

INOVALIS

REAL ESTATE INVESTMENT TRUST

FOR IMMEDIATE RELEASE

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

Toronto, Ontario, January 21, 2015 – Inovalis Real Estate Investment Trust (the “**REIT**”) (TSX: INO.UN) announced today that it has entered into an exclusivity 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 €18 million (C\$ 25 million).

The Property, located in Bad Homburg (15km North of Frankfurt), Germany, is a five-storey multi-tenanted office building developed in 2004 with 77,662 square feet of office space. The Property also comprises 31,442 square feet of storage and service space as well as 204 parking spaces.

The REIT has the ability to acquire the property at a going-in cap rate of 7.0%. The Property has an occupancy rate of 77% and offers additional revenue potential through the lease-up of vacancy.

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 another 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 and a first mortgage. Upon completion of the Property acquisition, the debt to gross book value of the REIT will remain below 55%.

Following the acquisition of the Property, the French properties and the German properties will represent 76% and 24% respectively of Inovalis REIT next twelve month’s rental income.

The transaction is expected to close in the first half of 2015.

Stéphane Amine, Chairman of Inovalis REIT’s, commented: *“The proposed acquisition is another step forward for Inovalis REIT. Consistent with our previously stated growth strategy, the Property is a high-quality asset in a well located and stable market. The Property is being purchased at an attractive relative valuation with rental income from tenants of strong credit quality, and we will focus on actively managing the Property in order to benefit from the additional revenue growth potential. We continue to see similar investment opportunities in the REIT’s targeted European markets, and thanks to this new joint-venture and our cash on hand, we will have sufficient liquidity to continue buying assets”*.

All amounts have been converted to Canadian dollars (C\$) using an exchange rate of 1.39 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 seven office properties in France and Germany, comprising approximately 835,000 square feet of gross leasable area (taking into account the 50% interest in the Duisburg 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 and in the REIT's short form prospectus dated October 30, 2014 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:

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