

# INOVALIS

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REAL ESTATE INVESTMENT TRUST

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## FOR IMMEDIATE RELEASE

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### **INOVALIS REAL ESTATE INVESTMENT TRUST ANNOUNCES COMPLETION OF OFFICE PROPERTY ACQUISITION IN GERMANY WITH JOINT-VENTURE PARTNER**

**Toronto, Ontario, January 17, 2018** – Inovalis Real Estate Investment Trust (the “**REIT**”) (TSX: INO.UN) announced today that it successfully completed the purchase of a DGNB Gold certified office property (the “**Property**”) in Neu-Isenburg, Germany, as part of a 50-50 joint-venture arrangement with a global institutional investor.

#### **Property Overview**

The Property is a Class A office building constructed in 2013 and has a gross leasable area of approximately 12,500 m<sup>2</sup> (134,550 sq. ft). The multi-tenant property is fully occupied and anchored by the high profile tenant Arrow Electronics (ARW-NYSE), an American Fortune 500 manufacturer of electronic components. In addition to outstanding build quality, the Property has a weighted average lease term of 5.2 years.

The Property is located in Neu-Isenburg, a key mid-sized city in the greater Frankfurt area and located less than 10km from downtown Frankfurt. The Property is also anticipated to benefit from the future connection of the S-Bahn (Frankfurt subway network) via the Regional Tangent West and the adjacent urban development project “Stadtquartier Süd”, which consists of a city led urban intensification project to develop mainly commercial and multi-unit residential properties, with the aim to create a new modern city center. Furthermore, the greater Frankfurt area is a leading financial hub within Germany, and is expected to experience continued macroeconomic tailwinds driven by “Brexit” and the move to continental Europe by corporations.

The Property was acquired through a share purchase agreement, which valued the Property at approximately €38.3 million (CAD\$57.6 million) and included a senior bank loan of €21.4 million (CAD\$32.2 million). With European interest rates continuing to remain at historical lows, the REIT intends to refinance this senior bank loan in Q1 2018 with a new, 10-year senior term loan of €22.8 million (CAD\$34.3 million). The REIT anticipates securing a new fixed rate loan for the property in the range of 1.70% to 1.75%. This transaction represents a going-in cap rate of approximately 5.8%, and is expected to be immediately accretive to both FFO and AFFO<sup>(1)</sup>.

The REIT’s 50% interest in the joint-venture entity totaled €9.4 million (CAD\$14.1 million) and was principally funded by cash on hand raised through the private placements completed in Q4 2017, at an average price of approximately CAD\$10.11/unit.

All amounts have been converted to Canadian dollars (CAD\$) using an exchange rate of 1.5052 CAD\$ per €.

Khalil Hankach, Chief Investment Officer of Inovalis REIT, commented: *“This acquisition is the perfect example of the resources made available by the Management teams strong involvement and our ability to source and close quality commercial assets in our key markets.*

*We have on one side, the acquisition of an attractive property, delivering both positive FFO and AFFO, in an increasingly competitive German investment market, combined with the capability for the REIT to raise competitive equity through the managements long standing relations in the Gulf, as well as the possibility to share the asset with a JV partner, allowing for more diversity and potential pipeline for the REIT in the future.*

*This transaction represents a strong start to 2018 for the REIT, as we anticipate continued improvements in all performance indicators and building upon the positive momentum we gained to close out 2017.”*

### **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 interests in office properties in both France and Germany.

### **Forward-Looking information**

This news release contains forward-looking information within the meaning of applicable securities legislation. Forward-looking information generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. Some of the specific forward-looking information may include, among other things, the REIT's expectations regarding the Property, including the extent to which the Property is expected to be accretive to FFO and AFFO per unit. Forward looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Inovalis’ control that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, global and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; and interest and currency rate functions; and with respect to the Property referred to in this news release, the failure to realize the expected benefits from the Property, as well as the risk that the properties may not perform as anticipated. The REIT's objectives and forward-looking statements are based on certain assumptions, including that the Canadian and European economies remain stable, interest rates remain stable, conditions within the real estate market remain consistent, competition for acquisitions remains consistent with the current climate and that the capital markets continue to provide ready access to equity and/or debt. All forward-looking information in this news release speaks as of the date of this news release. Inovalis does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise except as required by law. Additional information about these assumptions and risks and uncertainties is contained in the REIT's filings with securities regulators, including its latest annual information form and MD&A.

(1) "FFO" and "AFFO" are non-GAAP measures (see the end of this news release).

## **Non-GAAP Measures**

The REIT's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This press release contains references to financial measures, including "AFFO" and "FFO". These measures do not have a standardized meaning under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. The REIT has presented such non-GAAP measures as management believes they are relevant measures of the REIT's underlying operating performance. Non-GAAP measures should not be considered as alternatives to net income, total comprehensive income or cash generated from (utilized in) operating activities as indicators of the REIT's performance, liquidity, cash flow, and profitability. For a full description of these measures and a reconciliation to the most directly comparable measure calculated in accordance with IFRS, please refer to "Non-GAAP Measures and Other Disclosures" in the REIT's most recent Management's Discussion and Analysis.

For further information, please contact:

**David Giraud, Chief Executive Officer**  
Inovalis Real Estate Investment Trust  
Tel: +33 1 5643 3323  
[david.giraud@inovalis.com](mailto:david.giraud@inovalis.com)

**Anne Smolen, Chief Financial Officer**  
Inovalis Real Estate Investment Trust  
Tel: +33 1 5643 3323  
[anne.smolen@inovalis.com](mailto:anne.smolen@inovalis.com)