

**NOT FOR DISSEMINATION IN THE UNITED STATES OR DISTRIBUTION THROUGH UNITED STATES NEWS OR WIRE SERVICES.**



**PROREIT ANNOUNCES TRANSFORMATIVE TRANSACTIONS INCLUDING \$61.7 MILLION OF PROPOSED PROPERTY ACQUISITIONS, PUBLIC OFFERING OF \$35.0 MILLION OF TRUST UNITS AND INTENTION TO INTERNALIZE MANAGEMENT AND GRADUATE TO THE TSX**

September 11, 2018 - Montréal, Québec - PRO Real Estate Investment Trust (“**PROREIT**” or the “**REIT**”) (TSXV: PRV.UN) is pleased to announce transformative transactions including the proposed acquisition of six commercial properties for an aggregate purchase price of \$61.7 million, representing an implied weighted average capitalization rate of 7.0% (collectively, the “**Acquisitions**”), a public offering of \$35.0 million of trust units (“**Units**”) of the REIT (the “**Offering**”) and plan to internalize management and graduate from the TSX Venture Exchange (“**TSXV**”) to the Toronto Stock Exchange (“**TSX**”).

**Property Acquisitions**

PROREIT has entered into conditional agreements in respect of the six Acquisitions with two separate vendors. The six Acquisitions represent an aggregate of approximately 458,000 square feet of gross leasable area (“**GLA**”), comprised of five office properties in Ottawa, Ontario (282,000 square feet of GLA) and one light industrial building in Saint-Hyacinthe, Québec (176,000 square feet of GLA). The combined occupancy rate of the six Acquisitions is 98.3%. In-place leases have a weighted average lease term of 4.9 years from a base of tenants providing strong covenants.

**Ottawa Portfolio of Institutionally Owned Office Buildings**

The Ottawa office portfolio represents PROREIT’s initial entry into the Ottawa commercial market and demonstrates the REIT’s strong commitment to expand into mid-size cities nationally. Upon closing of the Acquisitions, the addition of the Ottawa properties will improve portfolio balance by increasing PROREIT’s portfolio exposure to the Ontario market to 16.4%, and to the office sector also to 16.4%.

The portfolio consists of five high quality suburban Ottawa office properties, the largest of which is a Class A suburban office complex. The portfolio is currently institutionally owned and managed and contains a mix of single and multi-tenant buildings, leased in excess of 65% to government and national tenants with strong credit ratings. The properties have been maintained to a high standard. Four of the properties sit mid-way along the corridor for the proposed Ottawa Light Rail Train route.

The occupancy rate of the Ottawa portfolio is 97.3% with GLA ranging from 29,149 square feet for the smallest building to 94,460 square feet for the largest, for a total of 282,000 square feet of GLA. Given the growing demand for office space in the suburban Ottawa market, the REIT believes there is significant potential to increase average rents and improve lease terms for the portfolio as current leases mature.

## **Ste-Hyacinthe Light Industrial Property Increases Industrial Exposure**

In addition to the five Ottawa office acquisitions, PROREIT has entered into a contract to acquire a single tenant industrial building located in Ste-Hyacinthe, Quebec. The Ste-Hyacinthe property is strategically located facing the Trans-Canada Highway with easy access to markets in Quebec including the Port of Montreal, and the United States. The building, which was constructed in 1975, offers a clear height of 20 feet.

The 176,070 square foot facility is leased to a publicly traded international food manufacturer with over 50 factories and 11,000 employees across the globe, with six years remaining on a ten-year lease with annual rent increases. The acquisition will increase the REIT's composition of credit quality tenants to 51.8%.

The Ste-Hyacinthe acquisition is accretive to PROREIT and further balances the portfolio. The industrial component will comprise 24.9% of the REIT's portfolio following closing of the Acquisitions. The acquisition further demonstrates the REIT's ability to source and acquire high quality assets with strong covenant tenants and long lease terms.

## **Impact of the Acquisitions on the REIT's Overall Portfolio**

Upon completion of the Acquisitions, the REIT's portfolio will be comprised of 82 income producing commercial properties representing approximately 3.5 million square feet of GLA. The aggregate purchase price (excluding closing costs) for the Acquisitions is anticipated to be approximately \$61.7 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 \$21.9 million in cash from the Offering, (ii) the assumption of approximately \$6.3 million aggregate principal amount of existing mortgage debt, and (iii) approximately \$33.5 million aggregate principal amount of new mortgage financing.

The Acquisitions are subject to customary due diligence and closing conditions, including with respect to financing and regulatory approvals.

## **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 co-led by Canaccord Genuity Corp. and TD Securities Inc. as joint bookrunners and Scotiabank (collectively, the "**Underwriters**"), on a bought deal basis under the Offering, 15,100,000 Units at a price of \$2.32 per Unit (the "**Offering Price**") for gross proceeds to the REIT of approximately \$35.0 million.

The REIT has also granted the Underwriters an over-allotment option to purchase up to an additional 2,265,000 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 September 28, 2018 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 the Acquisitions, to repay certain indebtedness which may be subsequently redrawn, and the balance if any to fund future acquisitions and for general business and working capital purposes.

## **Intention to Internalize Management**

The REIT expects that its gross book value (“**GBV**”), determined in accordance with the terms of its external asset management agreement (the “**Management Agreement**”), will be approximately \$488 million after the completion of the Acquisitions. The REIT plans to exercise its option, provided for in the Management Agreement, to internalize its asset management function once its GBV reaches \$500 million (the “**Internalization**”). Assuming the completion of the Acquisitions and the redeployment of a portion of the net proceeds to fund future acquisitions in the fourth quarter, the REIT anticipates that the Internalization will be completed in the first quarter of 2019, in accordance with the terms of the Management Agreement. The terms of the Internalization are set out in the Management Agreement and include a termination payment to Labec Realty Advisors Inc. (the “**Manager**”) equal to one times the management fees and expenses paid to it in the most recent fiscal year prior to the Internalization.

The REIT’s board of trustees, including all independent trustees, believe that the Internalization will create value for the benefit of the REIT and its unitholders, and is in their best interests. In connection with the Internalization and as provided under the terms of the Management Agreement, the REIT is to enter into employment agreements with its existing officers who are currently employed by the Manager.

The Internalization will result in the elimination of the asset management and acquisition fees payable to the Manager, which were established when the REIT was created and these fees were considerably lower. The elimination of these fees will facilitate increasing economies of scale as the REIT’s asset base grows, and the Internalization will reflect the capital markets’ preference for internal asset management and the greater transparency it provides, and remove any potential conflict between the REIT and the external manager going forward.

## **Proposed TSX Graduation**

Following completion of the Offering and the Acquisitions, the REIT intends to initiate the process of graduating to the TSX. Subject to TSX approval, the REIT expects to graduate by the end of the first quarter of 2019. Combined with the Internalization, the graduation will provide the REIT access to a deeper universe of global institutional investors.

## **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. PROREIT’s portfolio is diversified by property type and geography.

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.

## **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 include, without limitation, statements pertaining to the closing of the Offering and each of the Acquisitions, the use of the net proceeds of the Offering, the impact of the Acquisitions on PROREIT's future financial performance, the ability of PROREIT to execute its growth strategies and PROREIT's intention to complete the Internalization and graduate to the TSX. 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.*

### **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