

INOVALIS

REAL ESTATE INVESTMENT TRUST

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INOVALIS REAL ESTATE INVESTMENT TRUST ANNOUNCES PARTIAL ASSET SALE AND CLOSING OF DEVELOPMENT LOAN

Toronto, Ontario, January 27, 2017 – Inovalis Real Estate Investment Trust (the “**REIT**”) (TSX: INO.UN) announced today the sales of a 12% interest in its Baldi property (the “**Property**”) located in Saint Ouen, in Paris Northern periphery.

The Property, dedicated mainly to office (68%) and partly to light industrial (18%) use, was acquired in November 2014 for a total purchase price of €22 million (C\$31.2 million). Upon acquisition, the vacant industrial space, totaling 31,591 square feet, had zero value attributed to it. The REIT was able to successfully lease up the vacant industrial space in March 2016. In November 2016, the REIT negotiated the carve out of the industrial portion of the Property and enter into sales discussion with the tenant occupying the space. The industrial portion of the Property has been sold to the user for €2.7 million (C\$3.8 million).

Subsequent to this partial sale, the Property was recently appraised at €24.3 million (C\$34.4 million), representing an increase of €2.2 million (C\$3.1 million) above the initial acquisition price. This transaction further demonstrates the quality of the REIT’s asset portfolio and management’s ability to create and extract value from the existing assets.

Development Loan Update

In the press release issued on November 11, 2016, the REIT announced its commitment to fund an acquisition and development loan totaling €21.7 million (C\$30.7 million) for an asset located in Rueil Malmaison, in Paris Western periphery.

On January 11, 2017, the REIT deployed the first portion of this loan commitment totaling €12.7 million (C\$18 million). The loan will generate interest income of 8.50% per year, paid monthly, in addition to the 20% of the profit generated by the transaction. The final portion of the loan commitment, €9 million (C\$12.8 million), is expected to be deployed during the third quarter of 2017.

Khalil Hankach, Chief Investment Officer of Inovalis REIT's, commented: *“The sale of the non core studio in Baldi (Saint Ouen) has allowed the REIT to generate €2.7 million (C\$3.8 million) of cash from the sale of an asset acquired at €1.00 in November 2014. Furthermore, with the loan on Rueil Malmaison the REIT has put itself in position to acquire another asset with a lot of up-side potential. Management will continue to deploy capital in a prudent manner that will allow the REIT to take advantage of value-add opportunities.”*

All amounts have been converted to Canadian dollars (\$) using an exchange rate of 1.4169 \$ 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 eleven office properties in France and Germany, comprising approximately 1,050,000 square feet of gross leasable area (taking into account the interests in the properties owned in joint-ventures).

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