

INOVALIS

REAL ESTATE INVESTMENT TRUST

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INOVALIS REIT ANNOUNCES THE ACCRETIVE ACQUISITION OF A MODERN OFFICE BUILDING IN GERMANY AND AN ASSET DISPOSITION AT HIGHER THAN NAV AS PART OF ITS CAPITAL RECYCLING INITIATIVE

Toronto, Ontario, March 8, 2018 – Inovalis Real Estate Investment Trust (“Inovalis” or the “REIT”) (TSX: INO.UN), a leading Canadian-listed REIT focused on managing and owning a portfolio of high-quality assets in Germany and France, announced today that it successfully completed the purchase of an office property (the “**Kösching Property**”) in Kösching, Germany, as part of a 50/50 joint-venture arrangement with a global institutional investor. The REIT also announced the sale of an office property in Cologne, Germany (the “**Cologne Property**”).

The REIT’s management team will continue to focus its efforts on reducing the significant gap that exists between the current unit price, the underlying market value of the portfolio and consensus NAV. As part of the ongoing process to deliver unitholder value, the REIT will continue to re-evaluate its current portfolio mix and take advantage of opportunities to crystalize value and recycle capital into assets that offer higher long-term returns for the REIT’s unitholders.

Acquisition of the Kösching Property

The Kösching Property is a recently constructed modern office building and research & development facility with a gross leasable area of approximately 9,900 m² (106,563 sq. ft.). The property is fully occupied with a weighted average lease term of ten years and is anchored by a high-profile tenant, TKI Automotive GmbH, a company which focuses on developing new technologies for use in the automotive industry and is owned by German automobile manufacturer Audi along with Gigatronik.

The property is strategically located less than 10 km from the global headquarters of Audi AG in Ingolstadt, Germany. The property is anticipated to benefit from its proximity to Ingolstadt, the second-largest city in Upper Bavaria, with excellent transport links and well-developed infrastructure.

The property was acquired for approximately €24.4 million (C\$38.1 million) and included a senior bank loan of €14.0 million (C\$22.2 million) with a new 6-year, fixed-rate mortgage below 1.95%. This transaction represents a going-in cap rate of approximately 6.9%, and will be immediately accretive to the REIT’s FFO/unit and AFFO/unit.

The REIT’s 50% interest totalled €6.0 million (C\$9.4 million), and was principally funded by cash on hand raised through private placements completed in Q4 2017 (at an average of approximately C\$10.11/unit).

Khalil Hankach, Chief Investment Officer of Inovalis, commented: *“This asset was one of the forward purchase contracts the REIT entered into over the past 12 to 18 months. The current purchase price of €24.4 million (C\$38.1 million) is significantly below the recent property appraisal of €27.5 million (C\$44.0 million). We remain committed to finding creative ways to increase the value of the portfolio and corresponding trading price of the units.”*

Capital Recycling with Disposition of Cologne Asset

As part of its ongoing strategic plan to crystalize intrinsic value and recycle capital through the disposition of assets that offer lower long-term returns, the REIT elected to divest its holding in the Cologne Property at the end of 2017.

The Cologne Property was acquired as part of a joint-venture acquisition in Q4 2015 at a total acquisition price of approximately €20.0 million (C\$31.3 million). The REIT held a 49% share in the joint venture. The property was acquired at a going-in cap rate of 5.6%.

Prior to the disposition of the Cologne Property, the asset was appraised at €20.7 million (C\$32.3 million). The Cologne Property was sold based on a valuation of €22.0 million (C\$34.4 million), which represents a 5.0% cap rate on disposition and results in a profit to the REIT for 2017 of €0.5 million (C\$0.7 million).

Mr. Hankach commented: *“As the REIT approaches the 5-year anniversary of being a public company, we are extremely disappointed with the unit price performance, and our management team is laser focused on reducing the large gap which exists between our current unit price and NAV. Germany and France continue to remain the deepest and most liquid markets in Europe, with attractive acquisition opportunities still available. Post-crisis discounts are still available in certain markets and historically low financing costs offer investment spreads between the asset cap rates and the cost of senior loans of 3% to 4%.*

The Kösching Property represents an attractive and accretive acquisition in an increasingly competitive German market. Our ability to source capital capital through our long-standing relationships with investment funds, combined with the ability to share the asset with a JV partner, allows for more diversity and financial flexibility.

These transactions mark a strong start to the year, expanding on the positive performance in 2017 and adding to the strong momentum to mark a turning point in 2018.”

All amounts have been converted to Canadian dollars (C\$) using an exchange rate of C\$1.5638 per €.

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.

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.

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