

PROREIT announces \$63 million of proposed property acquisitions and public offering of \$25 million of trust units

PRO Real Estate Investment Trust ("PROREIT" or the "REIT") (TSXV: PRV.UN) is pleased to announce the proposed acquisition of 12 commercial properties for an aggregate purchase price of \$63.3 million, representing an implied weighted average capitalization rate of 7.4% (collectively, the "Acquisitions").

Highlights of the Acquisitions

- **Enhanced portfolio scale and diversification:** Following the Acquisitions, PROREIT's portfolio will be comprised of 45 income producing commercial properties representing approximately 2.2 million square feet of gross leasable area ("GLA"). The Acquisitions will increase PROREIT's weighted average remaining lease term from 6.3 years to 6.9 years, and will increase overall occupancy to approximately 96%, from 95% as at June 30, 2016.
- **High quality tenants:** The Acquisitions are anchored by high quality tenants under long term leases. Government and national tenants represent 86% of the Acquisitions' base rent. The weighted average lease term for the Acquisitions will be 8.8 years.
- **Accretive:** The purchase price of \$63.3 million (excluding closing costs) represents an attractive 7.4% weighted average capitalization rate. The Acquisitions are expected to be immediately accretive to PROREIT's AFFO (as defined below) per unit.
- **Reduced leverage:** Following the closing of the Offering, the Acquisitions and the repayment of certain indebtedness, PROREIT estimates that its ratio of debt to GBV (as defined below) will decline.

"PROREIT continues to deliver on its core business plan of delivering accretive acquisitions of high-quality retail, office, and industrial properties with strong tenants and long-term leases" said James W. Beckerleg, President and Chief Executive Officer. "Additionally, we are capitalizing on opportunities to execute square foot optimization at existing properties at significant returns on invested capital, while reducing financial leverage. PROREIT continues to demonstrate that it is capable of delivering significant and high-quality accretive growth."

Property Acquisitions

The 12 Acquisitions represent an aggregate of approximately 553,000 square feet of GLA, comprised of 10 retail properties (332,000 square feet comprising primarily grocery-anchored and other necessity based retail), one industrial property (171,000 square feet), and one commercial mixed-use property (50,000 square feet). The properties are located in primary and secondary markets throughout Quebec (six properties representing 234,000 square feet), Nova Scotia (four properties representing 252,000 square feet), New Brunswick (one property representing 42,000 square feet), and Prince Edward Island (one property representing 25,000 square feet). The properties have a weighted average in-place occupancy rate of 99%, and a weighted average remaining lease term of 8.8 years. Government and national tenants represent 86% of the Acquisitions' base rent.

The aggregate purchase price (excluding closing costs) for the Acquisitions is anticipated to be approximately \$63.3 million. The completion of the Acquisitions on the terms proposed is expected to be accretive to the REIT's unitholders. The purchase price of the Acquisitions is expected to be satisfied by a combination of the following funding sources: (i) approximately \$14.8 million in cash from the Offering (as defined below), (ii) the issuance to the vendors of certain Acquisitions of an aggregate of approximately \$4.0 million of Class B limited partnership units of PROREIT Limited Partnership ("Class B LP Units"), a subsidiary of the REIT, at a price of \$2.25 per Class B LP Unit, (iii) the assumption of approximately \$10.0 million aggregate principal amount of existing mortgage debt, and (iv) approximately \$34.5 million aggregate principal amount of new mortgage financing.

The REIT has entered into conditional agreements in respect of seven of the Acquisitions with three separate vendors. These acquisitions represent an aggregate of approximately 369,000 square feet of GLA. The aggregate purchase price (excluding closing costs) for these acquisitions is anticipated to be approximately \$48.3 million. These acquisitions are subject to customary due diligence and closing conditions, including with respect to financing and regulatory approvals.

The REIT has also executed letters of intent with two separate vendors for the five other Acquisitions (the "LOI Acquisitions"). The LOI Acquisitions represent an aggregate of approximately 184,000 square feet of GLA. The aggregate purchase price (excluding closing costs) for the LOI Acquisitions is anticipated to be approximately \$15.0 million, of which approximately \$8.9 million is for four properties owned by one of the vendors and \$6.1

million is for the one property owned by the other vendor. The vendors for the LOI Acquisitions are two separate related parties of the REIT and each of the LOI Acquisitions constitutes a “related party transaction” under Multilateral Instrument 61-101 – Protection of Minority Shareholders in Special Transactions (“MI 61-101”). The REIT intends to rely on applicable exemptions from the minority approval and valuation requirements of MI 61-101 for related party transactions on the basis that the LOI Transactions each have a value of less than 25% of the REIT’s market capitalization (as calculated in accordance with MI 61-101). The LOI Acquisitions remain subject to satisfactory due diligence review in accordance with the REIT’s standard operating procedures, including a review of independent appraisals, and are subject to regulatory approvals, including the approval of the TSX Venture Exchange. While there can be no assurance that any or all of the LOI Acquisitions will become subject to a binding purchase agreement, the REIT currently expects these transactions to proceed and is announcing the LOI Acquisitions as it intends to use a small portion of the net proceeds of the Offering (as defined below) to satisfy a portion of the purchase price.

Square Foot Optimization and Deleveraging

In addition to the Acquisitions, PROREIT has identified five of its properties that offer expansion potential with both existing and new tenants, including fit-out of currently vacant space and future pad development. PROREIT intends to use \$1.0 million of the proceeds from the Offering to fund construction costs associated with the expansion projects. PROREIT estimates that such projects, upon completion, will generate a weighted average return on invested capital of more than 20%.

Additionally, PROREIT intends to use approximately \$4.8 million of the proceeds of the Offering to repay amounts outstanding under the REIT’s credit facilities. Following the closing of the Offering, the Acquisitions, and the repayment of certain indebtedness, PROREIT estimates that its ratio of debt to GBV will decline.

Impact of the Acquisition Properties on PROREIT’s Portfolio

Upon closing of the Acquisitions, the REIT’s portfolio will be comprised of 45 commercial properties (the “Portfolio”) totalling 2.2 million square feet of GLA. The Portfolio will be diversified by property type and geography across New Brunswick, Québec, Nova Scotia, Prince Edward Island, Ontario and Alberta. The Portfolio will consist of four office properties representing 154,000 square feet of GLA, 27 retail properties representing 864,000 square feet of GLA, 10 industrial properties representing 937,000 square feet of GLA and four commercial mixed use properties representing 274,000 square feet of GLA. The Acquisitions will increase PROREIT’s weighted average remaining lease term from 6.3 years to 6.9 years.

The Offering

In connection with the Acquisitions, the REIT announced today that it has entered into an agreement to sell to a syndicate of underwriters led by Canaccord Genuity Corp. and TD Securities Inc. (collectively, the “Underwriters”), on a bought deal basis, 11,200,000 trust units (“Units”) at a price of \$2.25 per Unit (the “Offering Price”) for gross proceeds to the REIT of approximately \$25.2 million (the “Offering”). The REIT has also granted the Underwriters an over-allotment option to purchase up to an additional 1,680,000 Units on the same terms and conditions, exercisable at any time, in whole or in part, up to 30 days after the closing of the Offering (the “Over-Allotment Option”). The REIT intends to use the net proceeds from the Offering to partially fund the Acquisitions, to fund expansion and redevelopment initiatives at new and existing properties, to repay certain indebtedness and for general business and working capital purposes. The Offering is expected to close on or about October 18, 2016 and is subject to customary conditions, including regulatory approval.

Mr. Beckerleg further noted, “Upon closing the Offering, based on the current trading price of the Units and taking into consideration the Class B LP Units, the REIT will see its market capitalization exceed \$100 million for the first time, while reducing our leverage.”

The Units will be offered by way of a short form prospectus to be filed with the securities commissions and other similar regulatory authorities in each of the provinces of Canada, pursuant to National Instrument 44-101 - Short Form Prospectus Distributions.

Issuance of Equity to Certain Vendors

Vendors of certain of the properties that PROREIT intends to acquire have agreed to accept approximately \$4.0 million of Class B LP Units as partial consideration for the sale of such properties. Those vendors are related parties of PROREIT. The Class B LP Units are economically equivalent to and exchangeable for Units on a one-for-one basis, and will be accompanied by special voting units that provide their holder with equivalent voting rights to holders of Units of the REIT. The Class B LP Units will be issued upon the closing of the acquisition of the applicable properties at the Offering Price. The Class B LP Units will be issued on a private placement basis, which is subject to regulatory approvals, including the approval of the TSX Venture Exchange.

The securities offered have not and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any U.S. State securities laws and may not be offered or sold, directly or indirectly, within the United States or its territories or possessions or to or for the account of any U.S. person (as

defined in Regulation S under the U.S. Securities Act) other than pursuant to an available exemption from the registration requirements of the U.S. Securities Act. This press release does not constitute an offer to sell or a solicitation of an offer to buy any such securities within the United States, or its territories or possessions, or to or for the account of any U.S. person.

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 and Operational Key Performance Indicators

PROREIT's condensed 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, PROREIT discloses and discusses certain non-IFRS financial measures, including Adjusted Funds From Operations ("AFFO") and debt-to-Gross Book Value ("debt to GBV") 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. 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 June 30, 2016, available on SEDAR at 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 closing of the Offering and each of the Acquisitions, the reduction of PROREIT's debt to GBV, the issuance of Class B LP Units, the entering into of purchase agreements for certain of the Acquisitions, the impact of the Acquisitions on PROREIT's future financial performance and the ability of PROREIT to execute its growth strategies. 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.

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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For further information:

PRO Real Estate Investment Trust

James W. Beckerleg

President and Chief Executive Officer

514-933-9552

PRO Real Estate Investment Trust
Gordon G. Lawlor, CPA, CA
Chief Financial Officer
514-933-9552

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