

INOVALIS

REAL ESTATE INVESTMENT TRUST

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INOVALIS REAL ESTATE INVESTMENT TRUST PROVIDES TRANSACTION UPDATE – COMPLETION OF THE PREVIOUSLY ANNOUNCED ACQUISITION OF AN OFFICE PROPERTY IN GERMANY WITH JOINT-VENTURE PARTNER

Toronto, Ontario, July 16, 2014 – Inovalis Real Estate Investment Trust (the “**REIT**”) (TSX: INO.UN) announced today that it has completed the acquisition, on a 50-50 Joint-Venture basis (“**JV**”), of an office property (the “**Property**”) located in Germany, for a total purchase price of \$65.7 million (the REIT’s share being \$32.8 million), representing a going-in capitalization rate of 7.4%. The addition of the Property will be immediately accretive to the REIT’s AFFO per unit.

The Property is located in Duisburg, Germany, in the district of Kasserfeld, at the Innenhafen harbour. It is situated near the federal motorways A40 to the North, A59 to the East and near the city centre of Duisburg in the South. The Property is an eight-storey office building developed in 2008 totalling 217,431 square feet of lettable space with 632 parking spaces and is fully let to Mitsubishi Hitachi Power Systems Europe GmbH under a lease expiring on December 31, 2020.

The REIT is acquiring the Property in a 50-50 co-ownership arrangement with Injazzat Real Estate Development Company K.S.C., a strategic, global institutional investor that has had a long-standing relationship with Inovalis SA, the manager of the REIT. The Property has been acquired from a fund managed by a global European insurance company.

The acquisition has been financed with a first mortgage of \$35.8 million and equity investments of \$29.9 million. The REIT’s share of the equity investment (\$15.0 million) is coming from existing cash on hand and increased financing on the REIT’s existing French properties.

The \$35.8 million first mortgage was granted by Pfandbrief Bank (one of the largest German mortgage banks). It is an interest only 5-year term facility at an all-in fixed interest rate of 2.28%. The Property was valued by Jones Lang LaSalle as at November 1, 2013 at \$73.0 million, reflecting a loan to value of 49.0%.

Following the acquisition of the REIT’s share of the Property, the French properties and the German properties will represent 78% and 22% respectively of Inovalis REIT’s rental income for the next twelve months.

David Giraud, Inovalis REIT's Chief Executive Officer, commented: *“We are excited because the acquisition is consistent with our previously stated growth strategy of acquiring high-quality well-tenanted assets with a good location in stable markets at attractive relative valuations. The REIT continues to see similar investment opportunities in its targeted European markets, and thanks to the possibility of pursuing JVs with global institutional investors, we will have sufficient liquidity to continue buying assets through out 2014”.*

All amounts have been converted to Canadian dollars (\$) using an exchange rate of 1.46 C\$ per €.



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 and in the 2013 annual report dated March 21, 2014 under the sections "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.

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. Further to the above-mentioned acquisition, the REIT currently owns an interest in five office properties in France and Germany, comprising 746,698 square feet (69,370 square metres) of gross leasable area.

For further information, please contact:

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