

## **PROREIT reports strong financial and operating gains for second quarter 2015**

PRO Real Estate Investment Trust is pleased to report financial and operating results for the three and six months ended June 30, 2015 (or "second quarter"). Second quarter results are characterized by strong growth in property revenues, net operating income ("NOI") and adjusted funds from operations ("AFFO"), and by strong operating performance.

### **Second Quarter Highlights**

- Property revenue increased 91.7% to \$3.85 million
- Net operating income up 102.8% to \$2.41 million
- AFFO increased 131% to \$1.33 million
- Total assets increased 161% to \$186.4 million
- Occupancy rate increased to 95.9%
- First bought deal successfully completed on June 9 for \$17.5 million in new equity
- Seven new properties acquired at the end of the quarter
- Plan announced subsequent to end of quarter to acquire Boulevard Industrial REIT

"For the third consecutive quarter, we have recorded strong financial and operating growth," said James Beckerleg, President and Chief Executive Officer of PROREIT. "Our accretive acquisition strategies are at the core of our strong financial performance which is enhanced further by strong operating results."

"During the second quarter, we successfully leased up our Woodstock, N.B. property, bringing signed commitments to more than 33,000 square feet. We continue to sign high quality tenants with long average lease terms. These operating successes will contribute to our growth going forward, and also to the growth, diversity and quality of our cash flow."

"Our acquisition of seven new properties at the end of the second quarter will enhance our performance over the remainder of the year," Mr. Beckerleg added.

### **Second Quarter Acquisitions and First Bought-Deal Financing**

During the quarter, the REIT closed transactions to acquire seven new commercial properties, including four retail properties and one office property in the Maritimes, and two industrial properties in the Greater Toronto Area. The Toronto acquisitions represent PROREIT's initial entry into the Ontario market.

All but one of the properties are 100% leased. Together, the acquisitions add 416,735 square feet of gross leasable area to PROREIT's portfolio with an average lease maturity of 7 years. The acquisitions closed at the end of the second quarter. The financial impact of the acquisitions will therefore be felt in the third quarter 2015 and in ensuing quarters.

The acquisitions were financed, in part, by the REIT's first bought deal equity financing, which was announced concurrently with the acquisitions, but which closed on June 9, 2015. Under the terms of the financing, which was supported by a strong banking syndicate, PROREIT issued 7,625,000 trust units ("Units") at a price of \$2.30 per Unit for gross proceeds to the REIT of approximately \$17.5 million. The net proceeds from the offering were principally directed to fund the acquisitions of the seven new properties at end of the second quarter, and to fund redevelopment of an existing property.

### **Second Quarter 2015 Financial Results**

PROREIT'S financial and operating performance in the second quarter reflects primarily the solid financial and operating gains achieved following the REIT's October 2014 acquisition of 14 properties. The acquisitions resulted directly in significantly increased property revenues, NOI and AFFO.

For the three months ended June 30, 2015, PROREIT recorded property revenue of \$3.85 million, a 91.7% increase compared to property revenues of \$2.01 million for the three months ended June 30, 2014. Six month property revenues increased 99.7% to \$7.75 million, compared to six months ended June 30, 2014.

NOI increased 102.8% to \$2.41 million in the second quarter, compared to \$1.19 million in the second quarter of 2014. For the six months ended June 30, 2015, NOI was \$4.77 million, an increase of 102.1%, compared to the corresponding period a year ago.

During the second quarter, PROREIT generated AFFO of \$1.33 million or \$0.0516 of AFFO per basic unit, compared to \$576,000 or \$0.0549 per basic unit in the second quarter of 2014. The increase in AFFO was due to the increase in the number of properties in the portfolio compared to the previous year. It is important to note that the modest decrease in AFFO per unit is due to the temporary dilution caused by the successful issue of new units on June 9, 2015 from the bought deal financing, and the application of the proceeds of that

financing to acquire the seven new properties at the end of the second quarter. These transactions are reflected on the balance sheet at June 30, 2015 and the normalized revenues will impact future quarters. Together, the acquisitions and financing will be significantly accretive to AFFO in future quarters. For the six months ended June 30, 2015, AFFO increased 127% to \$2.66 million, compared to the corresponding period in 2014.

For the three months ended June 30, 2015, PROREIT declared three distributions totaling \$0.0525 per trust unit of the REIT. The AFFO payout ratio in the second quarter was 101.8% on a basic weighted average of 25,763,170 units outstanding. The increase in the payout ratio was caused by the timing gap between the close of the bought deal financing and the closing of the purchase of the seven commercial properties. On a pro forma basis, if the seven properties had been acquired the same day as the June 9 financing, and other operating factors being comparable, the payout ratio for three and six months would have been approximately 94%.

At June 30, 2015, the total assets of the REIT stood at \$186.4 million, an increase of 161.1% compared total assets of \$71.4 million at June 30, 2014. Total debt to gross book value decreased slightly to 58.68%, compared to 58.80% at the end of the second quarter in 2014. The weighted average interest rate on mortgage debt improved to 3.73% compared to 4.14% a year earlier.

#### Second Quarter 2015 Operating Results

PROREIT continued to meet all operational targets during the second quarter. At the end of the second quarter, the occupancy rate of the REIT stood at 95.9%, compared to 89.5% a year earlier. The change in occupancy rates at June 30, 2015 is a direct result of the property acquisitions in October 2014 and June 2015, as well as by Management's successful lease-up activities during the quarter. These activities include the lease-up of 22,000 square feet of space at the REIT's property in Woodstock, New Brunswick to a major national retailer, along with new commitments made for the remaining space in the same building, late in the quarter. Across our portfolio, more than 33,000 square feet of new commitments have been signed. The full impact of these recent commitments will be felt in the third and ensuing quarters. PROREIT's average lease term remained unchanged at 7.2 years.

At June 30, 2015, the REIT's portfolio consisted of 29 properties, located in prime locations within their respective markets, representing a total gross leasable area of 1,431,296 square feet. The increase of 1,034,559 square feet compared to June 30, 2014 is a result of the acquisition of 14 properties completed in October 2014, the acquisition of 7 properties completed in June 2015, offset by the sale of 1 property in March 2015.

#### Subsequent Events - Plan to Acquire Boulevard Industrial REIT

On July 31, 2015, PROREIT announced that it had entered into an arrangement agreement to acquire all of the outstanding trust units of Boulevard Industrial Real Estate Investment Trust ("Boulevard") in a supported transaction approved unanimously by the boards of trustees of both PROREIT and Boulevard.

The acquisition of Boulevard will increase the scale of the REIT's portfolio to over \$200 million of gross book value and is expected to be accretive to the REIT's net asset value and AFFO per unit. The REIT will acquire three high quality industrial properties in Moncton, New Brunswick, further solidifying PROREIT's strong footprint in the Maritimes and increasing the scale and effectiveness of its operations in that market. For their part, Boulevard unitholders will benefit from ongoing participation in a well-sponsored entity with scale, portfolio diversification, a strong balance sheet, a well-respected management team and an ability to raise capital. The unitholders of both REITs will benefit from an increased market capitalization and liquidity.

The acquisition will be effected by way of a plan of arrangement pursuant to which unitholders of Boulevard will receive 0.04651 of a trust unit of the REIT for each trust unit of Boulevard they hold.

Trustees, management and certain other unitholders of Boulevard who collectively hold approximately 26% of the total trust units of Boulevard outstanding have entered into agreements pursuant to which they have agreed to vote their units in favour of the transaction. The arrangement will be voted upon by Boulevard unitholders and debenture holders at a meeting called for such purpose. The trustees of Boulevard unanimously recommend that Boulevard unitholders vote in favour of the arrangement, based on advice from a special committee of independent trustees.

The transaction is subject to the approval of Boulevard unitholders, regulatory approvals, including of the TSX Venture Exchange ("TSXV"), court approvals and other customary conditions.

#### Outlook

In addition to executing and delivering on its operational goals, Management's immediate priority in the third-quarter is to complete the Boulevard acquisition. The properties to be acquired via the acquisition are good quality with excellent tenants and long-term leases in a market that PROREIT knows well.

Future results will also benefit from recent and continuing improvements in occupancy numbers. The REIT also

expects to begin development on a 7,100 square foot new strip centre at its 135 Main Street property in Moncton, New Brunswick, for 2016. The property is already 75% pre-leased to national quality tenants.

Management believes that the balance of 2015 remains challenging but new opportunities remain. PROREIT unitholders will continue to benefit from acquisitions completed over the past twelve months, including at the end of the second quarter. In addition, PROREIT is constantly leveraging its extensive network of real estate industry contacts to find new accretive opportunities.

Capital markets remain challenging for the REIT sector in general. The spread between long-term Canada bond yields and distribution yields on Canadian REITs is at an all-time high. PROREIT does not believe these spreads are justified.

Mr. Beckerleg said: "The current yield on PROREIT units is very attractive at over 10%, based on the most recent closing price of the units on the TSXV. We believe that our growing asset base, our diverse high quality tenants, and our long-term lease maturities combine with our team's proven ability to deliver on all of our operational goals to underscore the increasing quality and the declining risk of an investment in PROREIT.

"Despite market headwinds, we believe there remains significant potential for new growth for PROREIT over the remainder of 2015. Our focus continues to be on internal opportunities as well as the delivery of accretive growth through acquisitions, by expanding deeper into existing geographical markets where the REIT has a presence, and into adjacent markets. These strategies will capitalize on the REIT's market knowledge and help achieve economies of scale.

"We look forward to building further our ties with unitholders and with both retail and institutional investors across Canada as we continue to execute and deliver on both our external and internal growth strategies," he concluded.

#### About PROREIT

PROREIT 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.

#### Non-IFRS Measures

The REIT's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). In this press release, as a complement to results provided in accordance with IFRS, the REIT discloses and discusses certain non-IFRS financial measures, including AFFO, NOI and debt to gross book value as well as other measures discussed elsewhere in this release. These non-IFRS measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other issuers. The REIT has presented such non-IFRS measures as Management believes they are relevant measures of the REIT's underlying operating performance and debt management. Non-IFRS measures should not be considered as alternatives to net income, cash generated from (utilized in) operating activities or comparable metrics determined in accordance with IFRS as indicators of the REIT's performance, liquidity, cash flow, and profitability. For a full description of these measures and, where applicable, a reconciliation to the most directly comparable measure calculated in accordance with IFRS, please refer to the "Non-IFRS Financial Measures" section in the REIT's Management's Discussion and Analysis for the three and six months ended June 30, 2015, available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Forward-Looking Statements

This news release contains forward-looking statements within the meaning of applicable securities legislation. 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.

Forward-looking statements contained in this press release includes, without limitation, statements pertaining to the closing of the arrangement with Boulevard; the extent to which the transaction is expected to be accretive to PROREIT; PROREIT's future financial performance; the ability of the REIT to execute its growth strategies; statements relating to potential acquisitions and development opportunities; and the expected occupancy of the REIT's properties.

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](http://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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