

# INOVALIS

---

REAL ESTATE INVESTMENT TRUST

---

## FOR IMMEDIATE RELEASE

*Not for distribution to U.S. news wire services or dissemination in the United States*

### **INOVALIS REAL ESTATE INVESTMENT TRUST REPORTS STRONG FINANCIAL RESULTS FOR THE FOURTH QUARTER AND THE YEAR ENDED DECEMBER 31, 2014**

**Toronto, Ontario, March 27, 2015 – Inovalis Real Estate Investment Trust (“Inovalis REIT” or the “REIT”) (TSX: INO.UN)** today reported its financial results for the fourth quarter and the year ended December 31, 2014. Inovalis REIT’s management team will be holding a conference call on Monday March 30, 2015 at 10:00 am 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 \$3.2 million (or \$0.21 per unit) for the 3-month period ended December 31, 2014 and of \$11.5 million (or \$0.85 per unit) for the 12-month period ended December 31, 2014
- Adjusted Funds from Operations (AFFO) of \$3.5 million (or \$0.23 per unit) for the 3-month period ended December 31, 2014 and of \$12.4 million (or \$0.92 per unit) for the 12-month period ended December 31, 2014
- AFFO cash payout ratio of 91.6% for the 3-month period ended December 31, 2014 and 89.4% for the 12-month period ended December 31, 2014. These payout ratios reflect the fact that the REIT has \$24 million of cash available for future acquisitions. It will decrease when additional cash is generated from these acquisitions. AFFO payout ratio would fall below 75% if the cash available were used to buy back and cancel Units
- As at December 31, 2014, overall occupancy rate was 88.4% with a weighted average lease term of 6.6 years and a diversified high quality tenant base. Subsequent to the year end, the signature in January 2015 of two new leases on the Courbevoie and Vanves properties with an international tenant brought overall occupancy rate to 90.9%

- On November 6, 2014, the REIT closed a public offering of 3,978,500 trust Units, on a bought deal basis, at a price of \$9.30 per unit for total gross proceeds of \$37.0 million. At the same time, Inovalis SA increased its commitment in the REIT with the purchase of 453,766 Exchangeable securities for an additional investment of \$4.1 million
- The net proceeds from the above mentioned public offering were invested as follows: approximately \$17 million for the acquisition of two office properties located in the Greater Paris Region (the Baldi and Sablière properties), \$18 million to fund a loan to Inovalis SA for the purpose of acquiring a property in Paris (the Metropolitan property), and the balance for future acquisitions and general trust purposes
- As of December 31, 2014, the debt to book value stands at 52.2%, in line with our long-term targeted range of 50 to 55%. Net of the cash available, this debt to book value stands at 49.0%
- Subsequent to the year end, on January 21, 2015, the REIT announced that it had entered into an agreement to purchase a 50% interest, on a joint venture basis, in an office property located in Germany for an all-in-cost of approximately \$25 million.

*“Over the last year, we are very pleased to have bought a property in Germany and to have successfully raised \$41 million through an equity offering, which gave us the ability to buy two additional office properties in Greater Paris area and to fund an acquisition loan with respect to a third office property located in Paris. Granting such a loan is a strategic way for the REIT to benefit from a right of first opportunity to purchase at a discount a downtown Paris office property once it meets its investment criteria. In January 2015, we also significantly increased the occupancy rate in two of our French properties with the signature of two leases with an international tenant, increasing overall occupancy rate of our portfolio from 88.4% to 90.9%. Looking ahead, we are working on strategically deploying our cash available on future acquisitions, including in the short term the completion of the recently announced acquisition of a 109,100 square feet office property located in Bad Homburg (greater Frankfurt area, Germany) on a 50-50 co-ownership arrangement basis with another strategic and global institutional investor”* said Stéphane Amine, Chairman of the Board of Inovalis REIT.

## OPERATING AND FINANCIAL SUMMARY

<i>(thousands of CAD\$ except per Unit and other data)</i>	December 31, 2014	December 31, 2013
<b>Operational information <sup>(2)</sup></b>		
Number of properties	7	4
Gross leasable area (sq.ft)	834,529	529,267
Occupancy rate (end of period) <sup>(3)</sup>	88.4%	96.0%
Weighted average lease term	6.6 years	7.5 years
Average capitalization rate <sup>(4)</sup>	7.3%	7.6%
<b>Financing information</b>		
Level of debt (debt-to-book value) <sup>(5)</sup>	52.2%	44.2%
Level of debt (debt-to-book value, net of cash) <sup>(5)</sup>	49.0%	42.8%
Weighted average term of principal repayments of debt	7.2 years	4.2 years
Weighted average interest rate <sup>(6)</sup>	1.98%	1.44%
Interest coverage ratio <sup>(7)</sup>	4.7 x	4.0 x

<i>(thousands of CAD\$ except per Unit and other data)</i>	3-month period ended		12-month period ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013 <sup>(1)</sup>
<b>Operating results</b>				
Rental income	4,846	4,630	18,682	12,523
Net rental earnings	5,167	4,394	17,926	12,125
Earnings for the period	21,374	3,955	16,545	17,381
Funds from Operations (FFO) <sup>(8) (9)</sup>	3,242	2,555	11,474	7,054
Adjusted Funds from Operations (AFFO) <sup>(8) (9)</sup>	3,484	3,073	12,390	8,446
FFO per Unit (diluted) <sup>(8) (9) (10)</sup>	0.21	0.20	0.85	0.56
AFFO per Unit (diluted) <sup>(8) (9) (10)</sup>	0.23	0.24	0.92	0.67
<b>Distributions</b>				
Declared distributions on Units and Exchangeable securities	3,255	2,602	11,131	7,523
Declared distribution per Unit (diluted) <sup>(10)</sup>	0.21	0.21	0.83	0.60
AFFO payout ratio <sup>(8) (9)</sup>	91.6%	84.7%	89.4%	89.1%

- (1) As the initial properties were purchased in April 2013, the 12-month period ended December 31, 2013 comprised only 259 days
- (2) Taking into account 50% of the Duisburg property as the REIT has a 50% interest in that property
- (3) Taking into account the Vendor Lease, occupancy rate is 92.3% as of December 31, 2014
- (4) Calculated on annualized rental income (based on net rental income for the quarter)
- (5) 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 \$24.2 million of cash and equivalent at December 31, 2014. Takes into account 50% interest in the Duisburg property
- (6) Calculated as the weighted average interest rate paid on the finance leases and the mortgage loans
- (7) Calculated as net rental earnings adjusted for IFRIC 21 plus interest, less general and administrative expenses, divided by interest expense on the financial leases
- (8) 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
- (9) The reconciliation of FFO and AFFO to net income can be found under the section *Non-IFRS Financial Measures*
- (10) Based on the weighted average number of Units, i.e. 15,477,597 and 13,419,794 for the 3-month and 12-month periods

### **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).

For further information, please contact:

**David Giraud, CEO**

Inovalis REIT

Tel: +33 1 5643 3323

[david.giraud@inovalis.com](mailto:david.giraud@inovalis.com)

**Antoine Tronquoy, CFO**

Inovalis REIT

Tel: (416) 845-1483

[antoine.tronquoy@inovalis.com](mailto:antoine.tronquoy@inovalis.com)