INOVALIS

REAL ESTATE INVESTMENT TRUST

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INOVALIS REAL ESTATE INVESTMENT TRUST REPORTS STRONG FINANCIAL RESULTS FOR THE SECOND QUARTER OF 2014.

Toronto, Ontario, August 15, 2014 – **Inovalis Real Estate Investment Trust (the "REIT") (TSX: INO.UN)** today reported its financial results for the second quarter of 2014. Inovalis REIT's management team will be holding a conference call on Tuesday August 18, 2014 at 3:30 pm EST to discuss the results. The dial-in numbers for the conference call are: in Toronto 1-416-764-8688; outside Toronto (toll free, within North America) 1-888-390-0546.

HIGHLIGHTS

- Funds from Operations (FFO) of $2.8 million (or $0.22 per unit) for the 3-month period ended June 30, 2014 and of $5.7 million (or $0.45 per unit) for the 6-month period ended June 30, 2014

- Adjusted Funds from Operations (AFFO) of $3.0 million (or $0.23 per unit) for the 3-month period ended June 30, 2014 and of $6.0 million (or $0.47 per unit) for the 6-month period ended June 30, 2014

- The AFFO payout ratio stands at 88.9% for the quarter ended June 30, 2014 and at 87.4% for the 6-month period ended June 30, 2014
- The REIT has an overall occupancy rate of 91.3% with a weighted average lease term of 7.3 years and a diversified tenant base with approximately 80% of the leases being signed with French public agencies or being guaranteed by large German or international banks

- The REIT refinanced the three French properties during the quarter ended June 30, 2014 with a view to (i) optimizing our balance sheet (the debt-to-book value increased to 51.8% as at June 30, 2014 from 44.2% as at March 31, 2014) and financing new acquisitions, (ii) increasing the weighted average term to maturity (9.3 years as of June 30, 2014 vs. 4.2 years as of December 31, 2013), (iii) locking-in historically low interest rate for a longer period of time, (iv) reducing the principal repayment charge paid under the leasehold interests and (v) having the optimal financial structure if we want to share a portion of ownership of some of the REIT assets to get access to additional financial resources while offering a better portfolio diversification. The accounting loss recognized in relation to these refinancings amounted to $8.0 million, of which $3.3 million was an accelerated write-off of the unamortized discount on lease liabilities (a charge that would have been amortized in any case over time), $3.9 million was in respect of transfer taxes (a cost that would have been paid at maturity of the existing lease loans) and $0.8 million was in respect of transaction costs

- Inovalis REIT has entered into a new series of monthly foreign currency forward contracts (from May 2014 included until April 2017) at a rate of 1.5437, securing 98% of our cash distributions

- As at June 30, 2014, the REIT had $47.8 million of cash available, of which $15.0 million was, on July 11, 2014, used to fund the equity portion of the Duisburg property acquisition and $12.3 million was used in July 2014 to settle a VAT liability and other payables connected with the refinancing of the French properties. The remainder will be used for future acquisitions

- Subsequent to the quarter, recent acquisition of a 217,431 square feet property located in Duisburg (Germany) on a 50-50 co-ownership arrangement basis with, a strategic, global institutional investor that has a long-standing relationship with Inovalis SA (closed on July 11, 2014). Partnerships for future acquisitions or existing properties is considered by the REIT to be a risk diversification value-enhancement tool.

OPERATING AND FINANCIAL SUMMARY

(thousands of CAD$ except per Unit and other data) As at	**June 30, 2014**	**Dec. 31, 2013**
Operational information		
Number of properties	4	4
Gross leasable area	529,267 sq.ft	529,267 sq.ft
Occupancy rate (end of period) (2)	91.3%	96.0%
Weighted average lease term	7.3 years	7.5 years
Average capitalization rate (3)	7.5%	7.6%
Financing information		
Level of debt (debt-to-book value) (4)	51.8%	44.2%
Level of debt (debt-to-book value, net of cash) (4)	42.6%	42.8%
Weighted average term of principal repayments of debt	9.3 years	4.2 years
Weighted average interest rate (5)	2.30%	1.44%
Interest coverage ratio (6)	4.0 x	4.0 x

	3-month period ended		**6-month period ended**	
(thousands of CAD$ except per Unit and other data)	**June 30, 2014**	**June 30, 2013 (1)**	**June 30, 2014**	**June 30, 2013 (1)**
Operating results				
Rental income	4,658	3,485	9,545	3,485
Net rental income	5,039	2,357	8,151	2,357
Profit/(Loss) for the period	(6,897)	7,728	(6,987)	7,728
Funds from Operations (FFO) (7) (8)	2,806	1,958	5,677	1,958
Adjusted Funds from Operations (AFFO) (7) (8)	2,955	2,434	5,997	2,434
FFO per Unit (diluted) (7) (8) (9)	0.22	0.16	0.45	0.16
AFFO per Unit (diluted) (7) (8) (9)	0.23	0.19	0.47	0.19
Distributions				
Declared distributions on Units and Exchangeable Securities	2,626	2,328	5,241	2,328
Declared distribution per Unit (diluted) (9)	0.21	0.19	0.41	0.19
AFFO cash payout ratio (7)	88.9%	95.6%	87.4%	95.6%

(1) As the initial properties were purchased in of April 2013, the 3-month and 6-month periods ended June 30, 2013 comprised only 75 days
(2) Taking into account the Vendor Lease, occupancy rate is 94.3% as of June 30, 2014
(3) Calculated on annualized rental income (based on rental income for the passing quarter)
(4) Debt-to-book value is defined as total debt divided by total assets. Debt-to-book value, net of cash, is defined as total debt divided by total assets, each of which excludes $47.8 million of cash and equivalent at June 30, 2014
(5) Calculated as the weighted average interest rate paid on the finance leases and the mortgage loans
(6) Calculated as net rental income adjusted for IFRIC 21 plus interest, less general and administrative expenses, divided by interest expense on the financial leases
(7) FFO and AFFO are key measures of performance used by real estate companies. However, they are not defined under IFRS, do not have standard meanings and may not be comparable with other industries or issuers
(8) The reconciliation of FFO and AFFO to net income can be found under the section *Non-IFRS Financial Measures in our MD&A available on SEDAR and on the Company website (www.inovalisreit.com)*
(9) Based on the weighted average number of Units, i.e. 12,726,896 and 12,701,443 for the 3-month and 6-month periods ended June 30, 2014

"I am very pleased to present our second quarterly report for 2014 with solid FFO and AFFO results. This quarter has been active with the re and up-financing of our French properties at attractively low interest rates considering the extension of the maturities, the implementation of new foreign exchange hedging contracts securing distributions at an exchange rate of 1.5434 Canadian dollar per euro for the next three years and the preparation for the acquisition of the Duisburg property in Germany. As a result of the refinancing transaction, we now have approximately $20 million of cash available for future acquisitions. Looking ahead, we will focus on running our business efficiently, identifying growth opportunities in France, Germany and also opportunistically in other European countries in order to create long-term value for our Unitholders. The combination of office properties trading at attractive yields and of a historically low interest rate environment in these markets today is unique. The joint-venture approach with international institutional investors is also a source of growth potential and opportunities." said Stéphane Amine, Chairman of the Board of Inovalis REIT.

LOOKING AHEAD

Acquisition of a property in Duisburg (Germany)

The REIT closed on July 11, 2014 the acquisition of an office property located in Duisburg (Germany) on a 50-50 co-ownership arrangement basis with a strategic, global institutional investor that has a long-standing relationship with Inovalis SA. The property, located in Duisburg, Germany, is an eight-storey office building developed in 2008 totalling 217,431 square feet of office space and is fully let to Mitsubishi Hitachi Power Systems Europe GmbH under a lease expiring on December 31, 2020.

Development of partnerships

The REIT intends to develop partnerships with institutional investors for the ownership, on a joint-venture basis, of investment properties as a risk-diversification enhancement tool.

DISCLAIMER

Information appearing in this news release is a select summary of results. The financial statements and management's discussion and analysis for the REIT are available at www.inovalisreit.com and on SEDAR at www.sedar.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 four office properties in France and Germany, comprising 529,267 square feet (49,170 square metres) of gross leasable area.For further information, please contact:

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