



## **PROREIT COMPLETES COMPASS COMMERCIAL REALTY ACQUISITION AND \$31.7 MILLION IN PROPERTY ACQUISITIONS IN WINNIPEG AND DRUMMONDVILLE**

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MONTREAL, July 3, 2018 - PRO Real Estate Investment Trust ("PROREIT" or the "REIT") (TSXV: PRV.UN) is pleased to announce that it has successfully closed three previously announced transactions.

The purchase of the assets of Compass Commercial Realty Limited, a property management firm based in Halifax, Nova Scotia is expected to add significant value to the operations of the REIT.

Also completed are the portfolio purchase of six industrial buildings together with further developable land in Winnipeg, Manitoba, as well as the 50% remaining undivided interest in a high quality industrial property in Drummondville, Quebec.

"With the closing of these transactions, PROREIT has now surpassed the \$400 million mark in total assets, said James W. Beckerleg, President and Chief Executive Officer. "Further, the acquisition of Compass is an important strategic initiative. As we build a national presence, the acquisition of the Compass property management platform will enable us to reduce costs, build value and develop a strong presence in each of our key markets. The acquisition is a major initiative in the eventual internalization of our full management function, once appropriate total asset targets have been achieved and the REIT elects to take this step."

Partial consideration being paid for the Compass transaction includes the issuance 869,565 Class B limited partnership units of PRO REIT Limited Partnership ("Class B LP Units"), a subsidiary of the REIT, at a price of \$2.30 per unit. The Class B LP Units are economically equivalent to and exchangeable for trust units of the REIT on a one-for-one basis.

### **Compass Commercial Realty: A platform for internal management and value creation**

PROREIT has acquired the assets of Compass Commercial Realty Limited ("Compass"), a prominent property management firm headquartered in Halifax, Nova Scotia. Compass is an established property manager with 60 properties under management, totaling more than 3.7 million square feet of gross leasable area ("GLA") in Atlantic Canada, Ontario and Alberta. It currently manages 25 PROREIT properties in the Maritimes representing approximately 20% of the total revenues of Compass. Compass will continue under its current brand to be headquartered in Halifax, Nova Scotia. In addition to Halifax, it has offices in Moncton, New Brunswick and Oakville, Ontario.

The acquisition of Compass will enable PROREIT to internalize the property management function for its properties and provide an opportunity for PROREIT to repatriate property management fees. On a pro

forma basis, this acquisition is expected to very positively impact PROREIT's net operating income (NOI)<sup>1</sup> and AFFO per unit<sup>1</sup> commencing in the third quarter of this year. The purchase price for the acquisition included a cash component and the issuance of 869,565 Class B LP Units at a price of \$2.30 per unit.

Compass will be managed autonomously by the current management team under the direction of long-time Compass senior executive Christopher Andrea, who has been named President of Compass.

"This new group has the talent, expertise and platform to grow its business. The appointment of Chris Andrea as President will provide continuity of management for clients and employees of Compass. He will oversee the considerable potential for growth in the property management business of PROREIT that results from this transaction, and we look forward to the creation of significant additional value at the REIT that this transaction implies," said Mr. Beckerleg.

### **Winnipeg Property Acquisitions Expand National Footprint**

With the closing of the Winnipeg acquisitions, PROREIT is now in nine of ten Canadian provinces.

The Winnipeg acquisitions include six well located industrial buildings and a 2.1-acre parcel of land in Winnipeg, Manitoba for an aggregate purchase price \$27.3 million. Total GLA of the six buildings is 237,430 sq. ft. The \$27.3 million acquisition was financed by a \$18.9 million first mortgage on the portfolio having a five-year term and an interest rate of 3.90 percent. The financing was arranged with a Tier 1 Canadian Chartered Bank. The balance of the purchase price of the portfolio was settled from PROREIT's lines of credit, in part freed up from the proceeds of the equity financing completed in January 2018.

"The Winnipeg properties establishes a truly national footprint for PROREIT and provides us with a strategic foothold in a strong commercial market. Vacancy rates in the Winnipeg industrial real estate market are declining and rents are rising," noted Mr. Beckerleg. Winnipeg is exactly the type of market we want to be in and we look forward to expanding our assets there over the longer-term."

The buildings, which have been institutionally owned and managed for the past ten years, have been well maintained and are fully occupied. They are strategically located within the Inkster Industrial Park and the St. James industrial area in close proximity to the James A. Richardson International Airport. The Inkster and St. James industrial areas contain approximately 35% of the roughly 78 million square foot industrial real estate market in Manitoba.

The Manitoba industrial real estate market is historically stable with predictable market conditions. Overall, industrial vacancy rates have remained under 4% over the past ten years, and the Winnipeg market is currently firming.

The properties include:

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<sup>1</sup> Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

### **1455 Mountain Avenue**

The largest of the properties, 1455 Mountain Avenue, is a 94,541 sq. ft. building with 20 ft. ceilings. Originally built in 1981, it was substantially modernized and upgraded in 2014. The building has three loading docks and occupies only 18% of 11.9 acres of land, providing the opportunity to expand the building in the future and to initiate further development when the time is appropriate. The facility is leased to Canada Goose, one of the world's leading makers of luxury apparel. The Canada Goose lease runs to 2025 with two additional five-year options to renew. The lease includes a significant rent step in 2019.

### **1410 Mountain Avenue**

Built in 1989 – 1990, 1410 Mountain Avenue is a 47,521 sq. ft. mixed use light industrial building. The dual-tenant building is occupied by a well-established services business, and a para-governmental social services body, both with medium to long-term leases, including rent steps and options to renew.

### **20 Bentall Street**

Sitting on the same parcel of land as 1410 Mountain Avenue, 20 Bentall Street is a 34,181 sq. ft. light industrial building with 21 ft. ceiling height. The building is occupied by one of Canada's leading distribution and logistics firms, with a remaining lease term of over 9 years, rent steps, and including options to renew. The building includes eight truck level and three grade level doors.

Adjacent the property is a prime 2.1-acre undeveloped parcel of land, bearing the street address 10 Bentall Street, which is included in the acquisition.

### **1305 King Edward Street**

This single tenant property contains 9,464 sq. ft. of GLA with 20 ft. ceilings. The tenant is a well-known mobile communications services center operator based in Western Canada. Built in 1991, the building sits on a 2.0-acre property that is shared with 1313 King Edward Street.

### **1313 King Edward Street**

This 20,900 sq. ft. building is home to a reputable Canadian distributor of electrical and telecommunications equipment with a remaining lease term of four years and includes rent steps and renewal options. The building covers 35% of the 2.0-acre site it shares with 1305 King Edward Street.

### **1791 Dublin Avenue**

This 30,823 sq. ft. multi-tenant building is fully occupied by seven tenants, including several national brand name companies, including Bell Canada, Telus, Trader Corporation and Emco. Built in 1988, the building has 21 ft. ceilings and seven truck level doors. The building sits on a 1.6-acre lot.

### **50% Interest in 1750 Jean-Berchmans-Michaud, Drummondville**

PROREIT has closed the transaction to acquire the 50% interest that it did not already own in the 1750 Berchmans-Michaud high quality industrial property in Drummondville, Quebec. The additional interest was acquired for \$4.39 million. The transaction will add 85,560 square feet to GLA.

The property is a freestanding single-tenant Class A industrial building with approximately 171,200 square feet of GLA. It was built in 1997 on 10.75 acres of land. It is fully occupied under a long-term lease of 12 years with contracted annual rent steps, expiring in June 2028. The property is well located off the Trans-Canada Highway (Route 20), north-east of Montreal, and offers the opportunity for building expansion in the future. The warehouse has a clear ceiling height of 24 feet.

PROREIT assumed existing financing of an approximately \$2.5 million 10-year mortgage bearing interest at 4% with the balance of the purchase price financed by PROREIT lines of credit freed up from the January 2018 equity issue.

“We are very pleased to be taking full ownership of this high-quality building in Drummondville,” added Mr. Beckerleg. “This fully occupied, high quality industrial property provides direct access to markets in Montreal, Eastern Canada and the U.S. market. It is an attractive asset for PROREIT.”

### **Other transactions**

Other recently announced transactions have closed or are expected to close in the current quarter.

### **598 Union St., Fredericton, N.B.**

The closing of the acquisition of 598 Union Street, a fully occupied retail strip mall in Fredericton, N.B., was announced in a press release on June 15, 2018. The \$4.5 million property sits on 3.71 acres of land and has 100 parking stalls. The property is anchored by a national pharmacy brand and other national tenants occupying over 90% of the mall, with the balance leased to a strong local business on a long-term lease. The weighted average lease term for tenants of the strip mall is 6.4 years.

The purchase price for the New Brunswick acquisition included a cash portion of approximately \$3.6 million which was financed by \$3.2 million in new debt at 4.15% over a five-year term and PROREIT’s lines of credit, and the issuance of 391,305 trust units of PROREIT at a price of \$2.30 per unit.

### **Couche Tard/Tim Hortons Quebec Portfolio**

PROREIT recently announced that the REIT has signed an agreement to acquire four properties located in Montreal, Sherbrooke, Laurier Station and Levis, in Quebec. The transaction is expected to close in the current quarter and is subject to customary closing conditions, including approval of the TSX Venture Exchange.

The properties are 100% leased to Couche Tard convenience stores and include a Tim Hortons. The four buildings contain 13,606 square feet of GLA and are being acquired for \$8.95 million from vendors of which a trustee of the REIT, Vincent Chiara, may be considered a related party.

Importantly, the consideration for the acquisition comprises a cash portion of approximately \$5.95 million which will be financed by the assumption of existing mortgage debt, new first mortgages, and PROREIT's lines of credit, and the issuance of approximately \$3.0 million of Class B LP Units at a price not lower than \$2.30 per unit.

### **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 across Canada.

### **Non-IFRS and Operational Key Performance Indicators**

PROREIT's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). In this press release, PROREIT discloses and discusses certain non-IFRS financial measures, including Adjusted Funds From Operations ("AFFO") and Net Operating Income ("NOI"). 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. PROREIT has presented such non-IFRS measures as Management believes they are relevant measures of PROREIT'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 PROREIT'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 and Operational Key Performance Indicators" section in PROREIT's Management's Discussion and Analysis for the three months ended March 31, 2018, 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 is 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 ability of the REIT to execute its business and growth strategies; the REIT's future financial performance; the expected timing and completion of the remaining acquisitions described in this press release; and the effect of such acquisitions and completed acquisitions on the financial performance of the REIT. 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 REIT'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.

The forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement. 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.

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).

*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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