



## PROREIT ANNOUNCES \$20 MILLION PUBLIC OFFERING OF TRUST UNITS AND PROPOSED PROPERTY ACQUISITIONS

May 23, 2017 - Montréal, Québec - PRO Real Estate Investment Trust (“**PROREIT**” or the “**REIT**”) (TSXV: PRV.UN) is pleased to announce that it has entered into an agreement to sell to a syndicate of underwriters co-led by Canaccord Genuity Corp. and TD Securities Inc. as joint bookrunners and Scotia Capital Inc. (collectively, the “**Underwriters**”), on a bought deal basis, 8,900,000 trust units (“**Units**”) at a price of \$2.25 per Unit (the “**Offering Price**”) for gross proceeds to the REIT of approximately \$20 million (the “**Offering**”).

The REIT has also granted the Underwriters an over-allotment option to purchase up to an additional 1,335,000 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 Offering is expected to close on or about June 13, 2017 and is subject to customary conditions, including regulatory approval. 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.

The REIT intends to use the net proceeds from the Offering to partially fund announced and future acquisitions, to fund expansion and redevelopment initiatives at new and existing properties, to repay certain indebtedness and for general business and working capital purposes.

“PROREIT continues to deliver on its core business plan of delivering accretive acquisitions of high-quality retail, industrial, and commercial mixed-use properties with strong tenants and long-term leases” said James W. Beckerleg, President and Chief Executive Officer. “Additionally, we are capitalizing on certain development and upgrade opportunities at existing properties which are expected to yield significant returns on invested equity capital, which, in turn will contribute to reducing financial leverage. PROREIT continues to demonstrate that it is capable of delivering significant and high-quality accretive growth.”

### Property Acquisitions

The REIT is pleased to report that it has entered into a binding conditional agreement in respect of four of its previously announced acquisitions. The agreement provides that the REIT will acquire four retail properties in the province of Québec for an aggregate purchase price of \$9.0 million, representing a capitalization rate of approximately 6.9%. The REIT previously announced that it had entered into a letter of intent for the acquisition of these properties. The properties are four free standing retail and convenience properties totalling approximately 13,800 square feet of gross leasable area. They are 100% occupied with a weighted average remaining lease term of 7.6 years and include quality tenants such as McDonald’s, Tim Hortons and Couche-Tard. The purchase price of \$9.0 million (excluding closing costs) is expected to be satisfied by (i) the assumption of \$5.9 million in mortgages with a weighted average interest rate of 3.65% and a weighted

average term to maturity of 2.6 years, (ii) the issuance of approximately \$2.5 million of Class B limited partnership units of PRO REIT Limited Partnership (“**Class B LP Units**”), a subsidiary of the REIT, at the Offering Price, and (iii) a cash payment of \$600,000. The acquisitions are subject to customary due diligence and closing conditions, including applicable regulatory approvals, and are expected to close in the second half of 2017.

Additionally, the REIT has recently announced \$40.4 million of proposed acquisitions in Ontario and Atlantic Canada, which will be partially funded by a profitable \$22.3 million sale of two industrial buildings in the Greater Toronto Area. The four properties being acquired include a retail property and a light industrial building totaling 90,600 square feet in Atlantic Canada and two industrial buildings totaling 456,000 square feet in Woodstock, Ontario.

These acquisitions are subject to customary due diligence and closing conditions, including with respect to financing and applicable regulatory approvals and are expected to close in the second half of 2017.

### **Square Foot Optimization**

In addition, PROREIT has identified 4 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 \$2.5 million of the proceeds from the Offering to fund construction costs associated with the square foot optimization projects. PROREIT estimates that such projects, upon completion, will generate a weighted average return on invested capital of more than 11%.

### **Deleveraging and Funding of Future Acquisitions**

Additionally, PROREIT intends to use approximately \$13.4 million of the proceeds of the Offering to repay amounts outstanding under the REIT’s credit facilities, which may be subsequently redrawn and applied as needed to fund future acquisitions and for general trust purposes. 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.

The REIT is currently in negotiations in connection with opportunities that may be suitable for the potential acquisition of several properties located in the REIT’s main target markets. If such opportunities are to materialize, their completion will be subject to a number of conditions consistent with the REIT’s ordinary acquisition practices, including the execution of purchase and sale agreements and completion of due diligence. PROREIT seeks to acquire properties that are accretive to the REIT’s AFFO per unit. The REIT currently anticipates that the remaining net proceeds from the Offering will be deployed by the end of the fourth quarter of 2017.

### **Class B LP Units**

The vendors of the four retail properties that PROREIT intends to acquire for an aggregate purchase price of \$9.0 million have agreed to accept approximately \$2.5 million of Class B LP Units as partial consideration for the sale of such properties. The vendors are corporations in which Vincent Chiara, a trustee of the REIT, currently has an interest. The transaction is therefore expected to constitute a “related party transaction” under Multilateral Instrument 61-101 – Protection of Minority Shareholders in Special Transactions (“MI 61-101”). If required, 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 transaction has a value of less than 25% of the REIT’s market capitalization. The transaction was unanimously approved by the independent

trustees of the REIT subject to the purchase price being supported by an independent estimate of the fair market value of the properties prepared by an independent appraiser under the supervision of the independent trustees of the REIT. 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, 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 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 year ended December 31, 2016, 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 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 use of the net proceeds of the Offering, the impact of acquisitions on PROREIT's future financial performance and the ability of PROREIT to execute its business and growth strategies, including by making additional acquisitions of properties in its target markets. 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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