

PROREIT Announces Major Expansion with Binding Agreement to Acquire 19-Property Portfolio Anchored Primarily by Rexall Pharmacies

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MONTREAL, Nov. 9, 2017 /CNW/ - PRO Real Estate Investment Trust ("**PROREIT**" or the "**REIT**") (TSXV: PRV.UN) is pleased to announce that it has entered into a binding agreement to acquire 19 properties (the "**portfolio**") in British Columbia, Alberta, Saskatchewan and Ontario, the majority of which is anchored by Rexall pharmacies. The properties comprise both stand-alone drug stores and community service centres. The purchase price of the portfolio is \$51.6 million, representing a going-in capitalization rate of 7.1%. The transaction is expected to close before December 31, 2017 and is subject to customary closing conditions.

Highlights

- Going-in capitalization rate of 7.1%, with built-in rent increases in 2018 and 2019.
- Accretive to unitholders.
- Brings year-to-date acquisitions to in excess of \$110 million.
- Increases total assets by approximately 15% to over \$350 million.
- Total gross leasable area of 172,677 sq. ft.
- The portfolio enjoys long-term leases with a weighted average lease term of 9.2 years overall, and 10.7 years for the Rexall drug stores.
- Portfolio occupancy rate is 99.25%.
- The properties are to be financed by \$38.7 million of first mortgage debt from a Tier 1 Canadian Chartered Bank at an estimated annual interest rate of approximately 4% comprising a mix of 5, 10 and 15 year terms, and from lines of credit. Portions of the lines of credit were freed up from partial proceeds of the latest equity offering completed in June 2017.
- Rexall Pharmacy Group is part of McKesson Corporation, a Fortune 500 company.
- Rexall becomes the largest tenant of the REIT by base rent.
- Creates national footprint for the first time.

"This is a major transaction for PROREIT. The acquisition of this portfolio represents a significant growth milestone, bringing our total assets to more than \$350 million," said James W. Beckerleg, President and Chief Executive Officer. "The portfolio acquisition will be accretive to unitholders and provide further upside potential from income growth."

"The acquisition of the Rexall portfolio follows the REIT's strategy of investing in properties with strong national and international tenants committed to long-term leases to ensure a strong foundation underlies core cash flows. The transaction increases our occupancy rate, extends our average lease term and establishes a national footprint for the REIT for the first time on a basis that is accretive to unitholders. It is also reflective of PROREIT's retail strategy of focussing on community service centres, which are primarily pharmacy or grocery anchored.

The Portfolio

The portfolio consists of 19 properties comprised of stand-alone stores or anchored community commercial strip centres in cities and towns, mostly in Western Canada. They include five properties in British Columbia, nine properties in Alberta, four properties in Saskatchewan and one property in Ontario. Of the 19 properties, 14 are Rexall Pharmacy Group anchored, representing approximately 72% of the portfolio net operating income, while five others are anchored by other strong tenants, including Shoppers Drug Mart.

The portfolio includes total gross leasable area of 172,677 square feet and enjoys an occupancy rate of 99.25%. The weighted average lease term of the portfolio is 9.2 years overall, with the weighted average lease term of the Rexall properties within the portfolio standing at 10.7 years. Upon closing of the transaction, planned for

before the end of the current calendar year, Rexall Pharmacy Group will become the single largest tenant of the REIT, contributing approximately 11% to base rent.

The 19 properties include locations in Regina and Moose Jaw, Saskatchewan, Lacombe and Sylvan Lake, Alberta, Courtenay, British Columbia, and Kingston, Ontario. The balance of the properties is in towns and cities in British Columbia, Alberta and Saskatchewan that serve as strong commercial hubs in their economic area.

Wholly owned by McKesson Corporation, a Fortune 500 global pharmaceutical distribution company, Rexall Pharmacy Group is a strong covenant for the PROREIT portfolio.

Financing

The \$51.6 million acquisition will be financed by a \$38.7 million first mortgage on the portfolio, with a weighted average term of nearly 10 years at an estimated weighted average rate of approximately 4%. It will be comprised of a mix of 5, 10 and 15 year terms. The financing was arranged with a Tier 1 Canadian Chartered Bank. The balance of the purchase price of the portfolio will be settled from PROREIT's lines of credit, in part freed up from the partial proceeds of the equity financing completed in June 2017.

"We continue to pursue our objective of creating a larger-capitalization real estate investment trust by acquiring strong commercial real estate in locations that include communities outside of Canada's largest urban centres," continued Mr. Beckerleg. "The Rexall Pharmacy Group properties are excellent examples of these strong commercial properties that provide critical services and goods to the immediate and extended community. Such properties provide our portfolio with a stable asset base that generates predictable and steady distributions for our unitholders."

About PROREIT

PROREIT (www.proreit.com) is an unincorporated open-ended real estate investment trust established pursuant to a declaration of trust under the laws of the Province of Ontario. PROREIT was established in March 2013 to own a portfolio of diversified commercial real estate properties in Canada, with a focus on primary and secondary markets in Québec, Atlantic Canada and Ontario with selective expansion into Western Canada. The portfolio is comprised of 45 properties with approximately 2.5 million square feet of commercial gross leasable area. PROREIT's portfolio is diversified by property type and geography across Québec, New Brunswick, Nova Scotia, Prince Edward Island, Ontario and Alberta.

Forward-Looking Information

Certain statements contained in this news release constitute forward-looking information within the meaning of applicable securities laws, including statements relating to the proposed acquisitions described herein. In some cases, forward-looking information can be identified by such terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on a number of assumptions and are subject to a number of risks and uncertainties, many of which are beyond PROREIT's control, that could cause actual results and events to differ materially from those that are disclosed in or implied by such forward-looking statements. PROREIT's objectives and forward-looking statements are based on certain assumptions, including that (i) PROREIT will receive financing on favourable terms; (ii) the future level of indebtedness of PROREIT and its future growth potential will remain consistent with PROREIT's current expectations; (iii) there will be no changes to tax laws adversely affecting PROREIT's financing capacity or operations; (iv) the impact of the current economic climate and the current global financial conditions on PROREIT's operations, including its financing capacity and asset value, will remain consistent with PROREIT's current expectations; (v) the performance of PROREIT's investments in Canada will proceed on a basis consistent with PROREIT's current expectations; and (vi) capital markets will provide PROREIT with readily available access to equity and/or debt. Additional information about these assumptions and risks and uncertainties is contained under "Risk Factors" in PROREIT's latest annual information form, which is available on SEDAR at www.sedar.com, and in other filings that PROREIT has made and may make with applicable securities authorities in the future.

The forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement. Investors are cautioned not to put undue reliance on forward-looking statements. All forward-looking statements in this press release are made as of the date of this press release. PROREIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by law.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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