Pro Real Estate Investment Trust (PROREIT)

PROREIT ANNOUNCES FIRST QUARTER RESULTS FOR FISCAL 2023

MONTREAL, May 10, 2023 /CNW/ - PRO Real Estate Investment Trust ("PROREIT" or the "REIT") (TSX: PRV.UN) today reported its financial and operating results for the three-month period ("first quarter" or "Q1") ended March 31, 2023.

First Quarter of Fiscal 2023 Highlights

- Property revenue increased by 3.9% in Q1 year-over-year
- Net operating income (NOI)***** up 3.3% in Q1 year-over-year
- Same Property NOI* up 4.9% in Q1 year-over-year
- Net income and comprehensive income of $13.0 million in Q1, compared to $46.5 million in the same quarter last year
- Net cash flows provided from operating activities reached $10.6 million, an increase of 57.3% year-over-year
- AFFO payout ratio***** of 87.0%, flat year-over-year
- Debt to Gross Book Value* of 49.2% at March 31, 2023, compared to 51.2% at same date last year
- Occupancy rate of 98.6% at March 31, 2023
- 68.5% of gross leasable area ("GLA") maturing in 2023 renewed at 40.9% average spread

"We are pleased to have started 2023 on solid footing, delivering consistent results from both an operational and financial standpoint," said Gordon Lawlor, President and Chief Executive Officer of PROREIT.

"These results continue to reflect the quality of our portfolio and our sound strategic positioning in the industrial sector, which accounts for 69.5% of base rent. With a strong occupancy rate of 98.6%, our ability to generate consistent organic growth is also evidenced by our Same Property NOI* growth of 4.9% in the first quarter of 2023 and the successful renewals of 68.5% of GLA maturing in 2023 at an average positive lease rate spread of 40.9%.

"We remain focused on strengthening both our portfolio and balance sheet. After quarter-end, we disposed of one non-core office property and will continue to recycle assets to maximize long-term value as we look to capitalize on potential acquisition opportunities in the industrial sector. We are also pleased to report that our Debt to Gross Book Value* is down to 49.2% and that we continue to benefit from our well-staggered debt profile with limited material maturities until 2026.

"On the ESG front, I am delighted to report that we just released our 2022 ESG report. We made significant strides during the year, establishing clear priorities with measurable goals and introducing new initiatives to increase our impact in all three areas. As we move forward on this journey, we endeavour to make further progress with the information we track and share with our stakeholders.

"As I take the helm of PROREIT, reinforced by a cohesive management team with a proven track record, I am excited by the opportunities that lay ahead as we pursue our ambition to reach $2 billion in assets in the medium term, while remaining mindful that current macro-economic factors, including the high-interest rate environment, present certain challenges.

"On a final note, it has been an honour working along-side Jim Beckerleg to build this REIT into what it is today. I am grateful for his mentorship and am keen to continue to benefit from his real estate and capital markets expertise as he provides ongoing oversight as a member of the Board," concluded Mr. Lawlor.

* Measures followed by the suffix "*" in this release are non-IFRS measures. See "Non-IFRS Measures".

Financial Results
Table 1- Financial Highlights

(CAD $ thousands except unit, per unit amounts and unless otherwise stated)		**3 Months Ended March 31 2023**		3 Months Ended March 31 2022
Financial data				
Property revenue	**$**	**25,278**	$	24,330

Net operating income (NOI) [1]	**$**	**14,540**	$	14,080
Same Property NOI [1]	**$**	**12,437**	$	11,855
Net income and comprehensive income	**$**	**13,048**	$	46,522
Total assets	**$**	**1,054,881**	$	1,032,176
Debt to Gross Book Value [1]		**49.22 %**		51.21 %
Interest Coverage Ratio [1]		**2.7x**		2.9x
Debt Service Coverage Ratio [1]		**1.6x**		1.6x
Debt to Annualized Adjusted EBITDA Ratio [1]		**9.6x**		10.2x
Weighted average interest rate on mortgage debt		**3.70 %**		3.40 %
Net cash flows provided from operating activities	**$**	**10,582**	$	6,729
Funds from Operations (FFO) [1]	**$**	**4,948**	$	8,108
Basic FFO per unit [1][2]	**$**	**0.0819**	$	0.1341
Diluted FFO per unit [1][2]	**$**	**0.0805**	$	0.1321
Adjusted Funds from Operations (AFFO) [1]	**$**	**7,814**	$	7,813
Basic AFFO per unit [1][2]	**$**	**0.1293**	$	0.1293
Diluted AFFO per unit [1][2]	**$**	**0.1271**	$	0.1273
AFFO Payout Ratio – Basic [1]		**87.0 %**		87.0 %
AFFO Payout Ratio – Diluted [1]		**88.5 %**		88.4 %

(1) Non–IFRS measure. See "Non–IFRS Measures".

(2) Total basic units consist of trust units of the REIT and Class B LP Units (as defined herein). Total diluted units also includes deferred trust units and restricted trust units issued under the REIT's long–term incentive plan.

PROREIT owned 130 investment properties (including a 50% ownership interest in 42 investment properties) at March 31, 2023, compared to 120 investment properties it owned at 100% at March 31, 2022. Total assets amounted to $1.05 billion as at March 31, 2023, compared to $1.03 billion as at March 31, 2022, an increase of $20 million or 1.9%. During the twelve-month period ended March 31, 2023, PROREIT acquired a 50% interest in 21 investment properties, sold a 50% interest in 21 other investment properties and sold a 100% interest in 11 investment properties.

For the first quarter ended March 31, 2023:

- Property revenue amounted to $25.3 million, an increase of $0.9 million or 3.9%, compared to $24.3 million for the same prior year period. The increase was principally due to the incremental revenues from the net increase in the number of properties and related ownership percentages during the twelve-month period ended March 31, 2023.
- Same Property NOI***** reached $12.4 million, an increase of $0.6 million or 4.9%, compared to the same prior year period. The increase is attributed to the rise in occupancy in the industrial and office asset classes for the three-month period ended March 31, 2023 and certain contractual rent increases and higher rental rates on lease renewals in the industrial asset class compared to the same period in 2022.
- NOI* amounted to $14.5 million, compared to $14.1 million in the same period in 2022, an increase of 3.3% mainly driven by the impact of the net property acquisitions and related ownership percentages over the last twelve-month period.
- Net cash flows provided from operating activities reached $10.6 million, compared to $6.7 million in the first quarter of 2022, an increase of 57.3%, largely as a result of the timing of cash receipts and settlement of payables.
- AFFO***** totaled $7.8 million and remained flat compared to the same period last year.
- AFFO Payout Ratio – Basic***** stood at 87.0%, which remained flat compared to the same prior year period.

TABLE 2- Reconciliation of net operating income to net income and comprehensive income

(CAD $ thousands)	**3 Months Ended March 31 2023**	3 Months Ended March 31 2022
Net operating income [1]	**14,540**	14,080
General and administrative expenses	**3,518**	1,202
Long–term incentive plan expense	**581**	925

Depreciation of property and equipment		**105**		89
Amortization of intangible assets		**93**		93
Interest and financing costs		**5,131**		4,712
Distributions – Class B LP Units		**157**		159
Fair value adjustment – Class B LP Units		**(28)**		946
Fair value adjustment – investment properties		**(7,651)**		(40,301)
Other income		**(835)**		(462)
Other expenses		**421**		195
Net income and comprehensive income	**$**	**13,048**	$	46,522

(1) Non–IFRS measure. See "Non–IFRS Measures".

For the three months ended March 31, 2023, net income and comprehensive income amounted to $13.0 million, compared to $46.5 million during the same prior year period. The $33.5 million variance mainly relates to the $32.7 million impact of the non-cash fair market value adjustment on investment properties, one-time CEO retirement costs of about $2.2 million, included in general and administrative expenses, and approximately $1.0 million of additional long-term incentive plan expense related to the accelerated vesting of certain LTIP units in connection with the CEO retirement in Q1 2023.

Solid Balance Sheet

PROREIT is committed to progressively improving its balance sheet, including its Debt to Gross Book Value* ratio and its cash position and sources of funds available. PROREIT maintains diversified debt maturities appropriate for the overall debt level of its portfolio.

As at March 31, 2023, PROREIT had $15.5 million available on its credit facility. Debt to Gross Book Value* was 49.2% at March 31, 2023, down from 51.2% at the same date last year.

The weighted average interest rate on mortgage debt was 3.70% at March 31, 2023, compared to 3.40% at the same date last year.

Operating Performance

At March 31, 2023, PROREIT's portfolio totaled 130 properties aggregating 6.5 million square feet with a weighted average lease term of 4.1 years. Approximately 68.5% of leases maturing in 2023 are renewed at a positive average spread of 40.9%.

Occupancy rate remained strong at 98.6% as at March 31, 2023, up slightly compared to 98.5% a year earlier.

The industrial segment accounted for 80% of GLA and 69.5% of base rent at March 31, 2023.

CEO Succession

Effective April 1, 2023, as part of PROREIT's succession plan, Gordon G. Lawlor succeeded James W. Beckerleg as President and Chief Executive Officer of the REIT and joined PROREIT's Board of Trustees. Simultaneously, Mr. Beckerleg was named Vice Chair of the Board and Co-Founder. Mr. Beckerleg had been President and Chief Executive Officer and a Trustee of PROREIT since 2013. Concurrently with these changes, Alison Schafer was appointed Chief Financial Officer and Secretary of the REIT.

Subsequent Events

On April 21, 2023, PROREIT sold a 50,000 square foot non-core office property for gross proceeds of $2.1 million (excluding closing costs). Proceeds of the sale were used for general corporate purposes.

On April 25, 2023, PROREIT received a commitment letter to refinance six industrial properties located in Winnipeg, Manitoba for $20.5 million. The rate on the new mortgages was fixed at 5.07% with a term of seven years. The refinancing is expected to close in June 2023. Proceeds of the refinancing will be used to repay approximately $16.6 million of mortgages maturing in July 2023 with the balance to be used for general corporate purposes.

Sustainability

In 2022, PROREIT established a Steering Committee responsible for the daily management of its ESG program and to ensure the REIT's long-term sustainability. In its 2022 ESG report released on May 10, 2023, PROREIT outlines its priorities, initiatives and goals, along with the progress made to achieve those goals. PROREIT's ESG report is available on the Sustainability page of its website.

Distributions

Distributions to unitholders of $0.0375 per trust unit of the REIT were declared monthly during the three months ended March 31, 2023, representing distributions of $0.45 per unit on an annual basis. Equivalent distributions are paid on the Class B limited partnership units of PRO REIT Limited Partnership ("Class B LP Units"), a subsidiary of the REIT.

On April 20, 2023, PROREIT announced a cash distribution of $0.0375 per unit for the month of April 2023. The distribution is payable on May 15, 2023 to unitholders of record as at April 28, 2023.

Investor Conference Call and Webcast Details

PROREIT will hold a conference call to discuss its first quarter 2023 results on May 11, 2023, at 9:00 a.m. EDT. There will be a question period reserved for financial analysts. To access the conference call, please dial 888-664-6383 or 416-764-8650. A recording of the call will be available until May 18, 2023 by dialing 888-390-0541 or 416-764-8677 and using access code: 490928#

The conference call will also be accessible via live webcast on PROREIT's website at www.proreit.com or at https://app.webinar.net/7oeZqNez54y.

Annual Meeting of Unitholders

PROREIT will host its annual meeting on June 6, 2023, at 11:00 a.m. (Montreal time) at the Ritz-Carlton Hotel, Room Ritz and Carlton, 1228 Sherbrooke Street West in Montreal, Quebec. An audio webcast of the meeting will also be available at https://app.webinar.net/qVWoBqg7pz2.

About PROREIT

PROREIT (TSX:PRV.UN) is an unincorporated open-ended real estate investment trust established pursuant to a declaration of trust under the laws of the Province of Ontario. Founded in 2013, PROREIT owns a portfolio of high-quality commercial real estate properties in Canada, with a strong industrial focus in robust secondary markets.

For more information on PROREIT, please visit the website at: https://proreit.com.

Non-IFRS Measures

PROREIT's consolidated financial statements are prepared in accordance with International Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. In addition to reported IFRS measures, industry practice is to evaluate real estate entities giving consideration, in part, to certain non-IFRS financial measures, non-IFRS ratios and other specified financial measures (collectively, "non-IFRS measures"). Without limitation, measures followed by the suffix "*" in this press release are non-IFRS measures.

As a complement to results provided in accordance with IFRS, PROREIT discloses and discusses in this press release (i) certain non-IFRS financial measures, including: adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA"); annualized adjusted earnings before interest, tax, depreciation and amortization ("Annualized Adjusted EBITDA"); adjusted funds from operations ("AFFO"); funds from operations ("FFO"); gross book value ("Gross Book Value"); net operating income ("NOI"); Same Property NOI; and (ii) certain non-IFRS ratios, including: AFFO Payout Ratio – Basic; AFFO Payout Ratio – Diluted; Basic AFFO per Unit; Diluted AFFO per Unit; Basic FFO per Unit; Diluted FFO per Unit; Debt to Gross Book Value; Debt Service Coverage Ratio; Interest Coverage Ratio; Debt to Annualized Adjusted EBITDA Ratio. These non-IFRS measures are not defined by IFRS and do not have a standardized meaning under IFRS. PROREIT's method of calculating these non-IFRS measures may differ from other issuers and may not be comparable with similar measures presented by other income trusts. PROREIT has presented such non-IFRS measures and ratios as management believes they are relevant measures of PROREIT's underlying operating and financial performance. For information on the most directly comparable IFRS measures, composition of the non-IFRS measures, a description of how PROREIT uses these measures and an explanation of how these measures provide useful information to investors, refer to the "Non-IFRS Measures" section of PROREIT's management's discussion and analysis for the three months ended March 31, 2023, dated May 10, 2023, available on PROREIT's SEDAR profile at www.sedar.com, which is incorporated by reference into this press release. As applicable, the reconciliations for each non-IFRS measure are outlined below. Non-IFRS measures should not be considered as alternatives to net income, cash flows provided by operating activities, cash and cash equivalents, total assets, total equity, or comparable metrics determined in accordance with IFRS as indicators of PROREIT's performance, liquidity, cash flow and profitability.

Reconciliation of Same Property NOI to net operating income (as reported in the consolidated

financial statements)

(CAD $ thousands)		**3 Months Ended March 31 2023**		3 Months Ended March 31 2022
Property revenue	**$**	**25,278**	$	24,330
Property operating expenses		**10,738**		10,250
NOI (net operating income) as reported in the financial statements [1]		**14,540**		14,080
Straight-line rent adjustment		**(121)**		(118)
NOI after straight-line rent adjustment [1]		**14,419**		13,962
NOI [1] sourced from:				
Acquisitions		**(1,982)**		-
Dispositions		**-**		(2,107)
Same Property NOI [1]	**$**	**12,437**	$	11,855
Number of same properties		**107[2]**		107[2]

[1] Non-IFRS measure. See "Non–IFRS Measures".

[2] Includes 21 properties 50% owned at March 31, 2023 (100% owned at March 31, 2022). The comparative period has been updated to reflect 50% ownership.

Reconciliation of AFFO and FFO to net income and comprehensive income

(CAD $ thousands except unit, per unit amounts and unless otherwise stated)	**3 Months Ended March 31 2023**		3 Months Ended March 31 2022
Net income and comprehensive income for the period	**$ 13,048**		$ 46,522
Add:			
Long–term incentive plan	**(671)**		689
Distributions – Class B LP Units	**157**		159
Fair value adjustment – investment properties	**(7,651)**		(40,301)
Fair value adjustment – Class B LP Units	**(28)**		946
Amortization of intangible assets	**93**		93
FFO [1]	**$ 4,948**		$ 8,108
Deduct:			
Straight–line rent adjustment	**$ (121)**	$	(118)
Maintenance capital expenditures	**(185)**		(279)
Stabilized leasing costs	**(506)**		(392)
Add:			
Long–term incentive plan	**1,252**		236
Amortization of financing costs	**186**		258
CEO succession plan costs	**2,240**		-
AFFO [1]	**$ 7,814**		$ 7,813
Basic FFO per unit [1][2]	**$ 0.0819**		$ 0.1341
Diluted FFO per unit [1][2]	**$ 0.0805**		$ 0.1321
Basic AFFO per unit [1][2]	**$ 0.1293**		$ 0.1293
Diluted AFFO per unit [1][2]	**$ 0.1271**		$ 0.1273
Distributions declared per Unit and Class B LP unit	**$ 0.1125**		$ 0.1125

AFFO Payout Ratio – Basic [1]	**87.0 %**	87.0 %
AFFO Payout Ratio – Diluted [1]	**88.5 %**	88.4 %
Basic weighted average number of units [2][3]	**60,447,230**	60,447,230
Diluted weighted average number of units [2][3]	**61,469,854**	61,394,385

(1) Non–IFRS measure. See "Non–IFRS Measures".

(2) FFO and AFFO per unit is calculated as FFO or AFFO, as the case may be, divided by the total of the weighted average number of basic or diluted units, as applicable, added to the weighted average number of Class B LP Units outstanding during the period.

(3) Total basic units consist of trust units of the REIT and Class B LP Units. Total diluted units also includes deferred trust units and restricted trust units issued under the REIT's long–term incentive plan.

Reconciliation of Adjusted EBITDA to net income and comprehensive income

(CAD $ thousands)		**3 Months Ended March 31 2023**		3 Months Ended March 31 2022
Net income and comprehensive income	**$**	**13,048**	$	46,522
Interest and financing costs		**5,131**		4,712
Depreciation of property and equipment		**105**		89
Amortization of intangible assets		**93**		93
Fair value adjustment – Class B LP Units		**(28)**		946
Fair value adjustment – investment properties		**(7,651)**		(40,301)
Distributions – Class B LP Units		**157**		159
Straight–line rent		**(121)**		(118)
Long–term incentive plan expense		**581**		925
CEO succession plan costs		**2,240**		-
Adjusted EBITDA [1]	**$**	**13,555**	$	13,027

(1) Non–IFRS measure. See "Non–IFRS Measures".

Calculation of Debt to Annualized Adjusted EBITDA Ratio

(CAD $ thousands)		**3 Months Ended March 31 2023**		3 Months Ended March 31 2022
Debt, excluding unamortized financing costs	**$**	**476,364**	$	507,856
Credit facility, excluding unamortized financing costs		**44,500**		22,000
Debt, excluding unamortized financing costs	**$**	**520,864**	$	529,856
Adjusted EBITDA [1]		**13,555**		13,037
Annualized Adjusted EBITDA [1]	**$**	**54,220**	$	52,148
Debt to Annualized Adjusted EBITDA Ratio [1]		**9.6x**		10.2x

(1) Non–IFRS measure. See "Non–IFRS Measures".

Calculation of the Interest Coverage Ratio

(CAD $ thousands)		**3 Months Ended March 31 2023**		3 Months Ended March 31 2022
Adjusted EBITDA [1]	**$**	**13,555**	$	13,027
Interest expense	**$**	**5,021**	$	4,448
Interest Coverage Ratio [1]		**2.7x**		2.9x

(1) Non–IFRS measure. See "Non–IFRS Measures".

Calculation of the Debt Service Coverage Ratio

(CAD $ thousands)		**3 Months Ended March 31 2023**		3 Months Ended March 31 2022
Adjusted EBITDA (1)	**$**	**13,555**	$	13,027
Interest expense		**5,021**		4,448
Principal repayments		**3,340**		3,589
Debt Service Requirements	**$**	**8,361**	$	8,037
Debt Service Coverage Ratio (1)		**1.6x**		1.6x

(1) Non–IFRS measure. See "Non–IFRS Measures".

Calculation of Gross Book Value and Debt to Gross Book Value

(CAD $ thousands except unit, per unit amounts and unless otherwise stated)	**3 Months Ended Mar 31 2023**	3 Months Ended Mar 31 2022
Total assets, including investment properties stated at fair value	**$ 1,054,881**	$ 1,032,176
Accumulated depreciation on property and equipment and intangible assets	**3,251**	2,450
Gross Book Value (1)	**1,058,132**	1,034,626
Debt, excluding unamortized financing costs	**476,364**	507,856
Credit facility, excluding unamortized financing costs	**44,500**	22,000
Debt	**$ 520,864**	$ 529,856
Debt to Gross Book Value (1)	**49.22 %**	51.21 %

(1) Non–IFRS measure. See "Non–IFRS Measures".

Forward-Looking Statements

This press release contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities legislation, including statements relating to certain expectations, projections, growth plans and other information related to REIT's business strategy and future plans. 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 include, without limitation, statements pertaining to the execution by PROREIT of its growth strategy, the future financial and operating performance of PROREIT, and the proposed refinancing of certain 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 the 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 and "Risk and Uncertainties" in PROREIT's management's discussion and analysis for the three months ended March 31, 2023, which are available under PROREIT's profile on SEDAR at www.sedar.com.

SOURCE PROREIT

For further information: Investor Relations: PRO Real Estate Investment Trust, Gordon G. Lawlor, CPA, CA, President and Chief Executive Officer, 514-933-9552; PRO Real Estate Investment Trust, Alison Schafer, Chief Financial Officer and Secretary, 514-933-9552
