INOVALIS

REAL ESTATE INVESTMENT TRUST

Annual Information Form

For the year ended December 31, 2015

March 29, 2016

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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 that term under "Non-IFRS Measures";

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

"**BN**" means billions;

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

"**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**" means the closing market price of a Unit for the purpose of redemption, as at any date will be: (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date and the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date; (b) an amount equal to the closing price of a Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date; (c) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or (d) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date;

"**CRA**" means the Canada Revenue Agency;

"**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;

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

"**FAPI**" means foreign accrual property income earned by a controlled foreign affiliate of the REIT, allocable to the REIT, computed in accordance with the Tax Act;

"**FFO**" has the meaning given to that term under "Non-IFRS Measures";

"**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;

“**Genefim**” means Genefim S.A. (a subsidiary of Société Générale), or a subsidiary thereof;

“**German Purchase Agreement**” means the agreement between Genefim, the German Inovalis Vehicle, PODES Drel Gründstucks-Vermietungagesellschaft mbH & Co. Objekte WEL 4 KG and CanCorp Germany dated April 3, 2013;

“**German SPV**” means the Duisburg SPV or the Hanover SPV; collectively means both companies; “**GLA**” means gross leasable area, but excludes gross leasable area resulting from parking space, where applicable;

“**Gross Book Value**” means, at any time, the book value of the assets of the REIT and its Subsidiaries, as shown on its then most recent consolidated balance sheet, plus accumulated depreciation and amortization in respect of the REIT’s properties (and related intangible assets) shown thereon or in the notes thereto, less (a) the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT and (b) the amount of future income tax liability arising out of the fair value adjustment in respect of the indirect acquisitions of certain properties; provided however that, if approved by a majority of the Trustees, the appraised value of the assets of the REIT and its Subsidiaries may be used instead of book value;

“**Gross Revenue**” means all revenue received or receivable from the real properties owned directly or indirectly by the REIT, including (i) VAT; (ii) recoveries, related proceeds of business or rental interruption insurance after deduction for insurance deductibles and excluding (iii) actual bad debts, gains on sales, and the differential between in-place rents and below or above market rents, determined in accordance with the applicable accounting principles of the REIT at the time of the calculation;

“**Hanover Leasehold**” means the leasehold interest in, and usufructus (or the right of enjoyment) in respect of, the Hanover Property acquired by the Hanover SPV under the Acquisition;

“**Hanover SPV**” means a “société à responsabilité limitée” initially formed under Luxembourg law to acquire the Hanover Leasehold, which became a wholly-owned subsidiary of CanCorp Europe upon completion of the IPO;

“**Historical Gross Purchase Price**” means the historical price of the real estate plus taxes and legal and administrative costs and, for such purposes and without limitation, (i) if a leasehold interest is acquired, the historical price of the real estate shall be calculated based on the purchase price of the leasehold interest plus the difference between the purchase price of the leasehold interest and the value of the real estate, and if a freehold interest is acquired, the historical price of the real estate shall be calculated based on the purchase price of the real estate (including the assumption of debt);

“**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

Institute of Chartered Accountants in Part I of The Canadian Institute of Chartered Accountants Handbook – Accounting, as amended from time to time;

"**Indebtedness**" means (without duplication) on a consolidated basis:

(A) any obligation of the REIT for borrowed money;

(B) any obligation of the REIT incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;

(C) any obligation of the REIT issued or assumed as the deferred purchase price of property;

(D) any capital lease obligation of the REIT; and

(E) any obligation of the type referred to in clauses (A) through (D) of another person, the payment of which the REIT has guaranteed or for which the REIT is responsible for or liable,

provided that (i) for the purposes of clauses (A) through (D), an obligation (other than convertible debentures) will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS; (ii) obligations referred to in clauses (A) through (C) exclude trade accounts payable, distributions payable to Unitholders and holders of securities exchangeable into Units and accrued liabilities arising in the ordinary course of business; (iii) convertible debentures will constitute Indebtedness to the extent of the principal amount thereof outstanding; and (iv) Exchangeable securities issued by Subsidiaries will not constitute indebtedness notwithstanding the classification of such securities as debt under IFRS;

"**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**" means the closing market price of a Unit for the purpose of redemption, as at a specified date will be: (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date; (b) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or (c) if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, an amount equal to the simple average of the following prices established for each of the 10 consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day;

"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 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);

"**Rights**" means rights issued pursuant to the Rights Plan;

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

"**SIFT**" means a specified investment flow-through trust or partnership for the purpose of the Tax Act;

“**SIFT Rules**” means the provisions of the Tax Act that apply to a SIFT and its investors, taking into account all proposed amendments to such rules;

“**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;

“**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.

NON-IFRS MEASURES

Funds from Operations and Adjusted Funds from Operations

Funds from operations ("**FFO**") and adjusted funds from operations ("**AFFO**") are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO are supplemental measures of performance for real estate businesses. Management of the REIT believes that AFFO is an important measure of economic performance and is indicative of the REIT's ability to pay distributions, while FFO is an important measure of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO and AFFO is net earnings.

FFO is defined as net earnings in accordance with IFRS, excluding: (i) acquisition costs, (ii) gain on bargain purchase, (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, (vi) adjustment for property taxes accounted for under IFRIC 21, (vii) loss on exercise of lease option, (viii) adjustment for foreign exchange gains or losses on monetary items not forming part of an investment in a foreign operation, (ix) gain on disposal of an interest in a subsidiary and the non-cash portion of earnings from investments accounted for using the equity method, (x) finance income earned from loans to joint-ventures, (xi) non-recurring finance costs, (xii) deferred taxes and (xiii) gains or losses from non-recurring items. It has also been adjusted to exclude the distributions declared on Exchangeable securities. 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.

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, (vi) capital expenditures paid by the vendors of the leasehold interest in the properties and/or tenants and (vii) amortization of transaction costs on mortgage loans.

FFO and 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 method used by management to calculate FFO and AFFO may differ from other issuers' methods and accordingly may not be comparable to measures used by them.

Debt-to-book value

The REIT's debt-to-book value ratio is calculated on a look-through basis and takes into account the REIT's apportioned amount of indebtedness at the partnerships' level. Indebtedness at the REIT's level, as well as at the different partnerships' levels is calculated as the sum of (i) finance lease liabilities, (ii) mortgage loans, (iii) lease equalization loans, (iv) other long-term liabilities and (v) deferred tax liabilities. Indebtedness does not take into account the contribution from shareholders that are recorded as a liability, as is the case at the REIT's level for the Exchangeable securities and at the partnerships' level for the contribution from the REIT and its partners.

BASIS OF PRESENTATION

The AIF should be read in conjunction with the REIT's audited consolidated financial statements, the notes thereto and management's discussion & analysis for the year ended December 31, 2015. This AIF has been prepared taking into account material transactions and events up to and including March 29, 2016.

The exchange rate used throughout this AIF for information pertaining to 2015 is 1.4185 Canadian dollars per Euro which is the average rate for the 2015 calendar year. The exchange rate used for information pertaining to 2016 is 1.5029 (the exchange rate as at December 31, 2015).

FORWARD-LOOKING INFORMATION

Although the management of the REIT believes that the expectations reflected in the forward-looking information are reasonable, no assurance can be given 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) the REIT will continue to receive financing on acceptable terms; (ii) future level of indebtedness and future growth potential will remain consistent with current expectations; (iii) there will be no changes to tax laws adversely affecting the REIT's financing capability, operations, activities, structure or distributions; (iv) the REIT will retain and continue to attract qualified and knowledgeable personnel as it expands the portfolio and business; (v) the impact of the current economic climate and the current global financial conditions on the REIT's operations, including its financing capability and asset value, will remain consistent with current expectations; (vi) there will be no material changes to government and environmental regulations adversely affecting the REIT's 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 the REIT 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 Annual Information Form. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

CORPORATE STRUCTURE

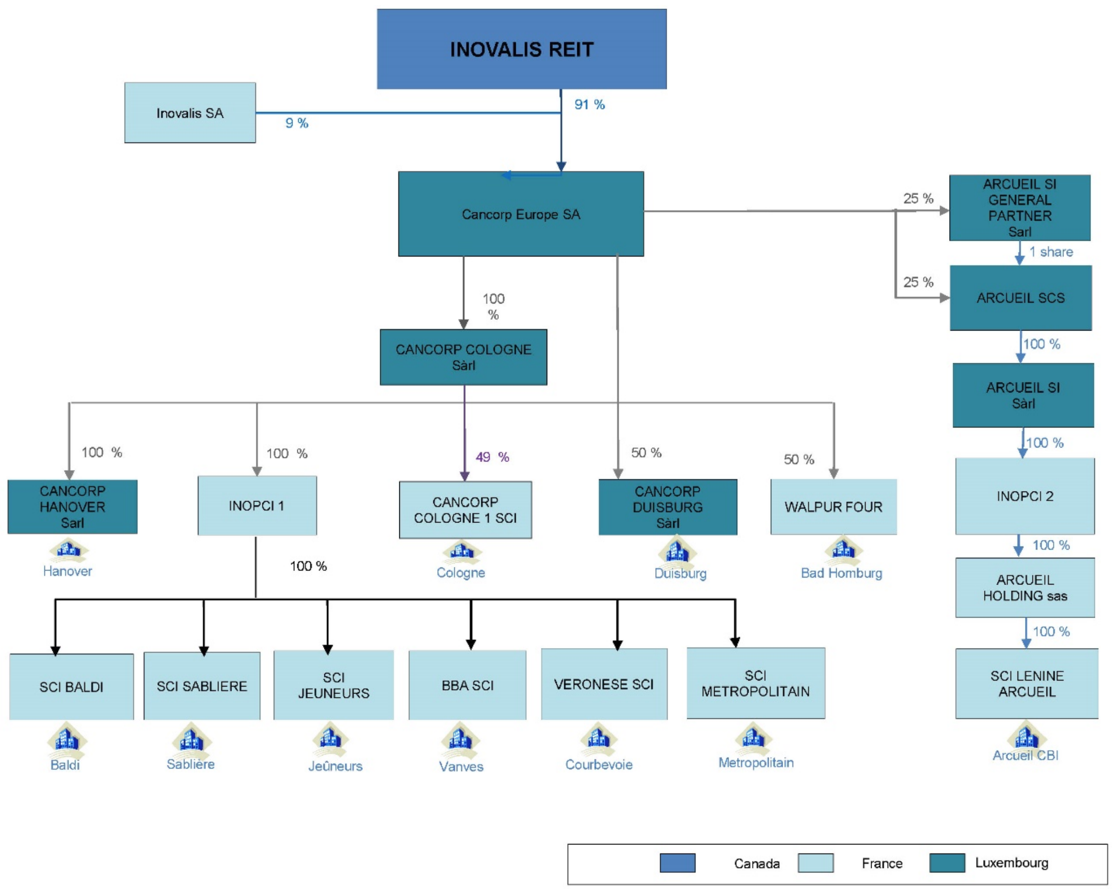
Business Overview

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

The REIT was established for the purpose of acquiring and owning office properties primarily located in France and Germany but also opportunistically in other European countries where assets meet the REIT's investment criteria.

ORGANIZATIONAL STRUCTURE

The following illustrates the organizational structure of Inovalis 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.

The REIT has subsequently 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, 2015, the REIT had 15,637,019 Units and 2,070,398 Exchangeable securities for a total of 17,707,417 issued and outstanding units.

The REIT had acquired an interest in ten office properties in France and Germany between its inception in 2013 and December 31, 2015. In March 2016, the REIT acquired one additional property in Paris, France.

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
April 2013	Courbevoie	Courbevoie, France	100%
	Jeûneurs	Paris, France	100%
	Vanves	Vances, France	100%
	Hanover	Hanover, Germany	100%
July 2014	Duisburg	Duisburg, Germany	50%
October 2014	Sablière	Paris, France	100%
	Baldi	Saint Ouen, France	100%
April 2015	Bad Homburg	Bad Homburg, Germany	50%
July 2015	Arcueil	Arcueil, France	25%
Dec 2015	Eurovalys SCPI	Cologne, Germany	49%
Mar 2016	Metropolitan	Paris, France	100%

DESCRIPTION OF THE BUSINESS

General

At December 31, 2015, the portfolio of ten properties in France and Germany in which the REIT has an interest is comprised of 1,004,448 square feet of gross leasable area. As of that date, the portfolio occupancy was 89.0% and had an average remaining lease term of 6.3 years. Six of the REIT properties are located in France and four 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.

The portfolio increased in size to 1,083,778 square feet of gross leasable area in March 2016 with the addition of the Metropolitan Property in Paris France.

Objectives & Investment Strategy

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 the REIT's properties and Units through active and efficient management;
- grow its asset base, primarily in France and Germany, but also opportunistically in other European countries where assets meet the REIT's investment criteria; and
- increase the cash available for distribution to Unitholders, through an accretive acquisition program that successfully leverages Inovalis SA's extensive relationships and depth of commercial property and financing.

In the context of the REIT's objectives, the REIT's investment strategy is to focus on office properties in France and Germany that represent attractive investments due to their stable cash flows from long-term leases with strong tenant bases. The REIT's Board of Trustees believes that office properties that are well located in their respective markets present an attractive investment opportunity given the prospects for rental rate increases over the long term. Such properties typically provide growth opportunities through the lease-up of vacant space and the upward trend in rental rates through contractual escalations. The REIT's Investment Criteria encompass office properties outside of Canada with an occupancy level above 80%, secured rental cash flow, a property value between €20 million ($30 million) to €60 million ($90 million) and potential future upside with respect to matters including rent and area development.

The REIT may also consider properties that are accretive from an AFFO standpoint despite not meeting exactly all the above-mentioned criteria.

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 (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.

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.

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.

Upon the earlier of (i) the REIT achieving a market capitalization of $750 million (including any Exchangeable securities held by Inovalis SA) based on the VWAP over a 20-day trading period; and (ii) April 10, 2018, the Management Agreement will terminate and the management of the REIT will be internalized at no additional cost.

Management Fees

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.

For the provision of asset management services under the Management Agreement during the fiscal year of the REIT ended December 31, 2015, Inovalis SA received an aggregate compensation of $2,660,000 paid entirely in securities exchangeable into Units of the REIT with the issuance of 282,802 Exchangeable securities of the REIT and an equivalent number of Special Voting Units. For the provision of property management services in the same period, Inovalis SA received $980,000.

Unitholders may request a copy of the Management Agreement free of charge by contacting the REIT at the address set forth under the section “Additional Information”.

Real Estate Portfolio

Portfolio

At December 31, 2015, the REIT had an interest in ten properties, of which six were entirely owned by the REIT (Baldi, Courbevoie, Jeûneurs, Sablière and Vanves in France, and Hanover in Germany); four were held in partnerships with various global institutional funds (Arcueil in France, Bad Homburg, Cologne and Duisburg in Germany). Subsequent to year-end, the REIT acquired a 100% interest in the Metropolitan property, located in France.

Occupancy

The overall weighted average occupancy rate across the REIT’s portfolio was 89.0% at December 31, 2015. Subsequent to the year end, the REIT re-let vacant areas in the Sablière (3,983 sq.ft.), Véronèse (9,795 sq.ft.), Bad Homburg (4,166 sq.ft.) and Baldi (31,603 sq.ft.) properties. Taking these new leases into account, overall occupancy increases from 89.0% to 94.0% at March 29, 2016, comparable to the market occupancy rate of 93.1% in the Greater Paris Region.

Property table as at December 31, 2015

	Property	Class	Date completed /renovated	Approximate GLA (000 SF)	# of tenants	Occupancy rate
FRANCE	Courbevoie	Office/Mixed use	1970	96.1	6	78.4%
	Jeûneurs	Office	1890/ 2006	50.4	1	100%
	Vanves	Office	1982	258.7	5	98.3%
	Sablière	Office/Mixed use	1985	41.0	5	82.1%
	Baldi	Office/Mixed use	1991	155.3	7	54.1%
	Arcueil	Office	1969/ 2013	82.7[(1)]	1	100%
	Total France			**684.2**[(2)]		
GERMANY	Hanover	Office	2000	124.1	1	100%
	Duisburg	Office	2007	108.9[(3)]	1	100%
	Cologne	Office	2015	32.1[(4)]	1	100%
	Bad Homburg	Office	2004	55.1[(5)]	6	88.8%
	Total Germany			**320.3**[(2)]		
	TOTAL AT DECEMBER 31, 2015			**1,004.5**[(2)]		

(1) The total square footage for the property. 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.
(3) The total square footage for the property. The REIT holds a 50% interest in the Duisburg property.
(4) The total square footage for the property. The REIT holds a 49% interest in the Cologne property.
(5) The total square footage for the property. The REIT holds a 50% interest in the Bad Homburg property.

Tenants

The tenant base in the portfolio is well diversified from an industry segment standpoint, with many tenants having large national or multinational footprints. Eighty-three percent of 2016 estimated gross rental income comes from French public agencies, is guaranteed by large German or international banks, comes from investment grade corporations or by affiliates of investment grade corporations.

The following table shows the REIT's five largest tenants at December 31, 2015, sorted by contribution to gross leasable area (GLA).

Tenant	Tenant Sector	GLA (SQ FT.)	% of Total GLA
Orange (formerly France Telecom)	Telecommunications	268,740	26.8%
Facility Services Hannover GmbH	Banking / real estate	124,076	12.4%
Mitsubishi Hitachi Power Systems Europe GmbH	Manufacturer	108,959	10.8%
Rue du Commerce	E-Commerce	51,926	5.2%
National Conservatory of Arts & Crafts	Education and training	50,407	5.0%
Top 5 tenants		**604,108**	**60.2%**
Other tenants	Diversified	283,541	28.2%
Vendor Lease		4,521	0.5%
Vacant		112,279	11.2%
Total		**1,004,448**	**100%**

Leasing profile

Orange, the REIT's largest tenant, 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).

Rental indexation

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.

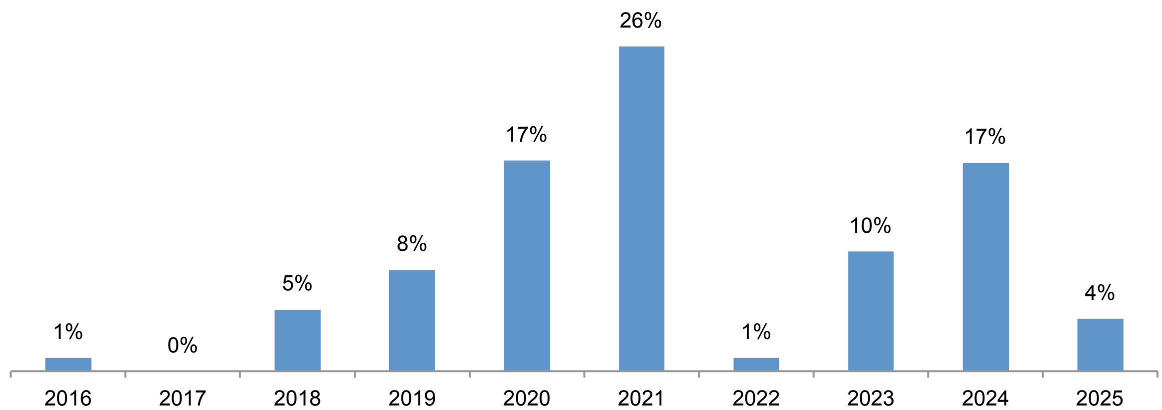
Lease rollover profile

The REIT has an average remaining lease term of 6.3 years (not including tenant early termination rights). If all tenants were able to exercise their earliest possible termination rights, the average remaining lease term in the REIT's portfolio would be 4.6 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, 2015

(% 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 96,111 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 six 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 five tenants, with the main tenant, Direction Spécialisée des Impots (the French Tax Authority), occupying 40% of the total GLA in accordance with a nine year lease expiring in June, 2021. Inovalis has managed the property since September 2014.

Baldi The property, located at the address known municipally as 44/50 Avenue du Capitaine Glarner, Saint-Ouen, France, was constructed in 1991, and is comprised of 155,259 square feet of GLA of which 94,708 square feet is office space and 60,551 square feet is a mixed use area. 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 330,681 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, which was acquired subsequent to December 31, 2015, 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 79,330 square foot asset is designated for office and retail usage on six levels. Inovalis has managed the property since September 30, 2005.

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 217,915 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 construction of the building was completed in 2008. The property is in very good condition and has an attractive glass and aluminum façade. The property consists of four building cores and has a flexible design due to its layout. 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.

Cologne The Cologne property is located at Aachener Strasse 1044, Cologne, Germany. It comprises a total are of 65,531 square feet for office space and 4,036 square feet for storage. The architecturally appealing asset was built in 2015 and is in excellent condition. It is fully occupied by one tenant and consists of five floors above ground, including staggered top floors with a roof terrace and an underground parking level. The exterior of the building is characterized by a punch window façade with anthracite window frames and brick tiles. The office areas on the upper floors, which are connected through a hallway, benefit from flexible design. Inovalis has managed this property since 2015.

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 109,103 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 building is in good condition. The stunning architecture of the property offers high quality building materials and is built to the latest standards. The optimal horizontal and vertical divisibility of the building permits leases to several tenants. Inovalis has managed this property since 2007.

Competitive Conditions

French commercial real estate investment market

Investment in commercial real estate in France reached €29.0 BN ($41.2 BN) in 2015, 45.0% higher than the last ten year average of €20.0 BN ($28.4 BN). Despite its slow economic growth, France is still much sought after, enjoying its second best year ever for investment after 2007. The Greater Paris region accounted for the largest share of acquisitions (76%). Offices are still investors' favorite, attracting 61% of investment.

According to BNP Paribas Real Estate, the prime yield in the Central Business District compressed down to 3.25% as at Q4 2015 (from 4.00% as at Q4 2014) and the prime yield in the Inner Rim compressed further down to 4.50% (from 5.30% as at Q4 2014). Investors have increasingly bought properties beyond Paris business districts, which are structurally incapable of supplying demand and which offer low yields. Non-prime office yields have also declined in the majority of markets in the Greater Paris Region and are increasingly sought after.

As at December 31, 2015, the vacancy rate in the Greater Paris Region was 6.9% and inside Paris, the vacancy rate was below 4.7%. These figures are mainly comprised of lower grade properties as, according to CBRE, new and redeveloped properties only accounted for 18% of the immediate supply.

German commercial real estate investment market

Investment in commercial real estate in Germany reached €56.3 BN ($79.9 BN) in the 2015, 40% higher than in 2014 and the second-best year ever, exceeded only in 2007. Offices have become investors' favorite, attracting 42% of investment.

For investors, Germany continues to offer an extremely attractive and stable environment with interest rates still low, active consumers, positive early indicators and a labor market that remains robust.

Office yields have declined throughout Germany over the last few years and, according to BNP Paribas Real Estate, prime office properties in the largest cities (Berlin, Cologne, Dusseldorf, Frankfurt, Hamburg, Munich) trade at a capitalization rate ranging between 3.65% and 4.45%, the average for the largest big 6 cities being 4.12%, i.e. 40 basis points lower than one year before.

Banks are competing for the financing of first class office properties with long-term leases in good locations. As competition increases, banks are increasingly financing slightly risker properties.

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 building improvements for the properties, funded by a reserve that was set aside by the vendors of the four initial 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 a pledge of the shares of affiliates of the REIT, first mortgages and assignments of receivables and future receivables. As at December 31, 2015, guarantees provided by the REIT with respect to its long-term debts include a preferential claim held by mortgage lenders on the Jeûneurs, Veronese and Sablière properties in the amount of $72,202.

As at December 31, 2015, the REIT also had a share pledge on the shares of a company owned by Inovalis that holds certain properties to guarantee the Acquisition loan. This share pledge is no longer in place as the loan was repaid in March 2016. See section on "Acquisition Loan to Inovalis SA".

The REIT agreed to pledge its 49% equity investment in Cologne as a guarantee of the commitment to repurchase a €4,312 ($6,480) loan from the other partner in Cologne.

Debt Profile

The Operating Policies in the REIT's Declaration of Trust were amended in January 2016 to change the maximum indebtedness of the REIT from 55% to 60% of Gross Book Value.

Financing Activity Metrics

	As at December 31, 2015
Weighted average interest rate (1)	1.98%
Debt-to-book value (2)	52.8%
Debt-to-book value, net of cash (2)	51.8%
Interest coverage ratio (3)	4.0 x
Debt due in next 12 months (including interest)	$12.2 million
Weighted average term to maturity of debt (4)	7.2 years

(1) Calculated as the weighted average interest rate paid on the finance leases and the mortgage financing. Taking into account the interest the REIT has in the properties held in partnerships
(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

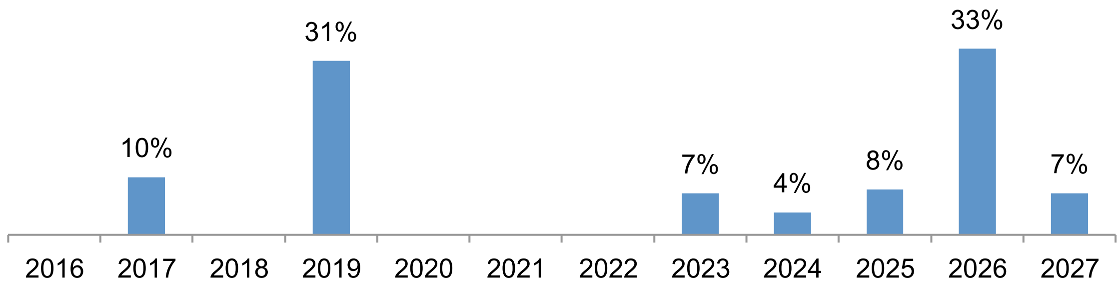
Mortgages

As at December 31, 2015, mortgages and finance leases amounted to $197.7 million, of which $71.1 million is from mortgages and $126.5 million is from finance leases. Taking into account the interest the REIT has in the properties held in partnership, mortgages and finance leases amounted to $251.7 million, of which $107.3 million is from mortgages and $144.4 million is from finance leases.

As at December 31, 2015, the mortgages carried a weighted average interest rate of 1.98% per annum.

The following table sets out, as at December 31, 2015, 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 eleven calendar years.

Leasehold and Mortgage Financing Maturity Profile
% of amount outstanding as at December 31, 2015



Hedges

In order to ensure the predictability of distributions to the REIT's Unitholders, the REIT has established an active foreign exchange hedging program. Until February 2019 (included), the REIT is committed to sell €663,000 (on the average) at an average rate of 1.5091 and to receive $1 million on a monthly basis. Approximately 60% of the contracts are forward contracts and 40% of the contracts are a combination of puts and calls. The contracts for the puts and calls were entered into at the beginning of 2015 when the market conditions were such that this strategy enabled the REIT to lock in a better rate than the one it would have had with forward contracts.

Acquisition Loan to Inovalis SA

On November 6, 2014, Metropolitan LLC, a 100% subsidiary of the REIT, made a loan to Inovalis in the amount of €12,500 so that Inovalis SA could acquire a property in Paris, France (the "Acquisition loan"). As of December 31, 2015, the book value of this loan was $18,8 million. The loan was secured by a share pledge from a holding company owned by Inovalis SA (which also owns another property in the Greater Paris Region), had an interest rate of 8.75% for three years (with an option to extend for one year) and included a right of first opportunity in favor of the REIT to purchase the property at a discount to the then market price, which was exercised further to the approval by the REIT's unitholders at a special meeting held on January 20, 2016. Subsequent to year-end, on March 21, 2016, the REIT bought the property at a purchase price of approximately $70 million, reflecting a 12% discount on the market value as determined by Jones Lang LaSalle acting as external valuer. The Acquisition loan to Inovalis SA was repaid on closing of the transaction.

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 at December 31, 2015, by percentage of total GLA, occupied approximately 60% of the total GLA. Although all five tenants are committed to multi-year leases, which are set to expire gradually between 2020 and 2024, there is no assurance that these 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 earliest dates on which those five largest tenants may effectively move range between 2018 and 2021. To minimize this risk of vacancy, the REIT closely monitors all leases and works 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 bears 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 dedicated 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 was in evidence 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 regimes 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 shareholder 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 joint ventures

The REIT has a material non-controlling interest in joint ventures with several institutional investors. These arrangements create a risk as the business objectives or economic interests of the joint-venture partner, as in any joint business arrangement, may not be aligned with those of the REIT. The joint-venture partner may 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 joint venture arrangements. The REIT's investment in properties through joint arrangements is subject to the investment guidelines set out in the Declaration of Trust.

Risks Relating to Tax Matters

Taxation of Trusts

The REIT qualifies as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the income tax consequences to the REIT and its Unitholders would be materially and adversely different in certain respects.

Application of the SIFT Rules

The SIFT Rules apply to a trust that is a "SIFT trust" as defined in the Tax Act. Provided that a trust does not own "non-portfolio property" (as defined in the Tax Act), it will not be subject to the SIFT Rules. Based on the investment restrictions of the REIT, the REIT may not acquire any non-portfolio property and, therefore, is not subject to the SIFT Rules. However, there can be no assurance that the SIFT Rules or the administrative policies or assessing practices of the CRA will not be changed in a manner that adversely affects the REIT and Unitholders.

FAPI

The REIT's "participating percentage" (as defined in the Tax Act) of FAPI earned by CFAs of the REIT must be included in computing the income of the REIT for the fiscal year of the REIT in which the taxation year of such CFA ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act. The deduction for grossed-up "foreign accrual tax" may not fully offset the FAPI realized by the REIT, thereby increasing the allocation of income to the REIT and, therefore, the allocation of income by the REIT to Unitholders. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the CFA were a resident of Canada and in Canadian currency (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules as compared to the FAPI rules and, accordingly, may result in additional income being allocated to Unitholders.

Foreign Currency

For purposes of the Tax Act, the REIT generally is required to compute its Canadian tax results using Canadian currency, including for purposes of computing FAPI earned by CFAs of the REIT. Where an amount that is relevant in computing a taxpayer's Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the rate of exchange quoted by the Bank of Canada at noon on the day such amount first arose, or using such other rate of exchange as is acceptable to the CRA. As a result, the REIT may realize gains and losses for tax purposes by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

Change of Tax Law

There can be no assurance that Canadian or foreign income tax laws, the judicial interpretation thereof, the terms of any income tax treaty applicable to the REIT or its affiliates or the administrative policies and assessing practices and policies of the CRA, Finance and any foreign tax authority or tax policy agency will not be changed in a manner that adversely affects the REIT, its affiliates or Unitholders.

Non-Residents of Canada

The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are Non-Residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time.

Taxation of the REIT and the REIT's Subsidiaries

Although the REIT and its subsidiaries have been structured with the objective of maximizing after-tax distributions, taxes (including corporate, withholding, land transfer, and other taxes) in the various jurisdictions in which the REIT invests will reduce the amount of cash available for distribution to the REIT by its subsidiaries and, therefore, reduce the amount of cash available for distribution by the REIT to Unitholders. No assurance can be given as to the future level of taxation suffered by the REIT or its subsidiaries. In addition, certain tax positions adopted by the REIT and its subsidiaries may be challenged by the CRA or a foreign taxing authority. This could materially increase the taxable income of, and taxes payable by, the REIT and its subsidiaries, and thereby increase taxable income of Unitholders and/or adversely affect the REIT's financial position and cash available for distribution to Unitholders.

The extent to which distributions will be non-taxable in the future will depend in part on the extent to which the REIT's subsidiaries are able to deduct depreciation, interest and loan expenses relating to the REIT's properties for purposes of the Tax Act. No assurances can be given that the CRA will agree with capital cost allowance claims by the REIT's subsidiaries and that expenses claimed by the REIT and its subsidiaries are reasonable and deductible.

Qualified Investments

Management of the REIT will endeavour to ensure that the Units continue to be qualified investments for Plans; however, there can be no assurance in this regard. In addition, Redemption Notes or other property received on an in specie redemption of Units may not be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

German Taxes

As described under the heading Certain Non-Canadian Income Tax Considerations – Certain Material German Income, Withholding and Real Estate Transfer Tax Considerations in the IPO Prospectus dated March 28, 2013, the German SPV would be subject to municipal trade tax ("**TT**") if it acts through a German permanent establishment. Management of the REIT have assumed that the German SPV will not be subject to TT based on the REIT's current understanding of the structure. However, no assurances can be given that the German SPV will not be subject to TT.

The German real estate transfer tax (the "**RETT**") generally applies where there is a transfer of legal title of properties from one legal person to another. If the German SPV exercises the purchase option in respect of the Hanover property (see *Certain Non-Canadian Income Tax Considerations – Certain Material German Income, Withholding and Real Estate Transfer Tax Considerations* in the IPO final prospectus dated March 28, 2013), legal title to German real estate would be transferred and, consequently, RETT would be payable in connection therewith.

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, 2015, 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 seven Trustees, six 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 Quebec, Canada	Independent Trustee	Compensation and Governance Committee (Chair) and Investment Committee	Managing Director at Stonehenge Partners
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)	Chief Financial Officer, SAQ
Michael Zakuta Quebec, Canada	Independent Trustee	Investment Committee, (Chair) Compensation and Governance Committee	President and CEO and Trustee, Plaza Retail REIT
David Giraud Paris, France	Chief Executive Officer	N/A	Managing Director, Inovalis SA
Antoine Tronquoy Quebec, Canada	Chief Financial Officer & Secretary	N/A	Vice President, North America, Inovalis SA
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. Mr. Giraud has been Chief Executive Officer of the REIT since April 2013. Mr. Tronquoy was appointed to Chief Financial Officer of the REIT in August 2013, 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, 389,700 Units, representing approximately 2.2% 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 444,500 Units and 2,070,398 Special Voting Units, representing a 14.2% 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 Accountant (C.A.) 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.

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 is the Chief Financial Officer of SAQ as of November 2015. He held various executive positions with Alimentation Couche-Tard Inc. between 2003 and 2015, most recently as Chief Financial Officer and Vice President. In 1992, Mr. Paré began his professional career at Ernst & Young as a Chartered 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).

Antoine Tronquoy, *Chief Financial Officer*. Mr. Tronquoy has 12 years of experience in real estate financing in Europe and in Canada. Prior to joining Inovalis, Mr. Tronquoy spent three years at Otéra Capital, the real estate debt affiliate of Caisse de dépôt et placement du Québec. Before that, he spent seven years in the real estate structured finance group and one year in the mergers and acquisition group of Morgan Stanley in Europe.

Khalil Hankach, *Chief Investment Officer*. Mr. Hankach has 12 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 consisting of, namely, Messrs. Argiros, Cohen and Paré. 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 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. Paré is a chartered 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 the Chief Financial Officer of SAQ, a provincial Crown corporation in Quebec responsible for the trade of alcoholic beverages within the province. Prior to that, he was Chief Financial Officer and a Vice-President of Alimentation Couche-Tard, a listed company and the largest independent convenience-store operator in terms of company-owned stores in North America.

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 accrued by the REIT in 2015 for each category of service for the financial year ended December 31, 2015.

Category of fees	**December 31, 2015(1)**	**December 31, 2014(1)**
Audit Services	$190,677	$460,876
Audit Related Services	$16,000	$10,600
Tax Services	$0	$0
All Other Services	$0	$0
Total	**$206,677**	**$471,476**

(1) Audit fees and expenses related to the fiscal year audit and interim reviews, notwithstanding when the fees and expenses were billed or when the services were rendered.

COMPENSATION AND GOVERNANCE COMMITTEE

The Declaration of Trust requires a Compensation and Governance Committee, consisting of at least three (3) 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 Trustess. The Trustees have appointed Messrs. Dansereau, Manasterski and Zakuta, with Mr. Dansereau as 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 (3) 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, 2015, there were 2,070,398 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 its 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 its 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 its 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.

PRICE RANGE 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.

2015	High ($)	Low ($)	Volume
January	9.12	8.84	215,470
February	9.12	8.80	286,208
March	9.33	9.01	245,041
April	9.53	9.01	306,169
May	9.40	8.95	363,133
June	9.24	9.00	415,606
July	9.30	8.90	371,239
August	9.08	7.99	224,839
September	9.01	8.66	318,962
October	9.29	8.51	338,759
November	9.49	9.01	285,273
December	9.50	9.18	294,574

ESCROWED SECURITIES

A total of 82,802 Exchangeable securities were issued in 2015 in favor of Inovalis SA as payment of the asset management fee for the second quarter of 2015. A total of 50% of these Exchangeable securities (or 41,401 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, 2016, the number of Exchangeable securities in escrow was 2,022,209.

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	2015	2014	2013
Monthly distribution	$0.06875	$0.06875	$0.06875
Annualized distribution	$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, 2015, a total of 93,983 Units were issued to Unitholders who chose to take advantage of the DRIP for the distributions. As of December 31, 2015, approximately 7.3% of the Units were enrolled in the DRIP.

UNITHOLDER RIGHTS PLAN

At the time of the IPO in 2013, the REIT established a Unitholders' rights protection plan. The purpose of the Rights Plan was to: (i) ensure, to the extent possible, that the Trustees have sufficient time to consider and evaluate any unsolicited take-over bid for the REIT Units or other acquisition of control of the REIT; (ii) provide the Trustees with adequate time to explore and develop alternatives, in order to maximize unitholder value; and (iii) ensure, to the extent possible, the equal treatment of unitholders in connection with any unsolicited take-over bid.

The Rights Plan is subject to re-confirmation by unitholders and Independent Unitholders every three years and terminates upon the first annual meeting of the unitholders following the third anniversary date of the IPO Closing Date, which for these purposes is the annual unitholders' meeting to be held on May 13, 2016.

On February 25, 2016, the Canadian Securities Administrators released the final version of new harmonized take-over bid rules. The new rules give all issuers the benefit of what is effectively a statutory shareholder rights plan, but subject to a requirement that take-over bids remain open for a minimum deposit period of 105 days (subject to certain exceptions) instead of the existing 60-day period currently required for a "permitted bid" under the REIT's existing Rights Plan. Therefore, the Trustees have determined the existing Rights Plan is no longer necessary and will not be presented to Unitholders for re-confirmation at the upcoming Annual Unitholders' meeting to be held May 13, 2016 and therefore will terminate immediately following the meeting.

PROMOTERS

Inovalis SA took the initiative of founding and organizing the REIT and is therefore a promoter of the REIT for the purposes of applicable securities legislation. The nature of the relationship between Inovalis SA and the REIT is described under "Inovalis SA and the REIT". As of December 31, 2015, Inovalis SA holds 444,500 Units and 2,070,398 Exchangeable securities, representing approximately 14.2% 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 its 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 its Subsidiaries.

EXPERTS & INTERESTS OF EXPERTS

Appraisals of the REIT's portfolio of properties were prepared by 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, 2015, have been audited by Ernst & Young LLP (and its network).

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 its Subsidiaries within the most recently completed financial year of the REIT:

1. Declaration of Trust;
2. Management Agreement;
3. Assignment Agreements;
4. German Purchase Agreement;
5. Underwriting Agreement;
6. Exchange Agreement;
7. License Agreement; and
8. Vendor Leases;

See the section "Additional Information" for information on how to obtain electronic copies of the contracts set out above.

ADDITIONAL INFORMATION

Additional information relating to the REIT can be found on SEDAR at www.sedar.com and will also be included in the REIT's Management Information Circular to be prepared in connection with the annual general meeting of Unitholders scheduled to be held on May 13, 2015. 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, 2015. 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, 2015, and this Annual Information Form may also obtained by contacting Antoine Tronquoy at Inovalis REIT at 151 Yonge Street, 11th Floor, Toronto (Ontario) M5C 2W7 or by email at antoine.tronquoy@inovalis.com.

SCHEDULE A

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. All meetings of the Committee must take place in Canada. One member of the Committee may participate in such a meeting by teleconference so long as a majority of those members attending the meeting are physically present in Canada.

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

15. 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.

16. 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.

17. 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.

18. 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.

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

DUTIES

20. 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.

21. 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) reviewing 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.

22. 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; and

(k) 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.

23. 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 Canadian Institute of Chartered Accountants 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 the status of income tax returns and potentially significant tax problems as reported to the Committee by management;

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

(f) 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

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

24. 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 the funding and administration of the REIT's compensation and pension plans;

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

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

(f) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the REIT of concerns regarding such; and

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