFO**”). If the REIT ROFO is not exercised and the Metropolitan Property is sold by Inovalis S.A. to a third party, the REIT will be entitled to 50% of the profit generated by the sale of the property (inclusive of all interest received on the Acquisition Loan).

The Metropolitan Property was constructed in 1993, and is comprised of 78,813 square feet (7,322 square meters) of GLA primarily for office use and retail use. The six-storey building is located within the Paris Central Business District. This region is a favoured location for numerous French and international companies as well as public and private institutions. The property is currently leased to five tenants, with the main tenant, “Vortex SA”, occupying 33% of the total GLA. Inovalis S.A. has managed the property since September 30, 2005.

Equity Financing

In connection with the Acquisitions and the Acquisition Loan, the REIT has reached an agreement with a syndicate of underwriters (the “**Underwriters**”) co-led by Desjardins Capital Markets Inc., GMP Securities L.P. and National Bank Financial Inc., to sell on a bought deal basis, 3,978,500 Units at a price of CDN\$9.30 per Unit for gross proceeds to the REIT of approximately CDN\$37,000,000 (the “**Offering**”). The REIT has also granted the Underwriters an over-allotment option to purchase up to an additional 596,775 Units on the same terms and conditions, exercisable at any time, in whole or in part, up to 30 days after the closing of the Offering. In addition, Inovalis S.A. will subscribe for approximately CDN\$3,700,000 in the form of exchangeable securities of the REIT in order to maintain a minimum 10% ownership interest in the REIT. The Offering is expected to close on or about November 6, 2014 and is subject to customary conditions, including regulatory approval and the approval of the Toronto Stock Exchange.

The REIT intends to use the net proceeds from the Offering primarily for funding a portion of the purchase price in respect of the Acquisitions, to fund the €10 million Acquisition Loan made to Inovalis S.A. for purposes of acquiring the Metropolitan Property, and for general trust purposes.

The Units will be offered by way of a short form prospectus to be filed with the securities commissions and other similar regulatory authorities in each of the provinces and territories of Canada.

The Units have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, (the “**1933 Act**”) and may not be offered, sold or delivered, directly or indirectly, in the United

States, or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the 1933 Act), except pursuant to an exemption from the registration requirements of the 1933 Act. This press release does not constitute an offer to sell or a solicitation of an offer to buy any Units in the United States or to, or for the account or benefit of, U.S. persons.

Forward-Looking Information:

This press release contains forward-looking statements with respect to the REIT and its operations, strategy, financial performance and financial condition, as well as with respect to the Acquisitions, the Acquisition Loan and the Offering. These statements generally can be identified by the use of forward-looking words such as “forecast”, “may”, “will”, “would”, “expect”, “estimate”, “anticipate”, “intend”, “believe” or “continue” or the negative thereof or similar variations. The actual results and performance of the REIT and the Properties discussed herein (including the REIT’s existing portfolio and those to be acquired pursuant to the Acquisitions) could differ materially from those expressed or implied by such statements. See the risk factors in the public filings of the REIT. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition, the failure to receive any required approvals or consents in connection with one or more of the Acquisitions or the Acquisition Loan or the failure to satisfy or waive any other condition to one or more of the Acquisitions or the Acquisition Loan or otherwise close the Acquisition or the Acquisition Loan, the failure of the REIT to realize expected benefits from the acquisition of one or both of the Properties or the Acquisition Loan, the failure of the REIT to satisfy the conditions of the Offering or otherwise close the Offering, the performance of the Properties generally, and changes in securities or other laws or regulations or the application thereof. The cautionary statements qualify all forward - looking statements attributable to the REIT and persons acting on its behalf. The assumptions made in making forward-looking statements are referred to in the public filings of the REIT. The assumptions made in making forward-looking statements in this press release also include the assumption that the REIT will be in a position to satisfy the conditions in respect of the Acquisitions, the Acquisition Loan and the Offering and complete those transactions. Unless otherwise stated, all forward-looking statements speak only as of the date of this press release. Except as required by applicable law, the REIT specifically disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise. 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. These filings are also available at the REIT’s website at www.inovalisreit.com.

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. The REIT currently owns an interest in five office properties in France and Germany, comprising 746,700 square feet (69,370 square metres) of gross leasable area.

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