INOVALIS

REAL ESTATE INVESTMENT TRUST

Annual Information Form

For the year ended December 31, 2017

March 29, 2018

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GLOSSARY OF TERMS USED IN THIS AIF

As used in this Annual Information Form, the following acronyms and terms have the respective meanings set out below:

"**Affiliate**" has the meaning given to that term in NI 45-106;

"**AFFO** " has the meaning given to adjusted funds from operations;

"Adjusted funds from operations" or AFFO is defined as FFO subject to certain adjustments, including adjustments for: (i) the non-cash effect of straight line rents, (ii) the cash effect of the lease equalization loans (equalizing the rent payments, providing the REIT with stable and predictable monthly cash flows over the term of the France Telecom leases in the Vanves property, the Smart & Co. lease in the Courbevoie property and the Rue du Commerce leases in the Baldi property (iii) amortization of fair value adjustment on assumed debt, (iv) the non-cash portion of the asset management fees paid in Exchangeable securities, (v) capital expenditures, including those paid by the vendors of the leasehold interest in the properties and/or tenants and (vi) amortization of transaction costs on mortgage loans; AFFO should not be construed as alternatives to net earnings or cash flow from operating activities, determined in accordance with IFRS, as indicators of the REIT's performance. The REIT's method of calculating FFO and AFFO may differ from other issuers' methods and accordingly may not be comparable to measures used by them.

"**Asset Manager**" means Inovalis SA;

"**Assets Under Management**" means the value of the assets of the REIT managed by the Manager, as determined at the end of each fiscal year by an external valuator selected by the REIT. For assets acquired during any given fiscal year, such assets' contribution to Assets Under Management during the year of acquisition shall be calculated based on Historical Gross Purchase Price.

"**Bad Homburg Property**" means the property located in Bad Homburg, Germany in which the REIT has an interest.

"**Board of Trustees**" means the board of Trustees of the REIT;

"**CanCorp Duisburg**" means CanCorp Duisburg 1 S. à r.l., a Luxembourg private limited liability company having a share capital of € 12.500, with its registered office located at 23 rue Jean Jaurès, L-1836 Luxembourg, Grand Duchy of Luxembourg, and duly registered with the Luxembourg Trade and Corporate Register under the number B 182.184.

"**CanCorp Hanover**" means CanCorp Hanover 1 S. à r.l., a Luxembourg private limited liability company having a share capital of € 12.500,- with its registered office located at 23 rue Jean Jaurès, L-1836 Luxembourg, Grand Duchy of Luxembourg, and duly registered with the Luxembourg Trade and Corporate Register under the number B 168.537.

"**CanCorp Europe**" means CanCorp Europe SA, a public limited liability company pursuant to the laws of Luxembourg, which is a Subsidiary of the REIT;

"**CDS**" means Clearing and Depository Services Inc.;

"**CFA**" means a controlled foreign affiliate under the Tax Act;

"**Closing Market Price**" has the meaning given to that term in the Declaration of Trust'

"**Cologne Property**" means the property located in Cologne, Germany in which the REIT has an interest.

"**Declaration of Trust**" means the amended and restated declaration of trust of the REIT dated February 8, 2013 as amended and restated on April 20, 2013 and January 20, 2016, governed by the laws of the province of Ontario, pursuant to which the REIT was created and is governed, as may be amended, supplemented or varied from time to time;

"**Distribution Date**" means a date on which the Trustees have determined that a distribution will be made by the REIT to the Unitholders;

"**Duisburg Property**" means the property located in Duisburg, Germany in which the REIT has an interest.

"**Exchangeable securities**" means the exchangeable securities issued by CanCorp Europe, in the form of interest bearing notes, non-interest bearing notes and common shares;

"**FFO**" has the meaning given to funds from operations;

"**Finance**" means the Minister of Finance (Canada);

"**France Telecom"** means France Telecom S.A.;

"**French ICC**" means the French "indice du cout de la construction" or the French ICC construction cost index;

"**French SPV**" means an indirect, wholly-owned subsidiary of CanCorp Europe formed under French law for the purpose of acquiring one of the French Leaseholds;

"**Funds from Operations**" **or FFO** is defined as net earnings in accordance with IFRS, excluding: (i) acquisition costs, (ii) gain on bargain purchase and option costs, (iii) net change in fair value of investment properties, (iv) net change in fair value of financial instruments at fair value through profit and loss, (v) changes in fair value of Exchangeable securities and Private placement promissory note, (vi) distribution on Exchangeable securities and Private placement promissory note (vii) adjustment for property taxes accounted for under IFRIC 21 (if any), (viii) loss on exercise of lease option, (ix) adjustment for foreign exchange gains or losses on monetary items not forming part of an investment in a foreign operation, (x) gain on disposal of an interest in a subsidiary and the non-cash portion of earnings from investments accounted for using the equity method, (xi) finance income earned from loans to joint-ventures, (xii) loss on refinancing of debts and other non-recurring finance costs, (xiii) deferred taxes and (xiv) gains or losses from non-recurring items, (xv) additional non-recurring income (loss) from JVs, and (xvi) minority interests. It has also been adjusted to exclude the distributions declared on Exchangeable securities and on Private placement promissory note. These distributions are recognized in profit and loss consistent with the classification of the Exchangeable securities as a liability. However, they are not to be considered when determining distributions for the Unitholders as indeed they are subordinated to the distributions to the Unitholders. The REIT's method of calculating FFO and AFFO may differ from other issuers' methods and accordingly may not be comparable to measures used by them.

"**German SPV**" means CanCorp Duisburg, CanCorp Hanover or Walpour Four; collectively means all those companies;

"**GLA**" means gross leasable area, but excludes gross leasable area resulting from parking space, where applicable;

"**Gross Book Value**" has the meaning given to that term in the Declaration of Trust'

"**Gross Revenue**" means all revenue received or receivable from the real properties owned directly or indirectly by the REIT;

"**Hanover Property**" means the property located in Hanover, German in which the REIT has an interest.

"**Hanover Owner**" means Hannover CanCorp GmbH & Co. KG a German private limited liability partnership with a registered liability contribution of € 10,000, with its registered office located at Westendstrasse 28, 60325 Frankfurt am Main, Germany and duly registered with the commercial register of the local court of Frankfurt under the number HRA 48977.;

"**Historical Gross Purchase Price**" means the historical price of the real estate plus taxes and legal and administrative costs;

"**Holder**" means a holder of Units who, for the purposes of the Tax Act and at all relevant times is resident in Canada, deals at arms-length with and is not affiliated with the REIT and holds the Units as capital property;

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Canadian Professional Accountants ("CPA") in Part I of The CPA Canada Handbook – Accounting, as amended from time to time;

"**IFRIC 21**" has the meaning given to it by the IFRS Interpretations Committee.

"**Indebtedness**" has the meaning given to that term in the Declaration of Trust'

"**Independent Trustee**" means a Trustee who, in relation to the REIT, is "independent" within the meaning of National Instrument 58-101 – Disclosure of Corporate Governance Practices, as replaced or amended from time to time (including any successor rule of policy thereto);

"**Inovalis SA**" means Inovalis S.A. and its subsidiaries;

"**Investment Criteria**" means office properties outside of Canada with an occupancy level above 80%, secured rental cash flow, a property value between €20 million ($31 million) to €60 million ($93 million) and potential future upside with respect to matters including rent and area development;

"**Investment Guidelines**" has the meaning given to that term under "Investment Guidelines and Operating Policies";

"**IPO**" means the initial public offering of the REIT;

"**Lead Trustee**" means the lead trustee of the Board of Trustees;

"**Lease Equalization Agreements**" means the agreements entered into on April 10, 2013 between Inovalis SA and subsidiaries of the REIT, which has the effect of equalizing the rent payments and providing the REIT with stable and predictable monthly revenue over the term of certain tenant leases in the Vanves, Courbevoie and Baldi Properties;

"**License Agreement**" means the license agreement between Inovalis SA and the REIT dated April 10, 2013 pursuant to which Inovalis SA has granted the REIT a royalty-free license to, among other things, use the Inovalis SA name, trademark and related marks, logos and designs on an exclusive basis within Canada and on a non-exclusive basis elsewhere;

"**Luxembourg**" means the Grand Duchy of Luxembourg;

"**Management Agreement**" means the management agreement entered into on April 10, 2013 between the REIT, affiliates of the REIT and Inovalis SA;

"**Management Fees**" has the meaning given to that term under "Management of the REIT";

"**Market Price**" has the meaning given to that term in the Declaration of Trust'

"**Non-Resident**" means a non-resident of Canada or a partnership that is not a "Canadian partner" for purposes of the Income Tax Act;

"**Plans**" means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, tax-free savings accounts and registered education savings plans under the Tax Act;

"**Redemption Notes**" means unsecured subordinated promissory notes of the REIT having a maturity date and interest rate to be determined at the time of issuance by the Trustees, such promissory notes to provide that the REIT shall at any time be allowed to prepay all or any part of the outstanding principal without notice or bonus;

"**REIT**" means Inovalis Real Estate Investment Trust and or its affiliates where the context requires;

"**REIT Subsidiaries**" has the same meaning as the definition of "Subsidiary" as it applies to the REIT properties.

"**REIT Units**" means, collectively, Units and Special Voting Units;

"**Related Party**" means, with respect to any person, a person who is a "related party", as that term is defined in Multilateral Instrumental 61-101 – *Take-Over Bids and Special Transactions*, as such rule may be amended from time to time (and including any successor rule or policy thereto);

"**SEDAR**" means the System for Electronic Documents Analysis and Retrieval;

"**Special Voting Unit**" means a unit representing an interest in the REIT (other than Units) authorized and issued under the Declaration of Trust to a holder of Exchangeable securities which have no economic interest but which provide the Exchangeable securities holder with the same voting rights in the REIT as a Unit;

"**Subsidiary**" has the meaning given to that term in NI 45-106;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time, and the *Income Tax Regulations* (Canada), as amended from time to time, as applicable;

"**Trustees**" means the trustees of the REIT from time to time;

"**TSX**" means the Toronto Stock Exchange;

"**TT**" means the German municipal trade tax;

"**Units**" meaning Units of the REIT;

"**Unitholders**" means holders of Units, but "unitholders", when used in lower case type, refers to holders of REIT Units;

"**U.S.**" or "**United States**" means the United States of America;

"**Vendor Leases**" has the meaning given to that term under "Portfolio Summary";

"**VWAP**" meaning the volume weighted average price and defined as the ratio of the value traded to total volume traded over a particular time horizon;

"**Walpur-Four**" means Walpur-Four, a private limited liability company incorporated under French Law, having its registered office at 52 rue di Bassano, 75008 Paris.

FORWARD-LOOKING INFORMATION

Although we believe that the expectations reflected in the forward-looking information are reasonable, we can give no assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this document as well as the following: (i) we will continue to receive financing on acceptable terms; (ii) our future level of indebtedness and our future growth potential will remain consistent with our current expectations; (iii) there will be no changes to tax laws adversely affecting our financing capability, operations, activities, structure or distributions; (iv) we will retain and continue to attract qualified and knowledgeable personnel as we expand our portfolio and business; (v) the impact of the current economic climate and the current global financial conditions on our operations, including our financing capability and asset value, will remain consistent with our current expectations; (vi) there will be no material changes to government and environmental regulations adversely affecting our operations; (vii) conditions in the international and, in particular, the French and German real estate markets, including competition for acquisitions, will be consistent with the current climate; and (viii) capital markets will provide us with readily available access to equity and/or debt financing.

The forward-looking statements are subject to inherent uncertainties and risks, including, but not limited to, the factors listed under the *Risk Factors* section of this AIF. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

MARKET AND INDUSTRY DATA

This AIF includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information as well as industry data prepared by Inovalis SA based on its knowledge of the commercial real estate industry in which we operate (including Inovalis SA estimates and assumptions relating to the industry based on that knowledge). Inovalis SA's knowledge of the real estate industry has been developed through its 20 years of experience and participation in the industry. Inovalis REIT believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although Inovalis REIT believes it to be reliable, Inovalis REIT has not verified any of the data from third-party sources referred to in this AIF, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying assumptions relied upon by such sources.

CORPORATE STRUCTURE

Business Overview

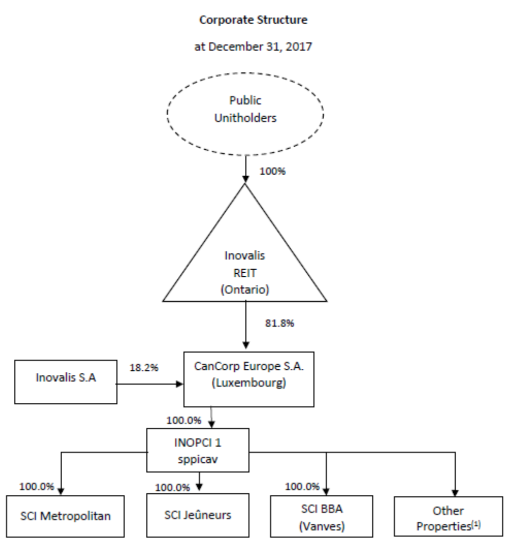
Inovalis REIT is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario. Inovalis REIT was founded and sponsored by Inovalis SA, the asset manager. Inovalis REIT Units have been listed on the Toronto Stock Exchange under the trading symbol INO.UN since April 10, 2013. The head and registered office is located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7.

The REIT's long-term objectives are to:

- generate predictable and growing cash distributions on a tax-efficient basis from investments in income- producing office properties;
- maximize the long-term value of both our properties and Units through active and efficient management;
- grow the asset base, primarily in France and Germany, but also opportunistically in other European countries where assets meet our investment criteria; and
- increase the cash available for distribution to holders of Units ("Unitholders"), through an accretive acquisition program that successfully leverages Inovalis SA's extensive relationships and depth with respect to commercial property and financing.

The REIT's Investment criteria encompasses office properties outside of Canada with an occupancy level above 80% (unless AFFO accretive), secured rental cash flows, a property value between $28 million and $85 million (unless AFFO accretive) and a potential future upside with respect to matters including rent and area development. According to management, this target investment size falls within a very liquid segment of the real estate market in Europe, and debt financing for such acquisitions is readily available from local lenders.

ORGANIZATIONAL STRUCTURE



(1) other subsidiaries of the REIT holding an interest in the remaining properties in which the REIT has an interest, none of which individually represent 10% of assets or revenue of the REIT.

GENERAL DEVELOPMENT OF THE BUSINESS

Three year History

The REIT was founded in April 2013 and is externally managed by Inovalis SA. At its initial public offering, the REIT issued 11,370,000 Units, raising $113.7 million. Concurrently, Inovalis SA subscribed for 1,168,762 Exchangeable securities valued at $11.7 million. In total, 12,538,762 Units and Exchangeable securities were issued, raising $125.4 million.

In November 2014, 3,978,500 Units were issued in a public offering, raising an additional $37 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.

In July, 2016, the REIT closed a $46 million equity offering (including the over-allotment, which was fully exercised) the proceeds of which were for funding potential future acquisitions of office properties located in France and Germany and for potential capital expenditures relating to the repositioning and/or re-development of currently owned properties.

In April, 2017, the REIT committed $7.6 million in a short-term acquisition loan to Aref Diamants Sarl (100%-owned by Inovalis SA) as a first step to the acquisition of the Pantin asset which is located in the north eastern periphery of Paris. This transaction closed in August, 2017 when the REIT completed the acquisition of Pantin, a 50-50 joint-venture with an affiliate of Inovalis SA.

In June, 2017, the REIT acquired a 50% interest in a property located in Stuttgart metropolitan region, Germany for $28.3 million.

Also in June, 2017, the REIT closed a $13.7 million private placement pursuant to the issuance of a Euro denominated promissory note by a subsidiary of the REIT to a single non-Canadian investor for €9.1million paying interest at 8.18%. In October, 2017, the REIT completed the issuance of a $10.8 million second convertible promissory note on the same terms as the promissory note issued on June 26, 2017. The second convertible promissory note has a fixed interest rate of 8.13%.

In late December, 2017, the REIT acquired Neu-Isenburg, a property in the greater Frankfurt area located less than 10km from downtown Frankfurt for $57.6 million. It was acquired through a share purchase agreement and was funded using cash raised through the private placements completed in Q4 2017. This transaction is a 50-50 joint-venture with an affiliate of Inovalis SA.

Also in late December, 2017, as part of its ongoing strategic plan to crystallize intrinsic value and recycle capital through the disposition of assets that offer lower long-term returns, the REIT elected to divest its 49% holding in the Cologne property for $34.4 million. 43% of the 49% owned by the REIT was transferred as at December 31, 2017, with the remaining 6% to be transferred at a later date.

Subsequent to the year ended December 31, 2017, on February 28, 2018, the REIT completed the acquisition of the Kösching asset in Ingolstadt, Germany, for approximately $38.1 million. The REIT’s 50% interest in the property was principally funded with cash on hand raised through the private placements completed in Q4 2017.

In Q1 2018, in anticipation of the April 2018 expiry date, the Board of Trustees of the REIT approved the extension of the management agreement between the REIT and Inovalis S.A. The Board of Trustees and the Manager agree that, given the REIT’s relative size, it is in the REIT’s best interest to not internalize the asset and property management function at the current time. As part of the terms of the extension of the agreement, certain modifications will be made to the Management Agreement. See *Description of the Business -Asset and Property Management Services.*

In 2017, the REIT advanced a further $18.2 million for a total $25.9 million commitment with respect to a property acquisition and redevelopment loan to a company 80%-owned by Inovalis SA, related to an office property development in Rueil, France.

The REIT has issued Units in the form of distributions to Unitholders who are enrolled in the Dividend Reinvestment Plan and Exchangeable securities to Inovalis SA for management fees. At December 31, 2017, the REIT had 22,235,421 Units and 1,679,370 Exchangeable securities for a total of 23,914,791 issued and outstanding units.

The REIT has acquired an interest in thirteen office properties in France and Germany between its inception in 2013 and December 31, 2017.

Sequence of Property Acquisitions

The table below summarizes the REIT's property acquisitions and the REIT's proportionate ownership.

Date of Acquisition	Property name	Location	REIT's % Ownership at Acquisition	REIT's Ownership at Dec. 31, 2017%
April 2013	Courbevoie	Courbevoie, France	100%	100%
	Jeûneurs	Paris, France	100%	100%
	Vanves	Vanves, France	100%	100%
	Hanover	Hanover, Germany	94% (1)	94%(1)
July 2014	Duisburg	Duisburg, Germany	50%	50%
October 2014	Sablière	Paris, France	100%	100%
	Baldi	Saint Ouen, France	100%	100%
April 2015	Bad Homburg	Bad Homburg, Germany	50%	50%
July 2015	Arcueil	Arcueil, France	25%(2)	25%(2)
December 2015	Cologne	Cologne, Germany	49%	6%(3)
March 2016	Metropolitan	Paris, France	100%	100%
June 2017	Stuttgart	Stuttgart, Germany	50%	50%
August 2017	Pantin	Paris, France	50%	50%
December 2017	Neu-Isenburg	Frankfurt, Germany	50%	50%
February 2018	Kösching	Ingolstadt, Germany	50%	50%

(1) Ownership as from March 2016

(2) The REIT has a 25% ownership in the property but will benefit from 75% of the profit generated on the sale of this property.

(3) Effective December 31, 2017, the REIT elected to divest its holding in the Cologne property. 43% of the 49% owned by the REIT was transferred as at December 31, 2017, with the remaining 6% to be transferred at a later date

In addition to the above-noted properties, the REIT has invested in two development opportunities, the Ingolstadt project and the Rueil project, which are more fully described under *Description of the Properties*.

DESCRIPTION OF THE BUSINESS

General

At December 31, 2017, the portfolio of thirteen properties in France and Germany in which the REIT has an interest was comprised of 1,280,542 square feet of gross leasable area. As of that date, the portfolio occupancy was 97.0% and had a weighted average remaining lease term of 5.1 years. Seven of the REIT properties are located in France and six are located in Germany. The REIT properties are strategically located in major cities and town centers, generally in close proximity to public transit. Given their central and strategic locations, these properties are attractive to office, commercial, industrial and retail tenants.

Asset and Property Management Services

Pursuant to a management agreement entered into between the REIT, Inovalis SA and certain other entities on April 10, 2013 to be amended and restated, effective April 1, 2018 (the "**Management Agreement**"), Inovalis SA is the manager of the REIT and provides the strategic, advisory, asset management, project management, construction management, property management and administrative services necessary to manage the operations of the REIT. For purposes of the Management Agreement, a reference to the REIT includes its subsidiaries, as applicable. The address of the REIT is 52 rue de Bassano, 75008 Paris, France. Inovalis SA has over 500 employees. The REIT does not have any employees.

In early 2018, in anticipation of the end of the term of the Management Agreement, the Board of Trustees of the REIT formed an independent committee to review the option of internalization of management. The independent committee determined that, given the REIT's relative size, it is in the REIT's best interest to not internalize the asset and property management function at the current time and recommended to the Board of Trustees to approve the extension of the management agreement. As part of the terms of the extension of the agreement, the Management Agreement will be extended for an initial term of three years, not to exceed April 1, 2021. The Agreement shall be automatically renewed for an additional two years if the REIT's AFFO per unit for the year ended December 31, 2020 is greater than 115% of the AFFO per unit of the REIT as at December 31, 2017. The AFFO calculation shall be consistently applied and approved by the audit committee. Internalization can occur at any time at the discretion of the Board of Trustees.

In connection with the Management Agreement, Inovalis SA provides the services of a senior management team to the REIT, provides the services of administrative, management and executive personnel as is reasonably necessary; provides advisory, consultation and investment management services and monitors the financial performance of the REIT; advises the Trustees on strategic matters, including potential acquisitions, dispositions, financings, development and redevelopment; provides guidance to property managers on operating and capital expenditures; identifies, evaluates, recommends, negotiates and assists in the structuring of acquisitions, dispositions and other transactions; advises and assists with borrowings, issuances of securities and other capital requirements, including assistance in dealings with banks and other lenders, investment dealers, institutions and investors; makes recommendations with respect to the payment of distributions; prepares business plans and annual budgets, implements such plans and budgets and reports on the financial performance of the REIT; with cooperation from the REIT's Chief Financial Officer, establishes and maintains disclosure controls and procedures and internal controls over financial reporting of the REIT; maintains the books and financial records of the REIT's properties and prepares reports, tax returns and other disclosure documents based on the maintenance of such books and records; assists the REIT with respect to investor relations strategies and activities, including compiling and preparing the materials required for those strategies and activities; advises the REIT with respect to regulatory compliance requirements, risk management policies and certain litigation matters; prepares all documents, reports, data and analysis required by the REIT for its filings and documents necessary for its continuous disclosure requirements pursuant to applicable stock exchange rules and securities laws; prepares all reports reasonably requested by the REIT, including operational reporting such as cash flow by property and by asset type, reports on development costs and executive summaries by asset type describing each of the REIT's properties; supervises and conducts all leasing services (including research to find potential tenants, contacting potential tenants, coordination of potential third-party brokers, negotiations with tenants and supports in finalization of the leasing agreements); provides property management services (including through third parties); provides construction management services; supervises property expansions, capital projects and development and redevelopment projects for the REIT; and provides any additional services as may from time to time be agreed to in writing by the REIT and Inovalis SA for which Inovalis SA will be compensated on terms to be agreed upon between Inovalis SA and the REIT prior to the provision of such services.

The Management Agreement has provisions for responsibility for the allocation of costs and expenses which are defined as follows:

Level A Services

The Manager shall be 100% responsible for all out-of-pocket costs and expenses incurred directly or indirectly by the Manager in relation to property level accounting.

Level B Services

The REIT shall be 100% responsible for all out-of-pocket costs and expenses incurred directly or indirectly in 2018 by the Manager in relation to consolidation of property level accounting in each legal jurisdiction (the "Level B Services").

The REIT shall be 75% responsible and the Manager shall be 25% responsible for all out-of-pocket expenses incurred directly or indirectly in 2019 by the Manager in relation to the Level B Services.

The REIT shall be 50% responsible and the Manager shall be 50% responsible for all out-of-pocket expenses incurred directly or indirectly in 2020 and future years by the Manager in relation to the Level B Services.

The definition of Level A Services and Level B Services shall be reviewed and approved by the Audit Committee of the REIT annually. The allocation approved by the special committee of the REIT's board of directors in February 2018 is set out in Schedule C to the Management Agreement.

Notwithstanding the foregoing, it may at times be prudent for Inovalis SA to delegate certain of its responsibilities under the Management Agreement to a third party provider. As a result, Inovalis SA is entitled to subcontract certain of its obligations under the Management Agreement where it is appropriate to do so, provided that, unless otherwise provided, such subcontracting is done at the expense of Inovalis SA and will not relieve Inovalis SA of its obligations or liability under the Management Agreement. The REIT subcontracts its accounting and tax-related functions to third parties pursuant to the foregoing. The expenses associated with such functions are borne by the REIT.

Management Fees Effective April 1, 2018

In performing its obligations under the Management Agreement, Inovalis SA will be entitled to receive the following fees from the relevant subsidiary of the REIT:

a) an annual asset management fee (the "Annual Asset Management Fee") in the amount of 0.5% of the Assets Under Management of the REIT's properties;

b) a leasing fee (the "Leasing Fee") in an amount equal to (i) 10% of the first year annual rent for lease renewals signed by existing tenants, or (ii) 20% of the first year annual rent for leases signed by new tenants, payable on the signing of a binding lease, extension, renewal or amending document; provided, that Inovalis SA is responsible for the fees of any external real estate agent retained to assist with a lease renewal or to find a new tenant;

c) a construction management fee (the "Construction Management Fee") payable on capital projects in an amount equal to 5% of all hard construction costs incurred on a project excluding work done on behalf of tenants or any maintenance capital expenditures;

d) an acquisition fee ("Acquisition Fee") in the amount of 1.0% of the purchase price of any property acquired by the REIT or its subsidiaries payable on completion of each acquisition plus HST/VAT, provided that no such acquisition fee will be payable in respect of the acquisition of properties owned or managed by Inovalis; and

e) an annual property management fee (the "Property Management Fee") in an amount equal to 3.0% of the Gross Revenue of REIT's properties, payable quarterly in arrears.

(the Annual Asset Management Fee, Leasing Fee, Construction Management Fee, Acquisition Fee and Property Management Fee are collectively referred to as the "Management Fees").

All Management Fees will be paid as follows:

i. An annual asset management fee (the “Annual Asset Management Fee”) is payable in cash quarterly in arrears, or at the discretion of the REIT, through the issuance of a note, which will be contributed by the Manager to Luxco in exchange for Exchangeable Securities, in the form of Luxco Common Shares, Luxco Notes and NIB Notes in the same relative proportion of Luxco Common Shares, Luxco Notes and NIB Notes held by the Manager immediately prior to the issuance of such Exchangeable Securities (unless otherwise agreed by the Manager and the REIT), subject to any required unitholder or regulatory approvals (including the approval of the Toronto Stock Exchange);

ii. A leasing fee (the “Leasing Fee”) in an amount equal to (i) 10% of the first year annual rent for lease renewals signed by existing tenants, or (ii) 20% of the first year annual rent for leases signed by new tenants, payable in cash on the signing of a binding lease, extension, renewal or amending document; provided, that the Manager is responsible for the fees of any external real estate agent retained to assist with a lease renewal or to find a new tenant;

iii. A construction management fee (the “Construction Management Fee”) in respect of capital projects, payable in cash in an amount equal to 5% of all hard construction costs incurred on a project, excluding work done on behalf of tenants or any maintenance capital expenditures, which Construction Management Fee will be invoiced and paid together with the costs of the applicable capital project;

iv. An acquisition fee (“Acquisition Fee”) in the amount of 1% of the purchase price of any property acquired by the Client or any of its Affiliates, payable in cash, on completion of each acquisition, provided that no such Acquisition Fee will be payable in respect of the acquisition of properties owned or managed by the Manager; and

v. An annual property management fee (the “Property Management Fee”) in an amount equal to 3.0% of the Gross Revenue of the Properties, payable in cash quarterly in arrears, unless otherwise stipulated in any tenant lease provided the Property Management Fee is fully recoverable by the landlord.

A copy of the amended and restated Management Agreement may be obtained by contacting the REIT at the address set forth under the section “Additional Information”. It is also available on the REIT’s website at www.inovalisreit.com and on SEDAR at www.sedar.com.

Management Fees Paid In 2017

In 2017, Inovalis S.A. was compensated under the terms of Management Agreement dated April 10, 2013 and which expires upon the April 1, 2018 effective date of the amended and restated Management Agreement. Below are the terms under which these 2017 payments made.

In performing its obligations under the Management Agreement, Inovalis SA will be entitled to receive the following fees from the relevant subsidiary of the REIT:

a) an annual asset management fee (the "Annual Asset Management Fee") in the amount of 0.75% of the Historical Gross Purchase Price of the REIT's properties;

b) a leasing fee (the "Leasing Fee") in an amount equal to (i) 10% of the first year annual rent for lease renewals signed by existing tenants, or (ii) 20% of the first year annual rent for leases signed by new tenants, payable on the signing of a binding lease, extension, renewal or amending document; provided, that Inovalis SA is responsible for the fees of any external real estate agent retained to assist with a lease renewal or to find a new tenant;

c) a construction management fee (the "Construction Management Fee") payable on capital projects in an amount equal to 5% of all hard construction costs incurred on a project excluding work done on behalf of tenants or any maintenance capital expenditures;

d) an acquisition fee ("Acquisition Fee") in the amount of 0.50% of the purchase price of any property acquired by the REIT or its subsidiaries payable on completion of each acquisition plus HST/VAT, provided that no such acquisition fee will be payable in respect of the acquisition of properties managed by Inovalis; and

e) an annual property management fee (the "Property Management Fee") in an amount equal to 3.5% of the Gross Revenue of REIT's properties, payable quarterly in arrears.

(the Annual Asset Management Fee, Leasing Fee, Construction Management Fee, Acquisition Fee and Property Management Fee are collectively referred to as the "Management Fees").

All Management Fees will be paid entirely in cash, except as follows:

a) The Annual Asset Management Fee will be payable quarterly in arrears, entirely in Exchangeable securities, subject to any required regulatory approvals. 50% of the Exchangeable securities paid as part of the Annual Asset Management Fee will be subject to an escrow agreement pursuant to which the Exchangeable securities will be immediately released from escrow upon termination of the Management Agreement for any reason, except in the case of internalization of the management of the REIT, in which case (i) one third of the Exchangeable securities will be automatically released upon internalization of the REIT; and (ii) one third of the Exchangeable securities will be released on the first and second anniversaries of the internalization of the REIT.

b) The Acquisition Fee will be paid 50% in cash and, subject to any required regulatory approvals, 50% in Exchangeable securities upon completion of the applicable acquisition. All of such Exchangeable securities will be subject to an escrow agreement (the "Acquisition Fee Escrow" and collectively with the Annual Asset Management Fee, the “Fee Escrow”) pursuant to which the Exchangeable securities will be immediately released from escrow upon termination of the Management Agreement for any reason, except in the case of internalization of the management of the REIT, in which case (i) one third of the Exchangeable securities will be automatically released upon internalization of the REIT; and (ii) one third of the Exchangeable securities will be released on the first and second anniversaries of the internalization of the REIT.

Fees Paid to Inovalis S.A. in 2017	Compensation Value (million)	Cash (million)	Exchangeable Securities and Equivalent # of Special Voting Units
Asset Management	$3.6	n/a	368,872
Acquisition	n/a	$0.7	n/a
Property Management (1)	n/a	$1.4	n/a

(1) This fee does not include the Property Management Fees paid for properties owned in partnership.

Real Estate Portfolio

Portfolio

At December 31, 2017, the REIT had an interest in thirteen properties and two property development projects. Seven of the properties were entirely owned by the REIT (Baldi, Courbevoie, Jeûneurs, Sablière, Vanves, Hanover and Metropolitan); six were held in partnerships with various global institutional funds (Arcueil and Pantin in France, Bad Homburg, Duisburg, and Neu-Isenburg in Germany). The REIT elected to divest its holding in the Cologne property effective December 31, 2017.

Subsequent to year end, in February 2018, the REIT acquired a partnership interest in the Kösching property located in Ingolstadt, Germany.

Property table as at December 31, 2017

	Property	Class	Date completed /renovated	Approximate GLA (000 SF)	# of tenants	Occupancy rate
FRANCE	Courbevoie	Office	1970	96.1	7	87.7%
	Jeûneurs	Office	1890/ 2006	50.4	1	100%
	Vanves	Office	1982	258.7	6	100.0%
	Sablière	Office	1985	41.0	7	99.4%
	Baldi	Office/Mixed use	1991	123.7	8	79.4%
	Arcueil	Office	1969/ 2013	83.6 (1)	1	100%
	Metropolitan	Office	1993	78.8	7	100%
	Pantin	Office	1992	71.6	16	100%
Total France				**803.9** (2)		

Property		Class	Date completed /renovated	Approximate GLA (000 SF)	# of tenants	Occupancy rate
GERMANY	Hanover	Office	2000	124.0(3)	1	100%
	Duisburg	Office	2007	109.0(4)	1	100%
	Stuttgart	Office	1994/2014	121.4(5)	4	98.6
	Bad Homburg	Office	2004	55.5(6)	6	98.3%
	Neu-Isenburg	Office/Mixed use	2013	67.6(7)	4	100%
Total Germany				**477.5**(2)		
TOTAL AT DECEMBER 31, 2017				**1,281.4**(2)		

(1) The total square footage for the property is 334,531. The REIT holds a 25% interest in the Arcueil property.
(2) Represents the total square footage of all properties in which the REIT has invested which is not the total square footage of all of the properties as some are held jointly with partners.
(3) The total square footage for the property is 124,074. The REIT holds a 94% interest in the Hanover property.
(4) The total square footage for the property is 217,919. The REIT holds a 50% interest in the Duisburg property.
(5) The total square footage for the property is 242,832. The REIT holds a 50% interest in the Stuttgart property.
(6) The total square footage for the property is 109,104. The REIT holds a 50% interest in the Bad Homburg property
(7) The total square footage for the property is135,132 The REIT holds a 50% interest in the Neu-Isenburg property.

Occupancy

The 95.4% weighted average occupancy rate at December 31, 2017 across the 7 properties owned entirely by the REIT slightly increased from 92.5% at December 31, 2016 due to new lease contracts on the Vanves and Courbevoie properties signed during 2017. Including properties owned through partnerships and including vendor leases, the weighted average occupancy rate across the 13 properties is up from 95.9% to 97% as at December 31, 2016. In addition to the new leases for the Vanves and Courbevoie properties previously mentioned, the increase can be attributed to the two-year vendor lease on Pantin property signed in August 2017 and the acquisition of the Neu-Isenburg property which has been fully occupied since acquisition.

With the acquisition of the 50% interest in Pantin, Stuttgart and Neu-Isenburg properties (collectively, 198,109 sq.ft) and the sale of the interest in the Cologne property (32,097sq.ft), the REIT's total gross leasable area including properties held through joint-ventures increased from 1,050,336 square feet as at December 2016 to 1,280,542 square feet as at December 31, 2017.

The average term lease increased to 5.3 years as at December 31, 2017 from 5.2 years as at December 31, 2016, due a new 10-year lease in Hanover property with one of the largest banks in Germany that will take over the lease of the current tenant as from 1, effective January 1, 2019 signed in June 2017. The average term lease including properties held through joint-ventures remained stable at 5.1 years compared to 5.3 December 31,2016.

Tenants

The tenant base in the portfolio is well diversified from an industry segment standpoint, with many national and multinational tenants. As at December 31, 2017, the REIT had 34 tenants across the 7 properties owned entirely by the REIT and 66 tenants in aggregate including properties held through joint ventures.

From a GAAP perspective, approximately 65.6% of 2017 gross rental income is attributable to French public agency tenants, is guaranteed by large German or international banks, or by investment grade corporations or affiliates of investment grade corporations. This amount increases to 65.8% including properties held through joint-ventures.

The following table shows our five largest tenants, sorted by contribution to gross leasable area (GLA) in our seven fully owned properties, presented on a GAAP basis.

GAAP

Tenant	Tenant Sector	GLA (SQ FT.)	% of Total GLA
Orange (formerly France Telecom)	Telecommunications	186,070	24.8%
Facility Services Hannover GmbH	Banking / real estate	124,074	17.0
Rue du Commerce	E-Commerce	51,926	7.1%
CNAM	Education and training	50,407	6.8%
Ademe	Government Agency	49,460	6.7%
Top 5 tenants		**461,937**	**62.4%**
Other tenants	Diversified	258,469	33.1%
Vacant		51,999	4.6%
Total		**772,405**	**100.0%**

The REIT's five largest tenants in the 13 properties which includes the 7 fully owned properties plus the additional 6 properties held in joint-ventures, is presented in the table below on a non-GAAP basis. As at December 31, 2017, the REIT held a 50% interest in the Duisburg, Walpur, Pantin, Stuttgart and Neu-Isenburg properties and a 25% interest in the Arcueil property.

Non-GAAP

Tenant	Tenant Sector	GLA (SQ FT.)	% of Total GLA
Orange (formerly France Telecom)	Telecommunications	269,703	21.2%
Facility Services Hannover GmbH	Banking / real estate	124,074	10.4%
Mitsubishi Hitachi Power Systems Europe GmbH	Manufacturer	108,959	8.7%
Daimler AG	Manufacturer	109,136	8.4%
Arrow Central Europe	E-Commerce	55,871	4.3%
Top 5 tenants		**667,742**	**53.1%**
Other tenants	Diversified	544,613	43.9%
Vacant		68,187	3.0%
Total		**1,280,542**	**100.0%**

The REIT's largest tenant Orange is rated BBB+/Baa1/BBB+ by S&P/Moody's/Fitch and has leases in two of the REIT's properties, the Vanves property and the Arcueil property (held in partnership).

Leasing profile

<u>Rental indexation</u>

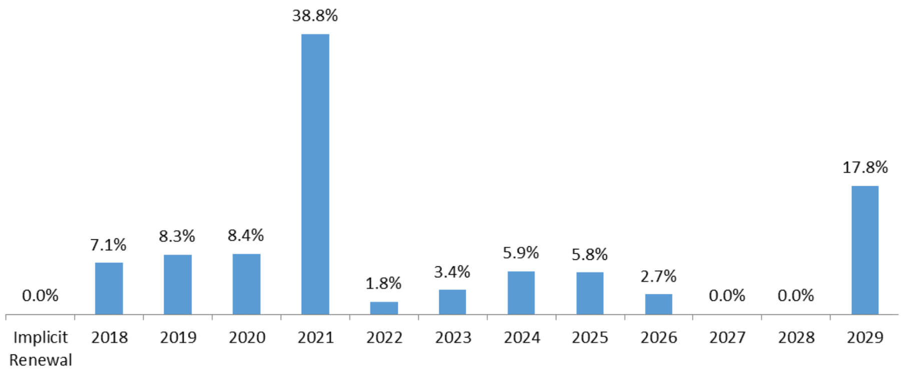
All leases have rental indexation based on either the French ICC (construction cost index) or ILAT (index averaging construction costs and CPI indexes) or the German Consumer Price Index, as applicable.

<u>Lease rollover profile</u>

100% owned properties

The REIT has an average remaining lease term of 5.3 years in fully owned properties (not including tenant early termination rights). Assuming all tenants leave at the earliest possible date according to their early termination rights, which the REIT believes is unlikely, the average remaining lease term in our portfolio is 3.8 years. The following graph sets out the amount of GLA and percentage of total GLA of the properties subject to leases expiring during the periods shown (excluding early lease terminations).

Lease Maturity Profile as at December 31, 2017
(% of total GLA)



Including Jointly Held Properties

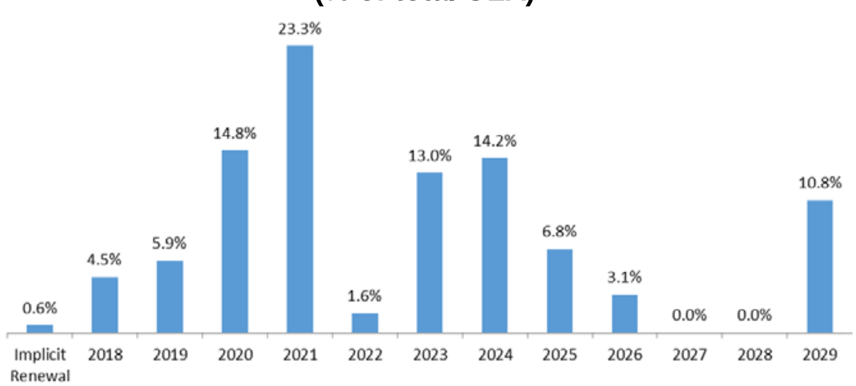
Including properties held in joint-ventures, the average remaining lease term is 5.1 years (not including tenant early termination rights) and 4.0 years including early termination rights.

Combined Profile: 100% owned and Jointly Held Properties

The following graph presents the amount of GLA and percentage of total GLA of the properties subject to leases expiring during the periods shown (excluding early lease terminations) across the 13 invested properties. The GLA shown for these tenants reflects the percentage of ownership that the REIT has in the underlying property.

Lease Maturity Profile as at December 31, 2017

Entire portfolio including joint ventures
(% of total GLA)



Description of the Properties

FRANCE

Courbevoie The property located at the address known municipally as 19-21 avenue Dubonnet, Courbevoie, France, was constructed in 1970 and is comprised of a 96,118 square foot building predominantly consisting of office space, with a small amount of retail space that is leased to a private child care center. The nine storey building with two underground levels is situated in the region of Ile de France, in Courbevoie, eight kilometres west of central Paris within a business area outside of the central business district. It is in close proximity to the central business district of Paris and the major La Défense business area and is well served by a comprehensive road and public transportation network. The property is leased to a total of seven tenants, with the main tenant, Smart & Co. occupying 51% of the total space in accordance with a seven year lease. HSBC France has guaranteed Smart & Co.'s lease up to approximately €1.6 million. Inovalis has managed the property since December 2006.

Jeûneurs The property, located at the address known municipally as 40, rue des Jeûneurs, Paris, is a seven storey 50,407 square foot office building with accompanying parking that was originally constructed in 1890 but has undergone ongoing renovations since 2006. It is situated in the central business district of Paris and is easily accessible by metro stations and bus lines. The property is currently fully leased to one tenant, the National Conservatory of Arts and Crafts, a doctoral degree-granting educational institution operated and guaranteed by the French government. The 151 parking spaces are leased to various organizations and individuals. Inovalis has managed the property since December 2006.

Vanves The property is a three-building office complex constructed in 1892 and located opposite one of the main entrances to the Paris Exhibition Center in a suburb of Paris known as Vanves. The location has high visibility as it is served by a comprehensive road and public transportation network. Vanves is one of the most densely populated municipalities in Europe and the tenth largest (by population) in France. The three buildings are located at the addresses known municipally as 2 rue Auguste Compte, 92170 Vanves, France (the "Berry Building"), 4 rue Auguste Compte (the "Artois Building") and 6 rue August Compte, 92170 Vanves, France (the "Bearn Building") for an aggregate GLA of 258,672 square feet for the entire Vanves property. The property is leased to a total of five tenants. The Vanves property has a total of 456 parking spaces. Inovalis has managed the property since December 2004.

Sablière The property, located at the address known municipally as 27-29 rue de la Sablière, Paris France, was constructed in 1985, and is comprised of a 41,043 square foot building. The six storey building with two underground levels is situated on the region of Ile de France, in the 14th district of Paris, which engulfs the majority of the Montparnasse region, along with the Tour Montparnasse and the metro station Montparnasse Bienvenue which is an important hub for travelers and tourists. The property is leased to a total of seven tenants, with the main tenant, Direction Spécialisée des Impots (the French Tax Authority), occupying 40% of the total GLA in accordance with an eight year lease expiring in June, 2021. Inovalis has managed the property since September 2014.

Baldi The office and mixed use property, located at the address known municipally as 44/50 Avenue du Capitaine Glarner, Saint-Ouen, France, was constructed in 1991, and is now comprised of 123,657 square feet. In 2017, the REIT sold a building representing approximately 31,000 square feet. The four buildings are situated 300 meters from the Paris ring road. They are located around a central courtyard. The property is leased to seven tenants, with the main tenant, Rue du Commerce, occupying 33% of the total GLA in accordance with a nine year lease expiring December, 2021. Inovalis has managed the property since September 2005.

Arcueil The property is located in the "Vache Noire" district, an urban redevelopment sector in the inner southern suburban of Paris known as Arcueil. The 334,531 square foot asset is fully let to Orange Group (the mobile division of France Telecom) with a long term lease until December 2021. The first and original building of the “Orange Village”, it was developed in 1969 as a turnkey project for France Telecom with an H layout. The building houses the support functions of the Orange group including the Information Systems management. The asset consists of 9 upper levels and 2 basement levels, with 253 parking spaces. The ground floor houses the central restaurants of the “Orange Village” and was fully refurbished in 2013.

Metropolitan The property is located at the address known municipally as 35 rue Grenata, in the Ile de France area of Paris, France. This region is a favoured location for numerous French and international companies as well as public and private institutions. The 78,818 square foot asset is designated for office and retail usage on six levels. Inovalis has managed the property since September 30, 2005.

Pantin The property is located on the north-eastern periphery of Paris, with highway and public transport connections. The property is a 143,235 square foot modern and sustainable office building with 230 parking units and great tenant diversification. The REIT plans to complete refurbishment works on this property. The REIT benefits from a two-year vendor lease which ensures an occupancy rate of 100%.

GERMANY

Hanover The Hanover property is located at the address known municipally as Hans-Boeckler-Allee 11, Hanover, Germany and is a seven storey building constructed in 2000 and is fully occupied by one tenant. The building is comprised of 124,076 square feet of leasable office space consisting of a basement, a ground floor and six upper floors. The property is of typical reinforced construction with the clinker-brick/glass-steel façade and a flat roof. It has three entrances and 169 outdoor parking spaces to the rear of the building. It is located in the industrial part of Hanover, near a major road leading into the city center which is approximately three kilometers away. The property is also within close proximity to public transport such as buses and trains. Inovalis has managed the property since December 2007.

Duisburg The Duisburg property is located at the address known municipally as Schifferstrasse 80, Duisburg, Germany. The building is comprised of 217,919 square feet of leasable area, of which 205,300 square feet are of office use. It is fully occupied by one tenant and is arranged over eight floors and two basement floors with 200 underground parking spaces. The property consists of four building cores, has a flexible design due to its layout and an attractive glass and aluminum façade. The utilities, storage area and approximately 200 parking spaces are located in the two basement levels. A multi-storey car park located at an additional site in the vicinity provides 353 parking spaces. An additional 79 external parking spaces are located adjacent to the multi-storey car park. Inovalis has managed this property since 2014.

Bad Homburg The property is a single building with five storeys plus three underground levels. The building was constructed in 2004. Occupied by six tenants, it has one main entrance, and the office areas could be subdivided into 3 units per floor. The property offers views of the Frankfurt skyline. Altogether the building comprises 106,487 square feet of leasable area. The leasable area provides 77,662 square feet of office and 31,441 of other space (storage, common area and terrace). There are 207 parking spaces in the underground parking garage and in front of the building. The optimal horizontal and vertical divisibility of the building permits leases to several tenants. Inovalis has managed this property since 2007.

Stuttgart This property is located in the Stuttgart metropolitan region, close to a motorway with easy access to multimodal transportation links including Stuttgart Airport. It is in one of the most economically sound and innovative hi-tech regions in Europe and one of the most powerful economic centers in Germany. Built in 1994 and refurbished in 2014, it is a 242,832 square feet modern office building with 432 parking units with quality tenants operating in the German automotive industry. It has five above ground floors and two underground floors.

Neu-Isenburg This property is in the greater Frankfurt area located less than 10km from downtown Frankfurt, with highway and public transport connections. The property is a 134,132 square foot modern and sustainable office building with 330 parking units, anchored by an American Fortune 500 manufacturer of electronic components. The property is currently 100% leased.

Kösching The property is strategically located less than 10km from the global headquarters of Audi AG in Ingolstadt, Germany. The recently constructed modern office building and research and development facility, with a gross leasable area of approximately 106,563 square feet, is fully occupied with a weighted average lease term of ten years.

Competitive Conditions

French commercial real estate investment market (1)
Overview

In December 2017, the French parliament adopted the second amended finance bill for 2017 and the finance bill for 2018. These finance laws are intended to reduce the tax burden on companies and individuals, further the government's objective to orientate savings towards helping the financing of companies and ensure that provisions of the French tax code are in line with EU law. Measures also are included to attract companies leaving London following Brexit. Both household and business confidence have increased approaching levels last seen in 2007. Driven by a robust global economic recovery, French GDP growth continues with its own drivers that are consumption, boosted by the labor market, and investments as well as low interest rates. 2017 anticipated growth was revised upward to 1.9%, a level not seen since 2011 (2.1 %). In one year, unemployment rate decreased by 47 basis points and now stands at 9.6%. It reflects the steady rhythm of net job creations (+68,000 for Q2 2017) and an increase in employment.

Paris commercial real estate investment market (1)
Occupancy focus

The 2017 leasing statistics - at 9.2 million square feet (2.6 million square metres)– was 8% higher when compared with 2016. The market dynamic is led by 88 number large transactions for 11.8 million square feet (1.1 million square metres) which accounted for 43% of total leasing volume. This represents a 27% year-over-year growth. The most dynamic submarkets were the Western Crescent (up by 40% year on year) and the Inner Suburbs (over 52% for the year). La Defense, the business district of Paris, failed to repeat its 2016 exceptional performance (- 36% year on year) but ends 2017 in line with its 10-year average.

Investment focus

In the French office sector, $28.2 (€18.8) billion was invested in 2017 in total, down from the $28.6 (€19.1) billion recorded lin 2016. Q4 activity seen on deals over $300 (€200) million boosted the investment volume to $11.1 (€7.4) billion (+21% in volume year on year) an exceptional level comparable to 2007's $11.25 (€7.5) billion. Mega deals benefitted the Greater Paris Region which concentrates 87% of annual investment volume. Yield compression led investors to seek new opportunities outside Paris or to focus on 'value-add' opportunities. After impressive volume for 2016, the Paris Central Business District reverted to its 10-year average level ($3 .75(€2.5) billion invested in 2017, -41% year on year).

(1) Source: Cushman & Wakefield, *France Office Market Snapshot,* Q4, 2017

Greater Paris Region commercial real estate investment market (2)

Rental market

For the year 2017, take-up in the Greater Paris Region stands at 28.3 million square feet, representing an 8% increase compared with the 2016. There were 88 transactions for spaces over 53,000 square feet; a level of performance that has not been seen since 2012. By the end of December, immediate supply remained at 36.6 million square feet representing a decreased vacancy rate of 6.4%. With an average vacancy rate of close to 3%, Paris is currently suffering from a lack of supply. There was a slight increase in prime asking rents which stood at $1163 (€775) square metres in the Central Business District and $765 (€510) square metres in La Défense for Q4 2017.

Investment market

Q4 results for the Greater Paris Region investment market came as a surprise and set a record with almost $13. 5(€9) billion in investments. This took the overall performance for 2017 to $27.8 (€18.5) billion; representing an 8% year-over-year decrease. This decrease was mainly due to a lack of mega-transactions as only one transaction for more than over $750 (€500) million was recorded. Foreign investors were more active towards the end of the year. Prime office cap rates remained stable in Paris over Q4 2017 at 3.00%. However, the wave of cap rates compression continues to travel across the Western Crescent and the Inner Suburbs.

German commercial real estate investment market (2)

Overview

The German economy continually improved throughout 2017. According to latest forecasts, the gross domestic product increased by approximately 2.3% in real terms in 2017 and therefore outperformed the rate of the previous three years. Consensus Forecasts also predicts GDP growth of roughly 2.2% in 2018. The strong growth in the German economy was accompanied by an increase in employment figures. According to preliminary figures from the Federal Statistical Office, around 44.3 million people with a place of residence in Germany were employed in 2017 (+1.5% compared to the previous year).

This positive momentum is also reflected by IFO, Germany's employment monitor. This is based on approximately 9,500 monthly reports from companies in the manufacturing industry, the construction industry, wholesale and retail, and the service sector – a leading indicator for demand in the office sector. The effects of the barometer are felt on the leasings markets approximately three months after the respective assessment.

Rental prices typically rise particularly in sub-markets with very low vacancies

Strong demand combined with a decline in the availability of space inevitably leads to rising prices. By the end of 2017, the prime rent had increased in all of the seven major cities in Germany (Germany: Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart) also known as the "Big 7". The biggest rises were registered in Berlin (+11%), Stuttgart (+5%), Munich, Hamburg (+4% each) and Frankfurt (+2.7%). The prime rental price index increased by an average of 4.1% last year, but in 2018 is expected to rise by a lower rate (+2%). The trend towards higher rental prices in sub-markets outside the city centres should also continue. Provided that micro locations are suitable for users in terms of transport connections and infrastructure, they will increasingly become an option for new company locations. Indeed, in the Big 7 there is a strong demand and an ever-decreasing supply of space. Companies decide to move to sub-markets outside the city centre to benefit from their influence and a lower rent. It is the case for Neu-Isenburg and Bad Homburg, which are located in the direct vicinity of Frankfurt. Due to the increase in demand in this region, the rent rose to 2% in 2017. The vacancy rate in Neu-Isenburg has been steadily declining since 2014. In 2016 it fell by 7.6% and stood at 1,037,641 square feet (96,400 square metres) by the end of 2017.

Other cities benefit from specialization in a sector, as is the case for Ingolstadt. Ingolstadt is the fifth largest city in Bavaria and one of the most dynamic economic locations in Germany. This can be attributed to the automotive industry which is represented by Audi's headquarters and its many suppliers. The increased demand for office space in 2017 is likely to cause the prime rent of over $19.50 (€13) square metre, which is quite high given the small size of the office location. Vacancy rates have gone down from 3% to 2%.

Investment focus

The transaction volume in the German commercial property market amounted to approximately $85.2 (€56.8) billion, beating the previous record set in 2015 by $2.55 (€1.7) billion. Compared to 2016, this represents an increase of 7%. However, the latter issue has two aspects to it. On one hand, it is to be assumed that some investors refrained from making an investment because prices were too high for them. On the other hand, the increased prices played a considerable role in enabling the transaction volume to reach a new record figure. If transactions carried out in 2017 were valued at 2015 prices, a new record level would not have been achieved in real terms since purchase prices have risen by a stronger rate than the 7% increase in the transaction volume. The scarcity of products was a feature of the past year, and was particularly evident in the office property segment. As a result, investors turned to markets outside the Big 7 – their share stood at around 21% by the end of the year – while more investors focused on the search for yields and attractive investment opportunities in project developments, although these are mainly to be found in the Big 7. These so-called forward deals for individual transactions doubled in volume within two years to account for 12% of the total transaction volume. Most of these project developments have already been let, but this trend certainly appears to illustrate a certain acceptance of greater risk.

(2) Source: JLL, *Office Market Overview* Q4 2017 and JLL, *Investment Market Overview* Q4 2017

Building Improvements

The REIT is committed to improving its operating performance by incurring appropriate capital expenditures in order to replace and maintain the productive capacity of its property portfolio so as to sustain its rental income generating potential over the portfolio's useful life.

Since the IPO in April 2013, a total of $1.7 million has been spent on the four initial properties, funded by a reserve that was set aside by the vendors of the four initial properties. Additionally, improvement works of $2.2 million on Courbevoie property began in Q2 2017, of which $1.1 million of the improvements have been carried out as at December 31, 2017. The total improvements are expected to be completed in 2018. An additional $0.5 million of improvement works were completed on the Metropolitan and Sablière properties.

Guarantees, Commitments and Contingencies

The REIT and its subsidiaries have provided guarantees in connection with the finance lease liabilities and the mortgage loans, including pledges of shares of affiliates of the REIT, first mortgages and assignment of receivables and future receivables. As at December 31, 2017, guarantees provided by the REIT with respect to its long-term debts include a preferential claim held by mortgage lenders on the Jeûneurs, Veronese, Sablière and Hanover properties in the amount of $91.7 million. Including the REIT's interest in the properties held in partnerships and preferential claims held by mortgage lenders on the properties, this amount totals $138.3 million.

Debt Profile

Financing activities

The REIT's debt strategy is to have secured mortgage financing with a term to maturity that is appropriate in relation to the lease maturity profile of the portfolio and then to put such debt in place, when appropriate, by interest-only financings. REIT management prefers fixed rate financings or floating rate financings with a cap. As such, 91.2% of the REIT's senior debt benefits from interest rate protection (68.0% in the form of a swap and 23.1% in the form of a cap). Management's preference is to have staggered debt maturities to mitigate interest rate risk and limit refinancing exposure in any particular period. With no financial institution representing more than 34% of the REIT's senior debt commitment, the REIT has a diversified base of senior debt providers.

The Operating Policies in the REIT's Declaration of Trust sets the maximum indebtedness of the REIT at 60% of Gross Book Value. At December 31, 2017, the REIT's debt to book value was 50.0% and, net of the $25.7 million of cash available (including the REIT's interest in the partnerships) debt to book value stands at 46.2%.

Key performance indicators in the management of the REIT's debt are summarized in the following table, which also take into account the interests the REIT has in all assets held in partnerships.

Financing Activity Metrics

GAAP Presentation

	As at December 31, 2017
Weighted average interest rate (1)	2.16%
Debt-to-book value (2)	42.7%
Debt-to-book value, net of cash (2)	39.2%
Interest coverage ratio (3)	3.9x
Debt due in next 12 months (including interest)	$9.9 million
Weighted average term to maturity of debt (4)	6.5 years

Non-GAAP Presentation

	As at December 31, 2017
Weighted average interest rate (1)	2.1%
Debt-to-book value (2)	50.0%
Debt-to-book value, net of cash (2)	46.2%
Interest coverage ratio (3)	3.9x
Debt due in next 12 months (including interest)	$11.7 million
Weighted average term to maturity of debt (4)	5.9 years

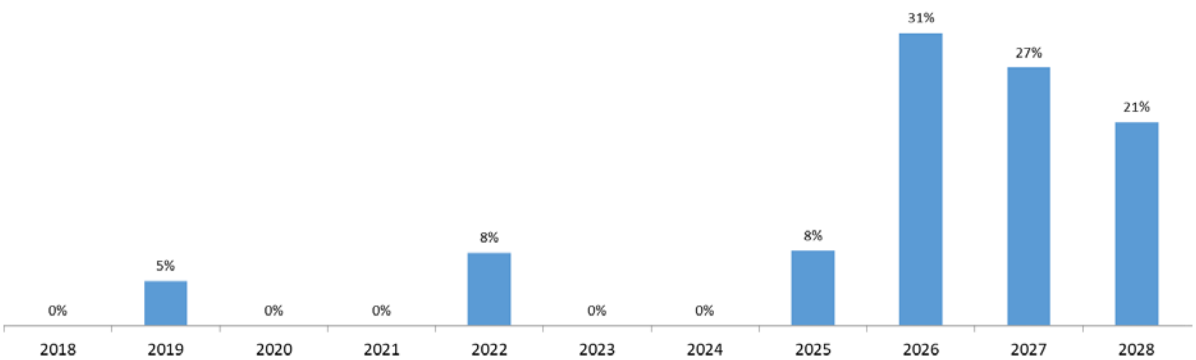
(1) Calculated as the weighted average interest rate paid on the finance leases and the mortgage financing.
(2) The definition of debt-to-book value and of debt-to-book value, net of cash can be found under the section "Non-IFRS Financial Measures"
(3) Calculated as net rental earnings plus interest, less general and administrative expenses, divided by interest expense on the financial leases and mortgage financings
(4) Calculated as the weighted average term on all the financial leases and mortgage financings. Taking into account the interest the REIT has in the properties held in partnerships

Mortgages

The following table sets out, as at December 31, 2017, the percentage of total mortgage principal installments and maturity balances of the mortgages (and any other loans) to be paid over each of the following 11 calendar years.

Leasehold and Mortgage Financing Maturity Profile

% of amount outstanding as at December 31, 2017



Hedges

In order to ensure the predictability of distributions to the REIT's Unitholders, the REIT has established an active foreign exchange hedging program. As at December 31, 2017, the REIT was committed to sell €880,000 (on average) at an average rate of 1.4776 and to receive $1.3 million on a monthly basis until the end of April 2019.

Acquisition Loan to Inovalis SA

As at December 31, 2017, the REIT had deployed $25.9 (€17.2) million of the $31.4 (€21.75) million acquisition and redevelopment loan to a company 80%-owned by Inovalis SA, related to the Rueil property, in the Paris Western periphery. The loan bears an annual interest rate of 8.50% and, upon the eventual sale of the property to a third party, 20% of the profit will accrue the REIT. The final portion of the loan commitment of $6.9 (€4.6) million is expected to be deployed in 2018.

The short-term acquisition loan to Aref Diamants Sarl (100%-owned by Inovalis SA) committed on April 13, 2017 of $7.6 (€5.3) million, was reimbursed in Q3 resulting from the acquisition of the Pantin property.

RISK FACTORS

The REIT is exposed to various risks and uncertainties, many of which are beyond its control, the occurrence of which could materially and adversely affect the REIT's investments, prospects, cash flows, results of operations or financial condition and the ability to make cash distributions to Unitholders. Management believes the risk factors described below are the most material risks that faced by the REIT, however they are not the only ones. Additional risk factors not presently known to management, or that management currently believes are immaterial could also materially and adversely affect the REIT's investments, prospects, cash flows, results of operations or financial condition and the REIT’s ability to make cash distributions to Unitholders and negatively affect the value of the Units.

Risks relating to the REIT and its business

Risks inherent in the real estate industry may adversely affect the REIT’s financial performance

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions, local economic conditions, the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

The properties generate income through rent payments made by the REIT’s tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favorable than the existing lease. The REIT’s cash flows and financial position would be adversely affected if the REIT’s tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the REIT’s properties could not be leased on economically favorable lease terms. In the event of default by a tenant, The REIT may experience delays or limitations in enforcing the REIT’s rights as sub-lessor and incur substantial costs in protecting the REIT’s investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to the REIT.

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit the REIT’s ability to vary the REIT’s portfolio promptly in response to changing economic or investment conditions. The costs of holding real estate are considerable and during an economic recession The REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions and interest payments.

Concentration of tenants may result in significant vacancies on the Properties

Five of the REIT’s largest tenants, by percentage of total GLA, occupy approximately 53% of the total weighted areas for the total portfolio including joint venture-owned properties. Although all five tenants are committed to multi-year leases, which are set to expire gradually between 2018 and 2029, there is no assurance that such tenants will continue to occupy such premises for the remainder of their lease terms. Some of them have break options before the end of their leases, and the soonest dates on which those five largest tenants may effectively move range between 2018 and 2021. To minimize this risk of vacancy, the REIT will continue to closely monitor all leases and ensure that they work with the current tenants to determine their future leasing plans, which would allow the REIT to source tenants in advance of the current tenants vacating the property.

Lease renewals, rental increases, lease termination rights and other lease matters

Expiries of leases for the REIT’s properties will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT’s financial condition and results of operations and decrease the amount of cash available for distribution.

Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises which may have an adverse effect on the REIT and could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. In addition, certain leases contain a provision which gives tenants the right to terminate their leases upon payment of a penalty.

Moreover, pursuant to the lease agreement with the National Conservatory of Arts and Crafts, none of the value-added taxes on expenses legally due by the REIT are recoverable. However, property taxes and office taxes are recoverable. Similarly pursuant to the Fresh & Co. and French Environment and Energy and Management Agency lease agreements, several forms of taxes, including but not limited to, property taxes, household refuse taxes and annual office taxes are borne by the REIT. As a result, the REIT will bear the economic cost of increases to these taxes.

Head Lease for properties

According to the head leases for certain of the properties, the owners of such properties have certain participation rights with respect to such properties pursuant to which a French SPV or the German SPV, as the case may be, would need to obtain written consent from the respective owner prior to taking certain actions with respect to such property, including cancelling or amending lease agreements for such property. If the owner does not give its prior consent to such actions, it may terminate the applicable head lease.

Environmental contamination on properties may expose the REIT to liability and adversely affect the REIT's financial performance

The properties may contain ground contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances above the allowable or recommended thresholds, or the buildings could bear other environmental risks. Prior to acquiring interests in the properties (including the leasehold interests), the REIT undertook environmental studies on each property. No sign of pollution evidenced on any of the properties.

The REIT is subject to various federal, state and municipal laws relating to environmental matters. Such environmental laws impose actual and contingent liabilities on the REIT to undertake remedial action on contaminated sites and in contaminated buildings. The costs of any removal, investigation or remediation of any residual pollution on such sites or in such buildings as well as costs related to legal proceedings, including potential damages, regarding such matters may be substantial.

The REIT has insurance in place to protect against certain environmental liabilities in respect of certain of the properties, with limits, which are customary and available for similar portfolios.

The REIT makes the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurance, it is not believed that costs relating to environmental matters will have a material adverse effect on the REIT's investments, financial condition, results of operations or distributions or cash interest payments.

The REIT may incur significant capital expenditures and other fixed costs

Certain significant expenditures must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long term, the REIT must maintain or, in some cases, improve each property's condition to meet market demand, which can entail significant costs that the REIT may not be able to pass on to its tenants.

Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could entitle tenants to withhold or reduce rental payments or even to terminate existing letting contracts. Any such event could have a material adverse effect on the REIT's cash flows, financial condition and results of operations and the REIT's ability to make distributions on the Units.

Financing risks, leverage and restrictive covenants may limit the REIT's ability for growth

The real estate industry is capital intensive. The REIT will require access to capital to maintain the REIT's properties, as well as to fund the REIT's growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favorable terms. The REIT's failure to access required capital could adversely impact the REIT's investments, cash flows, operating results or financial condition, the REIT's ability to make distributions on the Units and the REIT's ability to implement the REIT's growth strategy.

A high level of indebtedness increases the risk that the REIT may default on its debt obligations. The REIT's ability to make scheduled payments of the principal of, or interest on, and to otherwise satisfy the REIT's debt obligations depends on future performance, which is subject to the financial performance of the REIT's properties, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond the REIT's control.

Changes in government regulations may affect the REIT's investment in its properties

The REIT is subject to laws and regulations governing the ownership and leasing of real property, employment standards, environmental and energy efficiency matters, taxes and other matters. It is possible that future changes in applicable federal, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive effect). In addition, the political conditions in the jurisdictions in which the REIT operates are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely affect the REIT's investments. Any changes in the laws to which the REIT is subject in the jurisdictions in which it operates could materially affect the rights and title to the properties. All of the properties are located in France and Germany. Although the governments in France and Germany are stable and generally friendly to foreign investments, there are still political risks. It is not possible to predict whether there will be any further changes in the regulatory regime(s) to which the REIT is subject or the effect of any such change on the its investments.

Failure to receive deductions for interest payments may adversely affect the REIT's cash flows, results of operations and financial condition

In the course of the acquisition of the properties, the REIT entered into financing transactions with third parties and affiliates. These debt financing agreements will require the REIT to pay principal and interest. There are several rules in German tax laws restricting the tax deductibility of interest expenses for corporate income and municipal trade tax purposes. Such rules have been changed considerably on several occasions in recent past. As a result, major uncertainties exist as to the interpretation and application of such rules, which are not yet clarified by the tax authorities and the tax courts. The tax deductibility of interest expenses depends on, among other things, the details of the security structure for debt financings, the annual amount of tax net-debt interest, the amounts and terms of unitholder or affiliate financings and the REIT's general tax structure. There is a risk of additional taxes being triggered on the rental income and capital gains in case the tax authorities or the tax courts adopt deviating views on the above. If this were the case, this would result in a higher tax burden and, consequently, could have a material adverse effect on the REIT's cash flows, financial condition and results of operations and ability to pay distributions on the Units.

Changes in currency exchange rates could adversely affect the REIT's business

Substantially all of the REIT's investments and operations are conducted in currencies other than

Canadian dollars; however, the REIT pays distributions to Unitholders in Canadian dollars. The REIT also raises funds primarily in Canada from the sale of securities in Canadian dollars and invests such funds indirectly through the REIT's subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the REIT's financial results, which are denominated and reported in Canadian dollars, and on the REIT's ability to pay cash distributions to Unitholders. The REIT has implemented active hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies.

Changes in interest rates could adversely affect the REIT's cash flows and the REIT's ability to pay distributions and make interest payments

When concluding financing agreements or extending such agreements, the REIT depends on the its ability to agree on terms for interest payments that will not impair the REIT's desired profit and on amortization schedules and that do not restrict the REIT's ability to pay distributions. In addition to the variable rate portion of the leaseholds in respect of the properties, the REIT may enter into financing agreements with variable interest rates if the current historical low level of interest rates continues. There is a risk that interest rates will increase, which would result in a significant increase in the amount paid by the REIT and the REIT's subsidiaries to service debt, resulting in a decrease in distributions to Unitholders, and could impact the market price of the Units.

The REIT relies on Inovalis SA for management services

The REIT relies on Inovalis SA with respect to the asset management of the REIT's properties and the property management of the properties. Consequently, the REIT's ability to achieve the REIT's investment objectives depends in large part on Inovalis SA and its ability to advise the REIT. This means that the REIT's investments are dependent upon Inovalis SA's business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the REIT were to lose the services provided by Inovalis SA or its key personnel, its investments and growth prospects may decline.

While the Trustees have similar oversight responsibility with respect to the services provided by Inovalis SA pursuant to the management agreement, the services provided by Inovalis SA are not performed by employees of the REIT, but by Inovalis SA directly and through entities to which it may subcontract. In addition to its right to internalize management at any time, Inovalis SA has the right to terminate the Management Agreement upon 180 days' prior written notice to the REIT.

Investments in, and profits and cash flows from, properties may be lost in the event of uninsured or underinsured losses to properties or losses from title defects

The REIT carries general liability, umbrella liability and excess liability insurance with limits which are typically obtained for similar real estate portfolios in France and Germany and otherwise acceptable to the Trustees. For the property risks, the REIT carries "Multi-Risk" property insurance including but not limited to, natural catastrophic events and loss of rental income insurance (with at least a 12 to 18-month indemnity period). The REIT also carries boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) that are uninsurable under any insurance policy. Furthermore there are other risks that are not economically viable to insure at this time. The REIT partially self-insures against terrorism risk for the REIT's entire portfolio. The REIT has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, one or more of the REIT's properties, but the REIT would continue to be obligated to repay any recourse mortgage indebtedness on such properties. The

REIT does not carry title insurance on the properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, the REIT could lose all or part of its investment in, and anticipated profits and cash flows from, such property.

IFRS reporting may result in the REIT's consolidated statement of financial position and consolidated statement of earnings being subject to volatility as the fair value of its portfolio changes

The fair value of the REIT's properties is dependent upon, among other things, rental income from current leases, assumptions about rental income from future leases reflecting market conditions, expected future cash outflow in respect of such leases, the demand for properties such as the properties, the availability and cost of financing and general economic conditions. A change in one or a combination of these factors, many of which are not controlled by the REIT, may have a material impact to the fair value of the REIT's properties. The REIT's chosen accounting policy under IFRS requires that real estate assets be recorded at "fair value" with changes in fair value being recorded in earnings in the period of change. Accordingly, the REIT's consolidated statement of financial position and the REIT's consolidated statement of earnings are subject to volatility as the fair value of its real estate portfolio changes and these changes may be material.

Reliance on partnerships

The REIT has a material non-controlling interest in partnerships with several institutional investors. These arrangements create a risk as the business objectives or economic interests of the partner, as in any joint business arrangement, may not be aligned with those of the REIT. The partner may want to make decisions that negatively affect the value of its real estate assets or income of the REIT. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a partner may have financial difficulties resulting in a negative impact on the investment or be liable for the actions of its third party partner. Although the REIT may not have control over these investments and therefore, may have a limited ability to protect its position, such partnership arrangements contain terms and conditions which, in the opinion of the independent trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties and provisions to provide for the participation of the REIT in the management of the partnership arrangements. The REIT's investment in properties through joint arrangements is subject to the investment guidelines set out in the Declaration of Trust.

Income taxes

Canadian income taxes

The Trust is considered a mutual fund trust for income tax purposes in Canada. In Canada, mutual fund trusts are not taxed on income earned in a taxation year, to the extent that such income has been distributed to Unitholders prior to the end of the taxation year. Indeed, according to article 11 of the REIT's Amended and Restated Declaration of Trust, dated April 10, 2013, the trustees shall make payable to Unitholders a distribution of sufficient net realized capital gains and income that the Trust shall not be liable to pay taxes under Part 1 of the Tax Act. As a result, there is generally little possibility of the Trust being taxable on ordinary income under Part 1 of the Income Tax Act. Consequently, the Trust does not recognize Canadian income taxes under IAS 12 Income taxes because it has an "in-substance" exemption.

Foreign income taxes

The REIT's subsidiaries are subject to tax either on their taxable income or on a withholding basis under applicable legislation in France, Germany, Luxembourg and the United States. These subsidiaries account for their current or recovered taxes at the current enacted and substantively enacted tax rates and use the liability method to account for deferred taxes. The tax expense related to taxable subsidiaries for the period comprises current and deferred taxes.

The REIT's subsidiaries that hold the leasehold rights on the properties located in France are established in France and should therefore be considered as tax residents in France. Under current French tax legislation, income derived from the French REIT's subsidiaries, incorporated under the form of Société Civile Immobilière subject to article 8 of the French Tax Code, and allocated to INOPCI 1 should be corporate income tax exempt in the hands of INOPCI 1 on the basis that INOPCI 1 complies with its distribution obligations. A withholding tax should be levied in France on dividend distributions made by INOPCI 1 which is an OPCI (a collective undertaking for real estate investment) to CCE. CCE, CCH, Arcueil SI Sarl and CanCorpCologne Sarl are established in Luxembourg as fully taxable companies, subject to annual corporate income, municipal business and net wealth taxes. There is a minimum net wealth tax and corporate income tax in Luxembourg under certain condition. Dividends and liquidation dividends derived by CCE from the French OPCI may be tax exempt in Luxembourg for corporate income tax and municipal business tax purposes. CCE will benefit from the Luxembourg participation exemption on any dividend income or liquidation proceeds received from CCH, Arcueil SI Sarl, CanCorpCologne Sarl and Square Isenburg GmbH.

Arceuil SCS is a Luxembourg partnership that is tax transparent for Luxembourg corporate income tax purposes, i.e. all the income and expenses are deemed to be realized directly by the partners. As CCE holds 25% of the partnership interest, 25% of the income and expenses will be allocated to the latter from a Luxembourg tax perspective.

Since 2016, CCH holds 94% of Hannover CanCorp GmbH & KG ("HCC"), investment property holding a building in Germany. The latter is considered as tax transparent entity from a German as well as Luxemburgish tax perspective.

CCD and TFICC (collectively called the "Lux Co") are Luxembourg limited liability companies that are managed in Luxembourg and, therefore, should not be considered to be tax resident of Germany for German tax purposes. Similarly, Cologne is an SCI and should not be considered to be tax resident of Germany for German tax purposes (the Lux Co, Cologne and CCH are collectively called the "German Co"). However, the German Co would be subject to corporate income tax ("CIT") in Germany on their German source income (or in case German Co is a partnership and therefore transparent for CIT purposes its partners). As the German Co's rental revenues would be German source income, such (net) income would be subject to CIT, even if the German Co (and their shareholders) are not German tax residents. This is true irrespective of whether German Co is a corporation or a partnership and therefore transparent. The right to tax such income by Germany should not be waived under the double tax treaty between Germany and Luxembourg and the double tax treaty between Germany and France because the German Co's properties are located in Germany and income from German real estate is taxed in the country where the real estate is located. To determine taxable income for CIT purposes, a tax payer may deduct certain expenses incurred in connection with its German source income (e.g., with respect to the acquisition and ownership of real property (in particular depreciation) and certain operating expenses) provided that such costs are incurred on arm's length terms. Square Isenburg GmbH is a German limited liability company fully taxable in Germany. That means the income from the real estate is not only subject to CIT but in principle also subject to trade tax. However, trade tax reductions or trade tax exemptions might be applicable.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Management's Discussion and Analysis of Results of Operations and Financial Condition of the REIT as at December 31, 2017, as filed on SEDAR at www.sedar.com, is incorporated by reference herein.

MANAGEMENT OF THE REIT

Trustees and Officers

The Board of Trustees consists of nine Trustees, eight of whom are Independent Trustees within the meaning of National Instrument 58-101 – Disclosure of Corporate Governance Practices ("NI 58-101"). The REIT has determined that Stéphane Amine is not independent under NI 58-101 due to his role as Chairman and Founder of Inovalis SA. The Trustees are elected by unitholders at each annual meeting of unitholders and hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed and are eligible for re-election or re-appointment. Pursuant to the Declaration of Trust, the Board of Trustees has established three committees: the Audit Committee, the Compensation and Governance Committee and the Investment Committee. Each Committee is to be composed of at least three Trustees, all of whom must be Independent Trustees and a majority of whom must be residents of Canada. The nominees for election as Trustees are determined by the Compensation and Governance Committee ("Compensation and Governance Committee") in accordance with the provisions of the Declaration of Trust and the Charter of the Compensation and Governance Committee.

The following table sets forth the name, municipality of residence and positions held with the REIT (or functions performed on behalf of the REIT) of each Trustee and executive officer of the REIT.

Name, Province or State and Country of Residence	Position/Title	Committees	Principal Occupation
Stéphane Amine Paris, France	Chairman and Trustee	N/A	Chairman and Founder, Inovalis SA
Daniel Argiros Ontario, Canada	Independent and Lead Trustee	Audit Committee	Co-Founder, Conundrum Capital Corporation
Jean-Daniel Cohen Paris, France	Independent Trustee	Audit Committee	Chair and CEO, Hoche Partners Group of Companies Managing Director, LAURAD
Richard Dansereau New York, United States of America	Independent Trustee	Investment Committee	Managing Director at Stonehenge Partners
Michael Lagopoulos Ontario, Canada	Independent Trustee	Audit Committee	Corporate director and wealth management consultant
Jo-Ann Lempert Quebec, Canada	Independent Trustee	Audit Committee	Partner and the leader of MNP's Public Companies practice

Name, Province or State and Country of Residence	Position/Title	Committees	Principal Occupation
Marc Manasterski Paris, France	Independent Trustee	Investment Committee, Compensation and Governance Committee	Partner, Quilvest Real Estate
Raymond Paré Quebec, Canada	Independent Trustee	Audit Committee (Chair)	Associate Partner Sotramont Canada Inc.
Michael Zakuta Quebec, Canada	Independent Trustee	Investment Committee, (Chair) Compensation and Governance Committee, (Chair)	President and CEO and Trustee, Plaza Retail REIT
David Giraud Paris, France	Chief Executive Officer	N/A	Managing Director, Inovalis SA
Anne Smolen Paris, France	Chief Financial Officer & Secretary	N/A	Chief Financial Officer & Secretary, Inovalis REIT
Khalil Hankach Paris, France	Chief Investment Officer	N/A	Deputy Managing Director, Inovalis SA

All Trustees have been Trustees of the REIT since April 2013 with the exception of Mr. Lagopoulos who was appointed in July 2017 and Ms. Lempert who was appointed in September 2017. Mr. Giraud has been Chief Executive Officer of the REIT since April 2013. Ms. Smolen was appointed to Chief Financial Officer of the REIT effective July 2016, and Mr. Hankach was appointed as Chief Investment Officer of the REIT in January, 2014.

As a group, the REIT's Trustees and executive officers beneficially own, or control or direct, directly or indirectly, 546,876 Units, representing approximately 2.29% of the issued and outstanding Units (on a fully-exchanged basis). In addition, through his controlling equity interest in Inovalis SA, Mr. Stephane Amine, Trustee and Chairman of the REIT, indirectly exercises control or direction over the Units and Special Voting Units held by Inovalis. Inovalis SA beneficially owns 1,495,441 Units and 1,679,370 Special Voting Units, representing a 13.3% effective interest in the REIT.

Additional information regarding the Trustees and executive officers of the REIT is set forth below:

Stéphane Amine, *Trustee*. Mr. Amine has over 20 years of management experience in the European real estate market and serves as the Chairman of the REIT. Since founding of Inovalis SA in 1998, Mr. Amine has helped build Inovalis SA into one of Western Europe's leading privately owned real estate investment management companies with assets under management $10 billion. Prior to founding Inovalis SA, Mr. Amine managed the multinational investors of Constructa SA, a leading developer and property manager with offices, at the time, in the United Kingdom, Switzerland and the United States. Mr. Amine graduated with a Masters degree in Management from Reims Management School (RMS Grand Ecole / Sup de Co Reims).

Daniel Argiros, *Independent and Lead Trustee*. Mr. Argiros is President and CEO of Conundrum Capital, a real estate private equity fund manager serving major pension funds and institutional investors that he co-founded in 2000. Mr. Argiros was the founder of Potentia Solar Inc. and served as its Chief Executive Officer from 2010 until March 2016. He was founder, President and Chief Executive Officer of Acanthus Real Estate Corporation, between 1997 and 2000. Prior to forming Acanthus, Mr. Argiros led the investment management subsidiary of Corporate Planning Associates, from 1988 to 1997. Mr. Argiros began his career with the national accounting firm, Deloitte, Haskins & Sells in 1985, after completing his Bachelor of Commerce degree at the University of Toronto. He obtained his designation as a Chartered Professional Accountant (CPA) the following year. Mr. Argiros is a Director and Past President of ProAction, Cops and Kids.

Jean-Daniel Cohen, ***Independent Trustee***. Since 2001 Mr. Cohen has served as the Chairman and CEO of Hoche Partners Group of Companies, an international investment bank focused on providing advisory, structured financing, private equity and real estate services to family offices and medium-sized businesses. He also serves as Managing Director of LAURAD, a real estate-focused private equity investment group. Prior to his current role, Mr. Cohen was the Managing Partner at Aurel-Leven, a leading independent French brokerage and investment bank, the Managing Partner at UFFI REAM, a real estate asset manager and CEO of Louis Dreyfus Finance (Banque), the banking arm of the Louis Dreyfus Group. Mr. Cohen graduated from Ecole Centrale de Paris.

Richard Dansereau, ***Independent Trustee*.** Mr. Dansereau has over 30 years of real estate experience. He is currently a Managing Director at Stonehenge Partners, a New York-based real estate company. Prior to joining Stonehenge, Mr. Dansereau was President and Chief Operating Officer of Cadim, a real estate division of Caisse de depot et placement du Québec, from 2000 to 2009 and, prior to that, he was Vice-President of Acquisitions for Canadian Real Estate Investment Trust from 1997 to 2000. He has served on the boards of private and public companies, including MCAN Mortgage Corp. Mr. Dansereau has a certificate in marketing from the Business School of the University of Montreal.

Michael Lagopoulos, *Independent Trustee*. Mr. Lagopoulos is a corporate director, provides wealth management consulting services to wealthy families and has taught a course in family wealth management at the Rotman School of Management at the University of Toronto since January 2011. Mr. Lagopoulos retired as Deputy Chairman of RBC Wealth Management in 2014 where he was responsible for the coordination and servicing of leading ultra-high net wealth families and institutional clients around the world. He was responsible for the corporate governance of major RBC Wealth Management subsidiaries. Between 2007 to 2010, Mr. Lagopoulos served as CEO and Head of RBC International Wealth Management, international division in London, England. Mr. Lagopoulos holds a Bachelor of Commerce degree from the University of Toronto and is a Chartered Accountant. He has attended advanced programs in business at McGill University and the University of Pennsylvania Wharton School of Business. He has been twice recognized with Life Time Achievement Awards for his work internationally in banking and wealth management.

Jo-Ann Lempert, *Independent Trustee*. Ms. Lempert, is a Partner and the leader of MNP's Public Companies practice as well as its Real Estate Services group in Montréal. She works with a number of private companies and public issuers that require specialized expertise in complex standards in financial reporting. Ms. Lempert also has significant experience taking private companies through the public listing process. Ms. Lempert is a contributing author for

Chartered Professional Accountants of Canada, CCH Wolters-Kluwer, a course instructor for the Order of Chartered Professional Accountants of Quebec and the Institute of Chartered Professional Accountants of Ontario. Ms. Lempert holds the CPA/CA designation and became a Fellow in 2016. She holds a Bachelor of Commerce (Accounting and Entrepreneurship) degree from McGill University a Diploma of Accounting from Concordia University.

Marc Manasterski, *Independent Trustee*. Mr. Manasterski is a partner and Head of Quilvest Real Estate, a division of Quilvest, a multi-family office with global reach. Before joining Quilvest in February 2008, Mr. Manasterski served as Chief Executive Officer of Alliance Hospitality Group, managing a large hotel portfolio in France, Belgium and Italy on behalf of Whitehall, Goldman Sachs' real estate opportunity fund. Prior to that, Mr. Manasterski acquired more than 20 years of direct experience in real estate development. Mr. Manasterski was Chief Executive Officer of several private investment funds owned by banks or/and high net worth individuals. Mr. Manasterski holds an H.N.D. in Marketing from the College for the Distributive Trades (London) and a Masters degree in Business Administration from INSEAD, Fontainbleau.

Raymond Paré, *Independent Trustee*. Mr. Paré has been Associate Partner with Sotramont Canada Inc. since 2017. He is also a member of the Board of Directors of Groupe Colabor Inc. and a Chair of their Audit Committee. Formerly, Mr. Paré was the Chief Financial Officer of SAQ between 2015 and 2017. He held various executive positions with Alimentation Couche-Tard Inc. between 2003 and 2015, and was Chief Financial Officer and Vice President when he left the company. In 1992, Mr. Paré began his professional career at Ernst & Young as a Chartered Professional Accountant and, prior to joining Alimentation Couche-Tard Inc., held several senior positions in financial and operational management at JAC Canada / USA Inc. and Bombardier Inc. Mr. Paré has a Bachelor degree in Accounting from the Université du Québec and a Master of Business Administration in Financing and has a CA.

Michael Zakuta, *Independent Trustee.* Mr. Zakuta has served as President, Chief Executive Officer and Director/Trustee of Plaza Retail REIT (previously named Plazacorp Retail Properties Limited) since 2005. Previously, Mr. Zakuta was Vice-president of Plazacorp Retail Properties Limited. He is a co-founder of Plaza Retail REIT and has served as a Director/Trustee of the company since its inception in 1999. He began his career in real estate after obtaining a law degree (L.L.B) from the University of Montreal and a business degree (B. Comm) from McGill University.

David Giraud, *Chief Executive Officer*. Mr. Giraud has over 20 years of management experience in the European real estate market and serves as the Chief Executive Officer of the REIT. Since co-founding Inovalis SA in 1998, Mr. Giraud has helped build Inovalis SA into one of Western Europe's leading privately owned real estate investment management companies, growing from approximately $19 million in equity under management to almost $750 million in equity under management and ten key accounts as of the end of fiscal 2011. During this time Mr. Giraud has focused on fund structuring, investor relations and overall fund management. Prior to co-founding Inovalis SA, Mr. Giraud acted as Chief Operating Officer of various private equity companies which made investments in various industries Turkey, Lebanon and France. Mr. Giraud graduated with a Masters in Management from Reims Management School (RMS Grande Ecole / Sup de Co Reims).

Anne Smolen, *Chief Financial Officer and Secretary*. Ms. Smolen has over 22 years of experience in senior real estate and financial roles for companies located across Europe and North America. The breadth of her career experience includes acquisitions, business valuations, restructuring, mergers, liquidations, financial planning, accounting, tax, auditing, treasury, investor relations and corporate real estate. Since joining the REIT in mid-2016, Ms. Smolen has been involved in raising capital in the public markets, structuring acquisitions and reporting on financial results. Prior to joining the REIT, Ms. Smolen was Chief Financial Officer for Inovalis S.A. which then had $5 billion in assets under management.

Khalil Hankach, *Chief Investment Officer*. Mr. Hankach has 13 years of experience in the European real estate market. From 2003 to 2006, he worked in the acquisitions department and was responsible for acquiring assets in both France and Germany. During this same time he helped Inovalis cultivate strong relationships with various European banks and was charged with raising senior debt for real estate acquisitions. In 2006, Mr. Hankach headed a joint-venture between Inovalis and U.S. and Middle Eastern investors in order to purchase performing loans and secure mezzanine financing for third party buyers of real estate. Since 2010, Mr. Hankach has managed the internal Inovalis' team responsible for bank and investor relations while also securing senior debt financing for a variety of real estate acquisitions. Mr. Hankach graduated from the University of Manchester with a bachelor's degree and Master's degree in Economics.

Penalties or Sanctions

None of the REIT's Trustees or executive officers, and to the best of the Trustees' knowledge, no Unitholder holding a sufficient number of the REIT's securities to affect materially the control of the REIT, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of the REIT's Trustees or executive officers, and to the best of the Trustees' knowledge, no Unitholder holding a sufficient number of the REIT's securities to affect materially the control of the REIT, has, within the 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Corporate Cease Trade Orders and Bankruptcies

None of the REIT's Trustees or executive officers, and to the best of the Trustees' knowledge, no Unitholder holding a sufficient number of the REIT's securities to affect materially the control of the REIT is, as at the date hereof, or has been within the 10 years before the date hereof,

a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

b) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

INDEPENDENT TRUSTEE MATTERS

In addition to requiring the approval of a majority of the REIT’s Trustees, the following matters require the approval of at least a majority of the REIT’s Independent Trustees who have no interest in the matter to become effective:

a) making any material change to the Management Agreement (including any termination thereof) or any increase in the fees payable thereunder (or any change thereto which has the effect of increasing the fees payable thereunder);

b) entering into any agreement or transaction in which any Related Party has a material interest or making a material change to any such agreement or transaction;

c) approving or enforcing any agreement entered into by the REIT with a Related Party;

d) permitting any of the REIT’s Subsidiaries to acquire any real or other property in which a Related Party has an interest or to sell any interest in any real or other property to a Related Party; and

e) making or prosecuting any claim by or against any Related Party.

Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains “conflict of interest” provisions similar to those applicable to corporations under Section 120 of the Canada Business Corporations Act, which serve to protect unitholders without creating undue limitations on the REIT. Given that the REIT’s Trustees and officers will be engaged in a wide range of real estate and other business activities, the Declaration of Trust requires each of the REIT’s Trustees and officers to disclose to the REIT if he or she is a party to a material contract or transaction or proposed material contract or transaction with the REIT or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. The Board of Trustees has also adopted a written code of conduct that applies to all of the REIT’s Trustees, officers and employees and addresses conflicts of interests, among other fair dealing, compliance and ethical obligations of such persons.

Certain of the REIT’s Trustees may have conflicts of interest as a result of their current full-time positions and these conflicts will be expressly acknowledged. See “Risk Factors”.

As the Chair of the Board is not an Independent Trustee, Mr. Argiros, an Independent Trustee serves as Lead Trustee in order to ensure appropriate leadership for the Independent Trustees. The primary responsibilities of the Lead Trustee are to (i) seek to ensure that appropriate structures and procedures are in place so that the Board of Trustees may function independently of management of the REIT; and (ii) lead the process by which the Independent Trustees seek to ensure that the Board of Trustees represents and protects the interests of all unitholders.

Audit Committee

National Instrument 52-110 – Audit Committees (“NI 52-110”) and the Declaration of Trust require the Board of Trustees to have an Audit Committee consisting of at least three Trustees, all of whom must be Independent Trustees, to enhance the independence of the REIT’s external auditors and oversee the financial reporting and risk management of the REIT. A copy of the written charter for the Audit Committee is attached to this AIF as Schedule A. All of the members of the Audit Committee are financially literate and independent (as such terms are defined in NI 52-110).

The Trustees have appointed an Audit Committee of five members consisting of, namely, Messrs. Argiros, Cohen, Lagopoulos and Paré and Ms. Lempert. All of the members of the Committee are financially literate. The education and professional experience of each member of the Audit Committee relevant to the performance of his responsibilities on the Audit Committee is as follows:

Mr. Argiros is a Chartered Professional Accountant and completed a Bachelor of Commerce degree at the University of Toronto. As founder, President and Chief Executive Officer of Acanthus Real Estate Corporation, a listed company that was sold to the Caisse de depot et placement du Québec in 2000, Mr. Argiros has the experience of the compliance and audit requirements pertaining to listed companies.

Mr. Cohen graduated from Ecole Centrale de Paris. Mr. Cohen is the Chairman of Hoche Partners Group of Companies, an international investment bank focused on providing advisory, structured financing, private equity and real estate services to family offices and medium sized companies. Mr. Cohen also sits on the board of Société Centrale des Bois et Scieries de la Manche (SCBSM), a real estate investment trust listed on NYSE Euronext Paris, as well as Crosswood and Foncière Volta, two French listed NYSE Euronext Paris investment companies.

Mr. Lagopoulos holds a Bachelor of Commerce degree from the University of Toronto and is a Chartered Accountant. He has attended advanced programs in business at McGill University and the University of Pennsylvania Wharton School of Business. He has been twice recognized with Life Time Achievement Awards for his work internationally in banking and wealth management. He acquired further audit committee experience in his roles as Deputy Chairman of RBC Wealth Management and as CEO and Head of RBC International Wealth Management.

Ms. Lempert holds the CPA/CA designation and became a Fellow in 2016. She holds a Bachelor of Commerce (Accounting and Entrepreneurship) degree from McGill University a Diploma of Accounting from Concordia University. Ms. Lempert, is a Partner and the leader of MNP’s Public Companies practice as well as its Real Estate Services group in Montréal. She works with a number of private companies and public issuers that require specialized expertise in complex standards in financial reporting. Ms. Lempert is a contributing author for Chartered Professional Accountants of Canada, CCH Wolters-Kluwer, a course instructor for the Order of Chartered Professional Accountants of Quebec and the Institute of Chartered Professional Accountants of Ontario.

Mr. Paré is a Chartered Professional Accountant and obtained a Bachelor’s Degree in Accounting from the Université du Québec in Montréal and graduated with a Master’s degree in Business Administration for management in financing. Mr. Paré is an Associate Partner with Sotramont Canada Inc., a residential and commercial property developer. He is a member of the Board of directors and a Chair of the Audit Committee of Groupe Colabor Inc., a TSX-listed company that is a wholesaler and distributor of food and related products.

Formerly, he was the Chief Financial Officer of SAQ, a provincial Crown corporation responsible for the trade of alcoholic beverages in Quebec. Prior to that, he was Chief Financial Officer and a Vice-President of Alimentation Couche-Tard, a TSX-listed company that operates convenience-stores.

The Audit Committee pre-approves the nature and fees of any non-audit services to be provided to the REIT by the external auditors and considers whether the nature and extent of such services could detract from the independence of the external auditors in carrying out the audit function. The Audit Committee also reviews the performance of any non-audit services provided by the external auditors. At no time since the commencement of the REIT's most recently completed financial year has the REIT relied on exemptions in relation to "De Minimus Non-Audit Services" or any exemption provided by Part 8 of National Instrument 52-110 – Audit Committees.

Audit Fees

The following table sets forth all services rendered by Ernst & Young LLP (and its network), the REIT's external auditor, for fees related to the REIT in 2017 for each category of service for the financial year ended December 31, 2017.

Category of fees	**December 31, 2017**	**December 31, 2016**
Audit Services	$251,408	$315,326
Audit Related Services	$16,500	$16,000
Tax Services	$36,000	$0
All Other Services	$0	$0
Total	**$303,908**	**$331,326**

COMPENSATION AND GOVERNANCE COMMITTEE

The Declaration of Trust requires a Compensation and Governance Committee, consisting of at least three Trustees, to review, oversee and evaluate the governance and nominating policies and the compensation policies of the REIT. All members of the Compensation and Governance Committee are independent Trustees. The Trustees have appointed Messrs. Lagopoulos, Manasterski and Zakuta, with Mr. Zakuta as acting Chairman, all of who are independent, to the Compensation and Governance Committee.

INVESTMENT COMMITTEE

The Declaration of Trust provides that an Investment Committee may be appointed from among the Trustees consisting of at least three Trustees, all of whom must be independent Trustees in accordance with the Charter of the Investment Committee. Members of the Investment Committee, may authorize, without the Board of Trustees' approval, proposed acquisitions, dispositions or borrowings where the acquisition, disposition or borrowing, including the assumption or granting of any mortgage, does not exceed €40 million. The Investment Committee will also recommend to the Board of Trustees whether to approve or reject proposed Transactions, where the value of such transaction exceeds €40 million. The Trustees have appointed Messrs. Zakuta, Manasterski and Dansereau, with Mr. Zakuta as Chairman, to the Investment Committee.

DECLARATION OF TRUST

Units and Special Voting Units

The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Voting Units. Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without notice to or approval of the Unitholders.

Trust Units

No Unit has any preference or priority over another. Each Unit represents a Unitholder's proportionate undivided beneficial ownership interest in the REIT and confers the right to one vote at any meeting of unitholders and to participate pro rata in any distributions by the REIT, whether of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units are fully paid and non- assessable when issued and are transferable. The Units are redeemable at the holder's option, and the Units have no other conversion, retraction, redemption or pre-emptive rights.

Units are redeemable at any time on demand by the holders thereof. Upon receipt of the redemption notice by the Transfer Agent and the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of: (a) 90% of the Market Price of a Unit calculated as of the date on which the Units were surrendered for redemption; and (b) 100% of the Closing Market Price calculated on the date on which the Units were surrendered for redemption. Cash payable on redemptions will be paid pro rata in cash to all Unitholders tendering Units for redemption in any month. To the extent a Unitholder is not entitled to receive cash upon the redemption of Units, then the balance of the Redemption Price for such Units will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution in specie to such Unitholder of Redemption Notes or securities of a REIT subsidiary or other property of the REIT, as determined by the Trustees in their sole discretion.

Exchangeable Securities and Special Voting Units

The Exchangeable securities are accompanied by Special Voting Units, which have no economic entitlement in the REIT but entitle the holder to one vote per Special Trust Unit at any meeting of the unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Exchangeable securities for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Special Voting Units will be issued in conjunction with Exchangeable securities to which they relate, and will be evidenced only by the certificates representing such Exchangeable securities. Special Voting Units are not be transferable separately from the Exchangeable securities to which they are attached and will be automatically transferred upon the transfer of such Exchangeable securities. Each Special Trust Unit will entitle the holder thereof to that number of votes at any meeting of unitholders that is equal to the number of Units that may be obtained upon the exchange of the Exchangeable securities to which such Special Trust Unit is attached. Upon the exchange or surrender of an Exchangeable Security for a Unit, the Special Trust Unit attached to such Exchangeable securities will automatically be redeemed and cancelled for no consideration without any further action of the Trustees, and the former holder of such Special Trust Unit will cease to have any rights with respect thereto. Special Voting Units shall not be transferable separately from the

Exchangeable securities to which they relate and will automatically be transferred upon the transfer of any such Exchangeable securities. Special Voting Units may only be transferred to permitted transferees of Special Voting Units. At December 31, 2017, there were 1,679,370 Exchangeable securities outstanding.

Limitation on Non-Resident Ownership

Since the REIT does not own taxable Canadian property (as defined in the Tax Act) it is not subject to restrictions on the REIT's ownership by non-Canadian investors.

INVESTMENT GUIDELINES AND OPERATING POLICIES

The Declaration of Trust provides for certain guidelines on investments that may be made by the REIT. The REIT's investment and operating activities are limited because the REIT's operating business is carried out by the REIT's Subsidiaries. The Investment Guidelines governing the REIT's investments in real estate and other assets and the Operating Policies governing the REIT's investments are set out below.

Investment Guidelines

Pursuant to the Declaration of Trust and other documents governing the REIT, the REIT's assets may be invested only in accordance with the following Investment Guidelines:

1) The REIT will only invest in units, notes and securities of the REIT Subsidiaries, amounts receivable in respect of such units, notes and securities, cash and similar deposits in a Canadian or European chartered bank or trust company;
2) The REIT will not make, or permit any of the REIT Subsidiaries to make, any investment that could result in: (a) the Units being disqualified for investment by Plans; (b) the REIT owning "non-portfolio property" as defined in subsection 122.1(1) of the Tax Act; or (c) the REIT ceasing to qualify as a "mutual fund trust" for purposes of the Tax Act;
3) Subject to the other provisions hereof, Subsidiaries of the REIT shall invest only in income-producing real property or assets (including ownership and leasehold interests) or assets ancillary thereto located outside of Canada;
4) Subsidiaries of the REIT will not invest in raw land (except for the acquisition of properties adjacent to the REIT's existing properties for the purpose of renovation or expansion of existing assets where the total cost of all such investments does not exceed 10% of the REIT's Gross Book Value);
5) Subsidiaries of the REIT may invest in a joint venture arrangement only if:
    a) the arrangement is an arrangement pursuant to which the applicable Subsidiary of the REIT holds, directly or indirectly, an interest in real property jointly or in common with others ("joint venturers") and the arrangement is formed and operated solely for the purpose of holding a particular real property or properties; and
    b) the joint venture arrangement provides an appropriate mechanism to enable the applicable Subsidiary of the REIT to: (i) acquire the joint venturer's interest; (ii) dispose of or otherwise liquidate its interests; or (iii) sell the entire property, unless, in each case, the joint venture arrangement is an existing arrangement that is assumed as part of a portfolio acquisition or other similar transaction;
6) Except for temporary investments held in cash, deposits with a Canadian or European chartered bank or trust company registered under the laws of a province of Canada, short-

term government debt securities or in money market instruments of, or guaranteed by, a Schedule I Canadian chartered bank or a European chartered bank maturing prior to one year from the date of issue, Subsidiaries of the REIT may not hold securities or enter into derivative contracts other than (i) for hedging and other risk management purposes; or (ii) securities of a joint venture entity or a partnership, or any entity formed and operated solely for the purpose of carrying on ancillary activities to any real estate owned by the applicable Subsidiary of the REIT, or an entity owned by the applicable Subsidiary of the REIT formed and operated solely for the purpose of holding a particular real property or real properties; or (iii) securities of a public real estate entity;

7) Subsidiaries of the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;

8) Subsidiaries of the REIT may invest in a mortgage or mortgage bonds (including participating or convertible mortgages) only where:

   a) the real property which is security therefor is income-producing real property which otherwise meets the REIT's Investment Guidelines; (ii) the mortgage is a first mortgage registered on title to the real property which is security therefor; (iii) the amount of the mortgage loan is not in excess of 75% of the appraised market value of the property securing the mortgage; and (iv) the aggregate value of the REIT's investments in mortgages, after giving effect to the proposed investment, will not exceed 20% of the REIT's Gross Book Value; or

   b) the sole intention is to use the acquisition of the mortgages as a method of acquiring control of an income-producing real property which would otherwise meet the Investment Guidelines set forth in the Declaration of Trust, provided that the aggregate value of the REIT's investments in these mortgages will not exceed 10% of the REIT's Gross Book Value and provided that the REIT has an option to acquire a 100% interest in the subject property or properties;

9) provided that, notwithstanding the foregoing, Subsidiaries of the REIT may invest in any mortgage, which does not satisfy either (a) or (b) above, if such investment is specifically approved by the Trustees; and

10) Subsidiaries of the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by the REIT and secured by a mortgage on such property) up to 25% of the REIT's Gross Book Value in investments or transactions which do not otherwise comply with the REIT's Investment Guidelines, so long as the investment is outside of Canada and does not contravene Paragraph 2 above.

(collectively, the "**Investment Guidelines**")

For the purpose of the foregoing restrictions, the assets, liabilities and transactions of a corporation, trust, partnership or other entity in which the REIT has an interest will be deemed to be those of the REIT on a proportionate consolidated basis. In addition, any references in the foregoing to an investment in real property will be deemed to include an investment in a joint venture arrangement that holds real property.

Operating Policies

The Declaration of Trust and other documents governing the REIT provide that the REIT's operations and affairs must be conducted in accordance with the following Operating Policies and that the REIT will not permit any of the REIT Subsidiaries to conduct its operations and affairs other than in accordance with the following Operating Policies:

1) To the extent the REIT's Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of the REIT and the REIT's unitholders, any written instrument which, in the judgment of the REIT's Trustees, creates a material obligation of the REIT must contain a provision, or be subject to an acknowledgement to the effect, that the obligation being created is not personally binding upon, and that resort will not be had to, nor will recourse or satisfaction be sought from the private property of any of the Trustees, unitholders of the REIT, annuitants or beneficiaries under a plan of which a unitholder acts as a Trustee or carrier or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof will be bound;

2) The REIT will only guarantee the obligations of Subsidiaries, provided that the REIT may guarantee the obligations of Subsidiaries of the REIT that are general partners in partnerships that are not wholly-owned by the REIT if the REIT has received an unqualified legal opinion that the guarantee by the REIT will not cause the REIT to cease to qualify as a "mutual fund trust" for the purposes of the Tax Act;

3) Subsidiaries of the REIT will not enter into any transaction involving the purchase of lands or land and improvements thereon and the leasing thereof back to the vendor where the fair market value net of encumbrances of the property being leased to the vendor together with all other property being leased by Subsidiaries of the REIT to the vendor and its affiliates exceeds 15% of the REIT's Gross Book Value;

4) The limitation referred to in paragraph 3 above will not apply where the lessee or sublessee is, or where the lease or sublease is guaranteed by: (a) a federal, provincial, state, municipal or city government, or any agency or crown corporation thereof, of any jurisdiction; or (b) any corporation which has securities outstanding that have received and continue to hold an investment grade rating from a recognized credit rating agency at the time the lease or sublease is entered into, or at the time other satisfactory leasing or pre-leasing arrangements were entered into that is not less than "A low" or its equivalent;

5) Subsidiaries of the REIT may engage in construction, development or redevelopment of real property provided such real property could, on completion, meet the REIT's Investment Guidelines and Operating Policies;

6) To the extent that a Subsidiary of the REIT acquires a freehold interest in a property, title to such real property shall be held by and registered in the name of the relevant subsidiary of the REIT, the Trustees or in the name of a corporation or other entity majority owned, directly or indirectly, by the REIT or jointly, directly or indirectly, by the REIT with joint venturers;

7) Subsidiaries of the REIT will obtain and maintain at all times insurance coverage in respect of potential liabilities of Subsidiaries of the REIT and the accidental loss of value of the assets of Subsidiaries of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties;

8) The REIT shall not incur or assume any Indebtedness if, after giving effect to the incurring or assumption of the Indebtedness, the total Indebtedness of the REIT would be more than 60% of the REIT's Gross Book Value; and

9) Subsidiaries of the REIT shall obtain a Phase I ESA of each real property to be acquired by it and, if the Phase I ESA report recommends that a further environmental site assessment be conducted, the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant, and as a condition to any acquisition such assessments shall be satisfactory to the Trustees.

(collectively, the "**Operating Policies**")

For the purpose of the foregoing Operating Policies, the assets, liabilities and transactions of a corporation, trust, partnership or other entity in which the REIT has an interest will be deemed to be owned by the REIT on a proportionate consolidated basis. In addition, any references in the foregoing to investment in property will be deemed to include an investment in a joint venture arrangement.

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, the Investment Guidelines set forth above may only be amended with the approval of at least 66 2/3% of the votes cast at a meeting of unitholders of the REIT called for that purpose, except for certain amendments that may be undertaken by a majority of the Trustees pursuant to the Declaration of Trust. Pursuant to the Declaration of Trust, the Operating Policies set forth above may only be amended with the approval of a majority of the votes cast at a meeting of unitholders of the REIT called for that purpose.

TRADING PRICE AND TRADING VOLUME OF THE UNITS

The Units of the REIT are listed on the TSX and are quoted under the symbol "INO.UN." The following table sets forth, for the periods indicated, the price ranges and trading volumes of the Units on the TSX.

2017	High ($)	Low ($)	Volume
January	9.67	9.18	617,436
February	9.60	9.30	780,405
March	9.60	9.27	582,668
April	9.71	9.55	465,964
May	10.14	9.70	610,077
June	10.31	9.98	436,429
July	10.36	10.06	445,881
August	10.22	9.97	449,039
September	10.23	10.06	531,638
October	10.23	10.11	445,874
November	10.24	10.08	654,744
December	10.36	9.27	414,110

ESCROWED SECURITIES

A total of 368,872 Exchangeable securities were issued in 2017 in favor of Inovalis SA as payment of the asset management fee. A total of 50% of these Exchangeable securities (or 184,436 Exchangeable securities) are subject to an escrow agreement pursuant to which such Exchangeable securities will be released from escrow upon termination of the Management Agreement, except in the case of internalization of the management of the REIT, in which case (i) one third of the Exchangeable securities will be automatically released upon internalization of the management of the REIT, and (ii) one third of the Exchangeable securities will be released on the first and second anniversaries of the internalization of the REIT. As of March 29, 2018, the number of Exchangeable securities in escrow was 991,927.

DISTRIBUTIONS AND DISTRIBUTION POLICY

The following outlines the distribution policy of the REIT. Subject to compliance with such distribution policy, determinations as to the amounts distributable are in the discretion of the REIT's Trustees to determine the percentage payout of income that would be in the best interests of the REIT in accordance with the REIT's Declaration of Trust. Given that the level of working capital tends to fluctuate over time and should not affect the REIT's distribution policy, working capital is not considered when determining the REIT's distributions.

The REIT makes monthly cash distributions to Unitholders on each Distribution Date (being in respect of a month), on or about the 15th day of the following month. The REIT currently pay monthly distributions to Unitholders of $0.06875 per Unit, or $0.825 per Unit on an annual basis.

Distribution History	2017	2016	2015	2014	2013
Monthly distribution	$0.06875	$0.06875	$0.06875	$0.06875	$0.06875
Annualized distribution	$0.825	$0.825	$0.825	$0.825	$0.825(1)

(1) These are annualized distributions. As the REIT was founded on April 10, 2013, the initial distribution was made on June 15, 2013 and was prorated for the period April 10 – May 31, 2013. Thereafter distributions of $0.06875/Unit were made on a regular monthly basis.

DISTRIBUTION REINVESTMENT PLAN

A Distribution Reinvestment Plan ("DRIP") was put in place in July 2013 distribution pursuant to which Unitholders may elect to have cash distributions of the REIT automatically reinvested in additional Units at a price per Unit equal to the VWAP for the five trading days immediately preceding the relevant Distribution Date. Unitholders who so elect receive a further distribution of Units with a value equal to 3% of each distribution that was so reinvested by the Unitholder. Unitholders resident outside of Canada are not entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a Unitholder must terminate the Unitholder's participation in the DRIP. For the year ended December 31, 2017, a total of 209,632 Units were issued to Unitholders who chose to take advantage of the DRIP for the distributions. As of December 31, 2017, approximately 17% of the Units were enrolled in the DRIP.

PROMOTERS

Inovalis SA was considered a promoter of the REIT for the purposes of applicable securities legislation in connection with the July 2016 equity offering. The nature of the relationship between Inovalis SA and the REIT is described under "Asset and Property Management Services". As of December 31, 2017, Inovalis SA holds 1,495,441 Units and 1,679,370 Exchangeable securities, representing approximately 13.3% ownership in the REIT on a fully exchanged basis through the ownership of Exchangeable securities (being all the securities of that class).

To the knowledge of the REIT's Trustees and executive officers, no other person or company owns, directly or indirectly, more than 10% of the REIT Units.

LEGAL PROCEEDING AND REGULATORY ACTIONS

None of the REIT or the REIT Subsidiaries is currently involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the REIT.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No Trustee, officer of the REIT, or unitholder that beneficially owns, or controls or directs more than 10% of the REIT Units, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years, or any proposed transaction, that has materially affected or would materially affect the REIT or any of the REIT Subsidiaries.

EXPERTS & INTERESTS OF EXPERTS

Appraisals of the REIT's portfolio of properties were prepared by Catella, Jones Lang LaSalle Expertises SAS and Jones Lang LaSalle GmbH. The employees of Jones Lang LaSalle Expertises SAS, Jones Lang LaSalle GmbH and Catella, as a group, each beneficially own, directly or indirectly, less than 1% of the outstanding securities of any class or series of the REIT.

The REIT's financial statements for the year ended December 31, 2017, have been audited by Ernst & Young LLP.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The REIT's auditors are Ernst & Young LLP, located at 800 boulevard René Lévesque West, Montreal, Québec, a member firm of Ernst & Young Global Limited. The auditors have confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

The transfer agent and registrar for the Units is CST Trust Company at its principal office located in Toronto, Ontario.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, entered into by the REIT or the REIT Subsidiaries within the most recently completed financial year of the REIT:

1. Declaration of Trust;
2. Management Agreement;
3. July 2016 Underwriting Agreement;
4. Exchange Agreement; and
5. License Agreement.

ADDITIONAL INFORMATION

Additional information relating to the REIT can be found on SEDAR at www.sedar.com and the REIT's website and will also be included in the REIT's Management Information Circular that has been prepared in connection with the annual general meeting of Unitholders scheduled to be held on May 9, 2018. Additional financial information is also provided in the REIT's audited consolidated financial statements and management's discussion and analysis of financial condition and results of operations for the period ended December 31, 2017. Copies of the Management Information Circular, the audited consolidated financial statements, management's discussion and analysis of financial condition and results of operations for the period ended December 31, 2017, the material contracts and this Annual Information Form may also obtained by contacting Anne Smolen at Inovalis REIT at 151 Yonge Street, 11th Floor, Toronto (Ontario) M5C 2W7 or by email at anne.smolen@inovalis.com.

SCHEDULE A

Last updated November 14, 2017

INOVALIS REAL ESTATE INVESTMENT TRUST.
AUDIT COMMITTEE CHARTER

PURPOSE

The overall purpose of the Audit Committee (the "**Committee**") of the REIT is to oversee the accounting and financial reporting practices of the REIT, monitor the REIT's system of internal financial controls, evaluate and report on the integrity of the financial statements of the REIT, enhance the independence of the REIT's external auditors and exercise the responsibilities and duties set out in this Charter and any other duties delegated thereto by the Board of Trustees.

COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the board of trustees of the REIT (the "**Board of Trustees**"), each of whom shall be, in the determination of the Board of Trustees, "independent" as that term is defined by Multilateral Instrument 52-110, as may be replaced or amended from time to time (including any successor rule or policy thereto), and the majority of whom shall be resident Canadians.
2. The members of the Committee shall be appointed annually by the Board of Trustees. Each member of the Committee shall serve at the pleasure of the Board of Trustees until the member resigns, is removed, or ceases to be a member of the Board of Trustees. Unless a Chair is elected by the Board of Trustees, the members of the Committee may designate a Chair by majority vote of the full Committee membership.
3. At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the REIT's financial statements.
4. The Board of Trustees, at its organizational meeting held in conjunction with each annual meeting of unitholders, shall appoint the members of the Committee for the ensuing year. The Board of Trustees may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a trustee of the REIT shall cease to be a member of the Committee.
5. Unless the Board of Trustees shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their number.
6. The Committee shall have access to such officers and employees of the REIT

and to the REIT's external auditors and its legal counsel, and to such information respecting the REIT as it considers to be necessary or advisable in order to perform its duties.

7. Notice of every meeting shall be given to the external auditors, who shall, at the expense of the REIT, be entitled to attend and to be heard thereat.

8. Meetings of the Committee shall be conducted as follows:

   (a) the Committee shall meet on a regular basis, at such times and at such locations as the chair of the Committee shall determine;

   (b) the external auditors or any member of the Committee may call a meeting of the Committee;

   (c) any trustee of the REIT may request the chair of the Committee to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the chair of the Committee; and

   (d) the external auditors and management employees shall, when required by the Committee, attend any meeting of the Committee.

9. The external auditors shall be entitled to communicate directly with the chair of the Committee and may meet separately with the Committee. The Committee, through its chair, may contact directly any employee in the REIT as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

10. Compensation to members of the Committee shall be limited to trustee's fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the REIT (other than as members of the Board of Trustees and members of committees of the Board of Trustees).

11. The Committee is authorized, at the REIT's expense, to retain independent counsel and other advisors as it determines necessary to carry out its duties and to set their compensation.

MEETINGS

12. The Committee may meet as many times in the year as is necessary for it to carry out its responsibilities.

13. The Committee shall hold unscheduled or regularly scheduled meetings, or portions of meetings, at which management is not present.

14. No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum, provided that a majority of the members of the Committee comprising the quorum shall be resident Canadians.

15. The Chair, any member of the Committee, the external auditors, the Chairman of the Board of Trustees, the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Committee by notifying the REIT's Secretary

who will notify the members of the Committee. The Chair shall chair all Committee meetings that he or she attends, and in the absence of the Chair, the members of the Committee present may appoint a chair from their number for a meeting.

16. The external auditors are entitled to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the REIT, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate.

17. The Committee shall have the authority to retain external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisers without consulting or obtaining the approval of the Board of Trustees or any REIT officer. The REIT shall provide appropriate funding, as determined by the Committee, for the services of these advisors.

18. The Committee shall have unrestricted access to the REIT's management and employees and the books and records of the REIT

DUTIES

19. The overall duties of the Committee shall be to:

    (a) assist the Board of Trustees in the discharge of its duties relating to the REIT's accounting policies and practices, reporting practices and internal controls;

    (b) establish and maintain a direct line of communication with the REIT's external auditors and assess their performance;

    (c) oversee the co-ordination of the activities of the external auditors;

    (d) ensure that the management of the REIT has designed, implemented and is maintaining an effective system of internal controls;

    (e) monitor the credibility and objectivity of the REIT's financial reports;

    (f) report regularly to the Board of Trustees on the fulfillment of the Committee's duties;

    (g) assist the Board of Trustees in the discharge of its duties relating to the REIT's compliance with legal and regulatory requirements; and

    (h) assist the Board of Trustees in the discharge of its duties relating to risk assessment and risk management.

EXTERNAL AUDIT

20. The Committee shall be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT, including the resolution of disagreements between management and the

external auditors regarding financial reporting, and in carrying out such oversight the Committee's duties shall include:

(a) recommending to the Board of Trustees a firm of external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT;

(b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 – *Continuous Disclosure Obligations* or any successor legislation ("**NI 51-102**"), and the planned steps for an orderly transition;

(c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;

(d) pre-approving the engagement letters of the external auditors, both for audit and non-audit services;

(e) reviewing the performance, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and

(f) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.

FINANCIAL REPORTING AND DISCLOSURE

21. The duties of the Committee as they relate to audits and financial reporting shall be to:

(a) review the audit plan with the external auditor and management;

(b) review with the external auditor and management any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of management that may in any such case be material to financial reporting;

(c) question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(d) review the scope and quality of the audit work performed;

(e) review the adequacy of the REIT's financial and auditing personnel;

(f) review the co-operation received by the external auditor from the REIT's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;

(g) review the internal resources used;

(h) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) and any key financial executives involved in the financial reporting process;

(i) review and approve the REIT's annual consolidated audited financial statements and those of its subsidiaries, the auditor's report thereon and the related management's discussion and analysis of the REIT's financial condition and results from operations ("**MD&A**"), and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;

(j) review and approve the REIT's interim unaudited financial statements and the related MD&A and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;

(k) review any errors or omissions in the current or prior year's financial statements; and

(l) establish a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and employees' confidential anonymous submission of concerns regarding accounting and auditing matters.

ACCOUNTING AND DISCLOSURE POLICIES AND PRACTICES

22. The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

(a) review changes to accounting principles of the Chartered Professional Accountants of Canada which would have a significant impact on the REIT's financial reporting as reported to the Committee by management and the external auditors;

(b) review the appropriateness of the accounting policies used in the preparation of the REIT's financial statements and consider recommendations for any material change to such policies;

(c) review the status of material contingent liabilities as reported to the Committee by management;

(d) review and approve before their release all public disclosure documents containing audited or unaudited financial information, including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders, annual information forms, management's discussion and analysis and financial guidance provided to analysts, rating agencies or otherwise publicly disseminated; and

(e) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

COMPLIANCE WITH LAWS

23. The duties of the Committee as they relate to compliance with laws shall be to:

(a) review regular reports from management and others (e.g. the Auditor) with respect to the REIT's compliance with laws and regulations having a material impact on the financial statements;

(b) review the status of taxation and statutory remittance matters of the REIT as reported to the Committee by management;

(c) approve a Code of Business Conduct and Ethics and review reports from management and/or the Auditor on their review of compliance with the REIT's Code of Business Conduct and Ethics; and

(d) monitor any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or business affairs of the REIT, or on the compliance policies of the REIT.

COMPUTERIZED SYSTEMS

24. The duties of the Committee as they relate to computerized systems shall be to:

(a) review procedures and reports from management related to computerized accounting systems with respect to quality and accuracy;

(b) oversee any material changes to enterprise-wide information technology systems; and

(c) review annually, enterprise-wide information technology security and disaster recovery plans, the adequacy of the protection against damage and disruption, and security of confidential information through information systems reporting.

BOARD RELATIONSHIP AND REPORTING

25. The duties of the Committee as they relate to board relationship and reporting shall be to:

(a) review the Committee's performance annually and propose recommended changes to the Board;

(b) review and assess the adequacy of this charter every two years, taking into account all legislative and regulatory requirements applicable to the Committee as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Bank has a reporting relationship, and submit such amendments as the Committee proposes to the Compensation and Governance Committee; and

(c) report regularly to the Board on Committee activities, issues and related recommendations

OTHER DUTIES

26. The other duties of the Committee shall include:

(a) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;

(b) approving the hiring of any employee from an external auditor;

(c) reviewing and reporting to the Board of Trustees on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;

(d) inquiring of management and the external auditors as to any activities that may be or may appear to be illegal or unethical; and

(e) any other questions or matters referred to it by the Board of Trustees.