

INOVALIS

REAL ESTATE INVESTMENT TRUST

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INOVALIS REAL ESTATE INVESTMENT TRUST ANNOUNCES IT HAS ENTERED INTO AN AGREEMENT TO PURCHASE AN OFFICE PROPERTY IN GERMANY WITH JOINT-VENTURE PARTNER

Toronto, Ontario, February 18, 2014 – Inovalis Real Estate Investment Trust (the “**REIT**”) (TSX: INO.UN) announced today that it has entered into a conditional agreement to purchase, on a 50-50 Joint-Venture basis (“**JV**”), an office property (the “**Property**”) located in Germany, for an all-in-cost of approximately €45 million (C\$ 67.5 million) (the “**AIC**”), representing a going-in capitalization rate of 7.4%.

The Property, located in Duisburg, Germany, is an eight-storey office building developed in 2008 totalling 217,400 square feet of office space and is fully let to Mitsubishi Hitachi Power Systems Europe GmbH under a lease expiring on December 31, 2020.

The addition of the Property will be immediately accretive to the REIT’s AFFO per unit.

The REIT will be acquiring the Property in a 50-50 co-ownership arrangement with a strategic, global institutional investor that has had a long-standing relationship with Inovalis SA.

The REIT’s share of the acquisition will be funded through a combination of existing cash on hand, proceeds from re-financing and up-financing of the REIT’s French properties and a first mortgage of C\$ 18.4 million (Inovalis’ REIT share).

As a result, the REIT will not need to raise additional equity capital to fund its portion of this acquisition.

Highlights of the acquisition include:

- The REIT is executing its growth plan by acquiring a well-located, high quality property with a stable cash flow from tenant of strong credit quality (Mitsubishi Hitachi Power Systems Europe GmbH),
- The Property is being acquired from a fund managed by a global European insurance company. The closing is expected to take place on or about May 2014,
- The Property is being acquired by the REIT for an AIC of approximately C\$ 33.7 million (Inovalis REIT’s share), reflecting an attractive going-in capitalization rate of 7.4%,

- The REIT has negotiated a new first mortgage on the entire Property totalling C\$ 36.7 million. The terms of the mortgage are: interest only, with a minimum term of 4 years with a 2 year extension, at an interest rate of 1.75% over 3-month EURIBOR (with possibility of a cap on the 3-month EURIBOR at 2.25%),

The REIT's portion of the AIC will be satisfied through a combination of cash on hand and the refinancing of the REIT's French properties with European banks. Upon the completion of the Property acquisition, the average LTV on the REIT will remain below 55%,

- Further to the acquisition of the Property, the French properties and the German properties will represent 78% and 22% respectively of Inovalis REIT next twelve month's rental income.

Khalil Hankach, newly appointed Inovalis REIT's Chief Investment Officer, commented: "We are excited because the acquisition is consistent with our previously stated growth strategy of acquiring high-quality assets located in good locations in stable markets at attractive relative valuations. The REIT continues to see similar investment opportunities in the targeted European markets, and thanks to the possibility of the JV, we will have sufficient liquidity to continue buying assets through out 2014. Additionally, and despite the fact that REIT has not yet closed its first fiscal year, its legitimacy is established enough to convince institutional investors from outside of Canada to invest along side the REIT".

All amounts have been converted to Canadian dollars (C\$) using an exchange rate of 1.50 C\$ per €.

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 four office properties in France and Germany, comprising 529,267 square feet (49,170 square metres) of gross leasable area (before the acquisition of the Property).

Non-GAAP Measures

The REIT's consolidated financial statements are prepared in accordance with international financial reporting standards ("IFRS"). However, in this press release a number of measures which do not have a meaning recognized under IFRS or Canadian Generally Accepted Account Principles ("GAAP") are presented. AFFO is a non-GAAP financial measure widely used in the real estate industry as a measure of operating performance. AFFO is calculated by adjusting FFO for non-cash items such as: straight-lining of contractual rent, the cash effect of the lease equalization swap, amortization of fair value adjustments on assumed debt and the non-cash portion of the asset management fees paid in Exchangeable Securities. Non-recurring costs that impact operating cash flow may be adjusted, and capital and tenant expenditures incurred and capitalized in the period by the REIT are deducted. There is no standard industry definition of AFFO.

Non-GAAP financial measures should not be construed as an alternative to financial measures calculated in accordance with GAAP. Further the REIT's method of calculating supplemental non-GAAP financial

measures may differ from the methods of other real estate investment trusts or other issuers, and accordingly, these measures may not be comparable to those measures presented by other real estate investment trusts or issuers.

Forward-Looking Information

This news release contains forward-looking statements which reflect the REIT's current expectations regarding future events. The forward-looking statements involve risks and uncertainties, including those set forth in the REIT's initial public offering prospectus dated March 28, 2013 under the section "Risk Factors" a copy of which can be obtained at www.sedar.com. Actual results could differ materially from those projected herein. The REIT disclaims any obligation to update these forward-looking statements.

For further information, please contact:

Antoine Tronquoy,
Chief Financial Officer
Inovalis Real Estate Investment Trust
antoine.tronquoy@inovalis.com
Tel: +1 416 845 1483