Pro Real Estate Investment Trust (PROREIT)

PROREIT ANNOUNCES SECOND QUARTER RESULTS FOR FISCAL 2023

MONTREAL, Aug. 9, 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 ("Q2" or "second quarter") and six-month period ended June 30, 2023.

Second Quarter of Fiscal 2023 Highlights

- Property revenue increased by 5.1% in Q2 year-over-year
- Net operating income (NOI)* up 1.3% in Q2 year-over-year
- Same Property NOI* up 0.8% in Q2 year-over-year; up 3.9% excluding a temporary vacancy (see Table 4)
- Net income and comprehensive income of $1.7 million in Q2, compared to $12.0 million in the same quarter last year
- $42.0 million available on undrawn credit facility, in addition to $15.8 million in cash, at June 30, 2023
- AFFO Payout Ratio – Basic* of 97.3%, up from 86.5% in Q2 2022
- Debt to Gross Book Value* of 50.9% at June 30, 2023, compared to 51.3% at same date last year
- Occupancy rate of 99.0%, including committed occupancy, at June 30, 2023
- Approximately 85.0% of gross leasable area ("GLA") maturing in 2023 has been renewed at 43.2% average spread

"Our results for the second quarter of 2023 reflect both our solid operating environment and the strength of our balance sheet," said Gordon Lawlor, President and Chief Executive Officer of PROREIT.

"With a 99% occupancy rate, we continue to benefit from very favorable leasing activity, including 85% of 2023 maturing GLA renewed at 43.2% positive average rental rate spread. Without the temporary vacancy of a 102,000 square foot industrial property, which has been fully re-leased at an average positive spread of 55%, Same Property NOI (Adjusted for One Temporary Vacancy)* growth amounted to 3.9% in the second quarter of 2023, compared to the same prior year period. The full impact of this compelling lease-up will be reflected in our fourth quarter results for this fiscal year.

"During the second quarter, we significantly increased our Available Liquidity* to approximately $57.8 million, as we successfully closed a $35 million convertible debentures offering and received a new $10 million term loan. We also continued to strengthen our portfolio, selling one non-core office property during the quarter for gross proceeds of $2.1 million and entering into a binding agreement on June 29, 2023, to sell two other non-core office properties for gross proceeds of $9.1 million, subject to customary closing conditions.

"We remain committed to increasing our footprint in the light industrial sector, mindful that current macro-economic factors, including the high-interest rate environment, present certain challenges. Guided by a clear strategy for growth and sound capital allocation, we intend to further maximize long-term value to benefit all our stakeholders," concluded Mr. Lawlor.

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

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Financial Results
Table 1 - Financial Highlights

(CAD $ thousands except unit, per unit amounts and unless otherwise stated)	**3 Months Ended June 30 2023**	3 Months Ended June 30 2022	**6 Months Ended June 30 2023**	6 Months Ended June 30 2022
Financial data				
Property revenue	**$ 24,945**	$ 23,724	**$ 50,223**	$ 48,054
Net operating income (NOI) (1)	**$ 14,450**	$ 14,270	**$ 28,990**	$ 28,350
Same Property NOI (1)	**$ 11,939**	$ 11,847	**$ 24,209**	$ 23,519
Net income and comprehensive income	**$ 1,742**	$ 11,969	**$ 14,790**	$ 58,491
Total assets	**$ 1,057,548**	$ 1,041,296	**$ 1,057,548**	$ 1,041,296
Debt to Gross Book Value (1)	**50.90 %**	51.26 %	**50.90 %**	51.26 %
Interest Coverage Ratio (1)	**2.5x**	2.9x	**2.6x**	2.9x
Debt Service Coverage Ratio (1)	**1.5x**	1.6x	**1.6x**	1.6x
Debt to Annualized Adjusted EBITDA Ratio (1)	**10.3x**	10.2x	**10.1x**	10.2x
Weighted average interest rate on mortgage debt	**3.75 %**	3.40 %	**3.75 %**	3.40 %
Net cash flows provided from operating activities	**$ 619**	$ 2,200	**$ 11,201**	$ 8,929
Funds from Operations (FFO) (1)	**$ 7,270**	$ 7,836	**$ 12,218**	$ 15,945
Basic FFO per unit (1)(2)	**$ 0.1203**	$ 0.1296	**$ 0.2022**	$ 0.2638
Diluted FFO per unit (1)(2)	**$ 0.1187**	$ 0.1272	**$ 0.1989**	$ 0.2592
Adjusted Funds from Operations (AFFO) (1)	**$ 6,990**	$ 7,862	**$ 14,804**	$ 15,675
Basic AFFO per unit (1)(2)	**$ 0.1156**	$ 0.1301	**$ 0.2450**	$ 0.2593
Diluted AFFO per unit (1)(2)	**$ 0.1142**	$ 0.1276	**$ 0.2410**	$ 0.2548
AFFO Payout Ratio – Basic (1)	**97.3 %**	86.5 %	**91.8 %**	86.8 %
AFFO Payout Ratio – Diluted (1)	**98.5 %**	88.2 %	**93.4 %**	88.3 %

(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 129 investment properties (including a 50% ownership interest in 42 investment properties) at June 30, 2023, compared to 120 investment properties owned at 100% at June 30, 2022. Total assets amounted to $1.06 billion as at June 30, 2023, compared to $1.04 billion as at June 30, 2022, an increase of $16.2 million or 1.6%. During the twelve-month period ended June 30, 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 12 investment properties.

For the three-month period ended June 30, 2023:

- Property revenue amounted to $24.9 million, an increase of $1.2 million or 5.1%, compared to $23.7 million for the same prior year period, mainly resulting from the change to the number of properties in the portfolio and their related ownership percentages during the twelve-month period ended June 30, 2023.
- Same Property NOI***** reached $11.9 million, an increase of $0.1 million or 0.8%, compared to the same prior year period, primarily attributable to an increase in occupancy in both the office and retail asset classes and higher rents, partially offset by a decrease in occupancy in the industrial asset class resulting from a temporary vacancy at one Montreal 102,000 square foot property, which has been fully re-leased. Excluding the impact of this temporary vacancy, overall Same Property NOI (Adjusted for One Temporary Vacancy)* for the three-month period ended June 30, 2023 increased $0.5 million or 3.9%.
- NOI* amounted to $14.5 million, compared to $14.3 million in the same period in 2022, an increase of 1.3% 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 $0.6 million, compared to $2.2 million in the second quarter of 2022, a decrease of 71.9%, largely as a result of the timing of cash receipts and settlement of payables.
- AFFO***** totaled $7.0 million, compared to $7.9 million in the same period last year, a decrease of 11.1%.
- AFFO Payout Ratio – Basic***** was 97.3%, compared to 86.5% for the same period in the prior year, primarily resulting from the above-mentioned temporary vacancy, and increased interest costs.

For the six-month period ended June 30, 2023:

- Property revenue amounted to $50.2 million, an increase of $2.2 million or 4.5%, compared to $48.1 million for the same prior year period, mainly resulting from the change to the number of properties in the portfolio and their related ownership percentages during the twelve-month period ended June 30, 2023.
- Same Property NOI***** reached $24.2 million, an increase of $0.7 million or 2.9%, compared to the same prior year period, as a result of the same factors as the three-month Same Property NOI*. Excluding the impact of the temporary vacancy, overall Same Property NOI (Adjusted for One Temporary Vacancy)* for the six-month period ended June 30, 2023 increased $1.1 million or 4.6%.
- NOI* amounted to $29.0 million, compared to $28.4 million in the same period in 2022, an increase of 2.3% 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 $11.2 million, compared to $8.9 million in the first half of 2022, an increase of 25.4%, largely as a result of the timing of cash receipts and settlement of payables.
- AFFO***** totaled $14.8 million, compared to $15.7 million in the same period last year, a decrease of 5.6%.
- AFFO Payout Ratio – Basic***** was 91.8%, compared to 86.8% for the same period in the prior year, primarily resulting from the above-mentioned temporary vacancy, and increased interest costs.

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

(CAD $ thousands)	**3 Months Ended June 30 2023**	3 Months Ended June 30 2022	**6 Months Ended June 30 2023**	6 Months Ended June 30 2022
Net operating income[(1)]	**14,450**	14,270	**28,990**	28,350
General and administrative expenses	**1,278**	1,324	**4,796**	2,526
Long-term incentive plan expense	**395**	(1,201)	**976**	(276)
Depreciation of property and equipment	**108**	99	**213**	188
Amortization of intangible assets	**93**	93	**186**	186
Interest and financing costs	**5,473**	4,804	**10,604**	9,516
Distributions - Class B LP Units	**157**	159	**314**	318
Fair value adjustment - Class B LP Units	**(964)**	(1,807)	**(992)**	(861)
Fair value adjustment - investment properties	**6,250**	(833)	**(1,401)**	(41,134)
Fair value adjustment - derivative financial instrument	**21**	–	**21**	–
Other income	**(748)**	(677)	**(1,583)**	(1,139)
Other expenses	**398**	340	**819**	535
Debt settlement costs	**53**	–	**53**	–
Transaction costs	**194**	–	**194**	–
Net income and comprehensive income	**$ 1,742**	$ 11,969	**$ 14,790**	$ 58,491

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

For the three months ended June 30, 2023, net income and comprehensive income amounted to $1.7 million, compared to $12.0 million during the same prior year period last year. The $10.2 million variance is mainly due to the $7.1 million impact of the non-cash fair market value adjustment on investment properties, as well as the $1.6 million variance in long-term incentive plan expense.

For the six months ended June 30, 2023, net income and comprehensive income amounted to $14.8 million, compared to $58.5 million during the same prior year period last year. The $43.7 million variance mainly relates to the $39.7 million impact of the non-cash fair market value adjustment on investment properties, as well as one-time CEO retirement costs of about $2.2 million, included in general and administrative expenses.

Solid Balance Sheet

PROREIT had $42.0 million available on its credit facility, in addition to $15.8 million in cash, at June 30, 2023.

With $33.8 million of maturing mortgages remaining for 2023, PROREIT continues to benefit from a well-staggered debt profile with limited material maturities until 2026. The weighted average interest rate on mortgage debt was 3.75% at June 30, 2023, compared to 3.40% at the same date last year.

Debt to Gross Book Value* was 50.90% at June 30, 2023, down from 51.26% at the same date last year. Debt to Gross Book Value* was negatively impacted at June 30, 2023 by the temporary excess cash position, annual property tax payments, in addition to the non-cash impact of the fair market value adjustments, mainly in the office portfolio.

During the quarter, PROREIT strengthened its Available Liquidity* to approximately $57.8 million through the issuance of $35.0 million of unsecured subordinated debentures and with a new $10.0 million three-year term loan at a rate of 6.79%. The debentures, which bear interest at the rate of 8.00% per annum payable semi-annually in arrears, are convertible at the holder's option at any time before they mature in June 2028, at a conversion price of $7.00 per trust unit. The proceeds of these transactions were used to partially repay PROREIT's credit facility, with the balance of the proceeds used for general corporate purposes.

During the quarter, PROREIT also refinanced six industrial properties located in Winnipeg, Manitoba with a new seven year mortgage with a 5.07% interest rate, for $20.5 million with most of the proceeds used to repay approximately $16.6 million of mortgages maturing in July 2023.

Robust Operating Environment

At June 30, 2023, PROREIT's portfolio totaled 129 properties aggregating 6.5 million square feet of GLA with a weighted average lease term of 4.1 years. Approximately 85.0% of leases maturing in 2023 have been renewed at a positive average spread of 43.2%.

Occupancy (including committed occupancy) remained strong at 99.0% at June 30, 2023, up from 98.3% a year earlier. On April 1, 2023, a 102,000 square foot industrial property located in Montreal, Quebec became vacant. The space has since been fully leased with occupancy committed for the third quarter of 2023 to two tenants with 10-year lease terms at an average spread of 55% above the previous tenants.

The industrial segment accounted for 80.5% of GLA and 70.6% of base rent at June 30, 2023.

Portfolio Transactions

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), with the proceeds used for general corporate purposes.

On June 29, 2023, PROREIT entered into a binding agreement with a third-party purchaser to sell two non-core office properties totalling approximately 60,000 square feet for gross proceeds of $9.1 million (excluding closing costs). Proceeds of the sale will be used to repay approximately $5.7 million in related mortgages maturing in December 2023, with the balance of the proceeds to be used for general corporate purposes. The closing of the sale is scheduled for the third quarter of 2023, subject to standard closing conditions.

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. In June he was appointed Chair of the Board. 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.

Sustainability

On May 10, 2023, PROREIT released its 2022 ESG report outlining 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 June 30, 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 July 19, 2023, PROREIT announced a cash distribution of $0.0375 per trust unit for the month of July 2023. The distribution is payable on August 15, 2023 to unitholders of record as at July 31, 2023.

Strategy

While focusing on high-quality light industrial real estate in Canada, PROREIT's strategy is to create value by growing its quality portfolio organically and through disciplined acquisitions, while optimizing its balance sheet and capital allocation. With this clear strategy for growth and value creation, PROREIT's continued focus is on achieving its medium-term goals of reaching $2 billion in assets, 90% industrial base rent and 45% Debt to Gross Book Value* in the next three to five years.

Investor Conference Call and Webcast Details

PROREIT will hold a conference call to discuss its second quarter 2023 results on August 10, 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 August 17, 2023 by dialing 888-390-0541 or 416-764-8677 and using access code: 885350#.

The conference call will also be accessible via live webcast on PROREIT's website at www.proreit.com or at https://app.webinar.net/3bKp1kNX4ZG.

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"); Available Liquidity; funds from operations ("FFO"); gross book value ("Gross Book Value"); net operating income ("NOI"); Same Property NOI; Same Property NOI (Adjusted for One Temporary Vacancy); 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 and six months ended June 30, 2023, dated August 9, 2023, available on PROREIT's SEDAR+ profile at www.sedarplus.ca, 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.

TABLE 3 - Reconciliation of Same Property NOI to net operating income (as reported in the consolidated financial statements)

(CAD $ thousands)	**3 Months Ended June 30 2023**	3 Months Ended June 30 2022	**6 Months Ended June 30 2023**	6 Months Ended June 30 2022
Property revenue	**$ 24,945**	$ 23,724	**$ 50,223**	$ 48,054
Property operating expenses	**10,495**	9,454	**21,233**	19,704
NOI (net operating income) as reported in the financial statements [(1)]	**14,450**	14,270	**28,990**	28,350
Straight-line rent adjustment	**(457)**	(105)	**(578)**	(223)
NOI after straight-line rent adjustment [(1)]	**13,993**	14,165	**28,412**	28,127
NOI [(1)] sourced from:				
Acquisitions	**(2,066)**	(287)	**(4,147)**	(572)
Dispositions	**12**	(2,031)	**(56)**	(4,036)
Same Property NOI [(1)]	**$ 11,939**	$ 11,847	**$ 24,209**	$ 23,519
Number of same properties	**105**	105	**105[(2)]**	105[(2)]

(1) Non-IFRS measure. See "Non-IFRS Measures".
(2) Includes 21 properties 50% owned at June 30, 2023 (100% owned at June 30, 2022). The comparative period has been updated to reflect 50% ownership.

TABLE 4 - Same Property NOI and Same Property NOI by asset class, adjusted to exclude the NOI of the temporary vacancy of one industrial property:

(CAD $ thousands)	**3 Months Ended June 30 2023**	3 Months Ended June 30 2022	**6 Months Ended June 30 2023**	6 Months Ended June 30 2022

Same Property NOI [1]	**$**	**11,939**	$	11,847	**$**	**24,209**	$ 23,519
NOI of the temporary vacancy of 1 industrial property		**141**		(218)		**(81)**	(442)
Same Property NOI (Adjusted for One Temporary Vacancy) [1]	**$**	**12,080**	$	11,629	**$**	**24,128**	$ 23,077
Industrial (excluding 1 temporary vacant property) [2]	**$**	**8,103**	$	7,832	**$**	**16,184**	$ 15,537
Retail							
Office		**2,798**		2,740		**5,595**	5,471
Office		**1,179**		1,057		**2,349**	2,069
Same Property NOI (Adjusted for One Temporary Vacancy) [1]	**$**	**12,080**	$	11,629	**$**	**24,128**	$ 23,077

(1) Non-IFRS measure. See "Non-IFRS Measures".
(2) Includes 21 properties 50% owned at June 30, 2023 (100% owned at June 30, 2022). The comparative period has been updated to reflect 50% ownership.

TABLE 5 - 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 June 30 2023**		3 Months Ended June 30 2022		**6 Months Ended June 30 2023**		6 Months Ended June 30 2022
Net income and comprehensive income for the period	**$**	**1,742**	$	11,969	**$**	**14,790**	$	58,491
Add:								
Long-term incentive plan		**(29)**		(1,745)		**(700)**		(1,055)
Distributions - Class B LP Units		**157**		159		**314**		318
Fair value adjustment - investment properties		**6,250**		(833)		**(1,401)**		(41,134)
Fair value adjustment - Class B LP Units		**(964)**		(1,807)		**(992)**		(861)
Fair value adjustment - derivative financial instrument		**21**		–		**21**		–
Amortization of intangible assets		**93**		93		**186**		186
FFO [1]	**$**	**7,270**	$	7,836	**$**	**12,218**	$	15,945
Deduct:								
Straight-line rent adjustment	**$**	**(457)**	$	(105)	**$**	**(578)**	$	(223)
Maintenance capital expenditures		**(174)**		(232)		**(359)**		(511)
Stabilized leasing costs		**(592)**		(446)		**(1,098)**		(838)
Add:								
Long-term incentive plan		**424**		544		**1,676**		779
Amortization of financing costs		**253**		265		**439**		523
Accretion expense - derivative financial instrument		**19**		–		**19**		–
Debt settlement costs		**53**		–		**53**		–
Transaction costs		**194**		–		**194**		–
CEO Succession plan costs		**–**		–		**2,240**		–
AFFO [1]	**$**	**6,990**	$	7,862	**$**	**14,804**	$	15,675
Basic FFO per unit [1][2]	**$**	**0.1203**	$	0.1296	**$**	**0.2022**	$	0.2638
Diluted FFO per unit [1][2]	**$**	**0.1187**	$	0.1272	**$**	**0.1989**	$	0.2592
Basic AFFO per unit [1][2]	**$**	**0.1156**	$	0.1301	**$**	**0.2450**	$	0.2593
Diluted AFFO per unit [1][2]	**$**	**0.1142**	$	0.1276	**$**	**0.2410**	$	0.2548
Distributions declared per Unit and Class B LP unit	**$**	**0.1125**	$	0.1125	**$**	**0.2250**	$	0.2250
AFFO Payout Ratio – Basic [1]		**97.3 %**		86.5 %		**91.8 %**		86.8 %
AFFO Payout Ratio – Diluted [1]		**98.5 %**		88.2 %		**93.4 %**		88.3 %
Basic weighted average number of units [2][3]		**60,447,230**		60,447,230		**60,429,395**		60,447,230
Diluted weighted average number of units [2][3]		**61,234,171**		61,625,646		**61,426,665**		61,510,654

(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.

TABLE 6 - Reconciliation of Adjusted EBITDA to net income and comprehensive income

(CAD $ thousands)		**3 Months Ended June 30 2023**		3 Months Ended June 30 2022		**6 Months Ended June 30 2023**		6 Months Ended June 30 2022
Net income and comprehensive income	**$**	**1,742**	$	11,969	**$**	**14,790**	$	58,491
Interest and financing costs		**5,473**		4,804		**10,604**		9,516
Depreciation of property and equipment		**108**		99		**213**		188
Amortization of intangible assets		**93**		93		**186**		186

Fair value adjustment - Class B LP Units	**(964)**	(1,807)	**(992)**	(861)
Fair value adjustment - investment properties	**6,250**	(833)	**(1,401)**	(41,134)
Fair value adjustment - derivative financial instrument	**21**	–	**21**	–
Distributions - Class B LP Units	**157**	159	**314**	318
Straight-line rent	**(457)**	(105)	**(578)**	(223)
Long-term incentive plan expense	**395**	(1,201)	**976**	(276)
CEO succession plan costs	–	–	**2,240**	–
Transaction costs	**53**	–	**53**	–
Debt settlement costs	**194**	–	**194**	–
Adjusted EBITDA (1)	**$ 13,065**	$ 13,178	**$ 26,620**	$ 26,205

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

TABLE 7 - Calculation of Debt to Annualized Adjusted EBITDA Ratio

(CAD $ thousands)	**3 Months Ended June 30 2023**	3 Months Ended June 30 2022	**6 Months Ended June 30 2023**	6 Months Ended June 30 2022
Debt(1)	**$ 487,055**	$ 503,135	**$ 487,055**	$ 503,135
Convertible Debentures, face value	**35,000**	–	**35,000**	–
Credit facility(1)	**18,000**	32,000	**18,000**	32,000
Total Debt (1), Convertible Debentures, face value and credit facility(1)	**$ 540,055**	**$ 535,135**	**$ 540,055**	**$ 535,135**
Adjusted EBITDA (2)	**$ 13,065**	$ 13,178	**$ 26,620**	$ 26,205
Annualized Adjusted EBITDA (2)	**$ 52,260**	$ 52,712	**$ 53,240**	$ 52,410
Debt to Annualized Adjusted EBITDA Ratio (2)	**10.3x**	10.2x	**10.1x**	10.2x

(1) Excluding unamortized financing costs.
(2) Non-IFRS measure. See "Non-IFRS Measures".

TABLE 8 - Calculation of the Interest Coverage Ratio

(CAD $ thousands)	**3 Months Ended June 30 2023**	3 Months Ended June 30 2022	**6 Months Ended June 30 2023**	6 Months Ended June 30 2022
Adjusted EBITDA (1)	**$ 13,065**	$ 13,178	**$ 26,620**	$ 26,205
Interest expense	**$ 5,293**	$ 4,538	**$ 10,314**	$ 8,986
Interest Coverage Ratio (1)	**2.5x**	2.9x	**2.6x**	2.9x

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

TABLE 9 - Calculation of the Debt Service Coverage Ratio

(CAD $ thousands)	**3 Months Ended June 30 2023**	3 Months Ended June 30 2022	**6 Months Ended June 30 2023**	6 Months Ended June 30 2022
Adjusted EBITDA (1)	**$ 13,065**	$ 13,178	**$ 26,620**	$ 26,205
Interest expense	**5,293**	4,538	**10,314**	8,986
Principal repayments	**3,267**	3,566	**6,607**	7,155
Debt Service Requirements	**$ 8,560**	$ 8,104	**$ 16,921**	$ 16,141
Debt Service Coverage Ratio (1)	**1.5x**	1.6x	**1.6x**	1.6x

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

TABLE 10 - Calculation of Gross Book Value and Debt to Gross Book Value

(CAD $ thousands except unit, per unit amounts and unless otherwise stated)	**June 30 2023**	June 30 2022
Total assets, including investment properties stated at fair value	**$ 1,057,548**	$ 1,041,296
Accumulated depreciation on property and equipment and intangible assets	**3,451**	2,642
Gross Book Value (1)	**$ 1,060,999**	$ 1,043,938
Debt (2)	**487,055**	503,135
Convertible Debentures, face value	**35,000**	-
Credit facility (2)	**18,000**	32,000
Total Debt(2), Convertible Debentures, face value and Credit facility (2)	**$ 540,055**	$ 535,135
Debt to Gross Book Value (1)	**50.90 %**	51.26 %

(1) Non-IFRS measure. See "Non-IFRS Measures".
(2) Excluding unamortized financing costs.

TABLE 11- Calculation of Available Liquidity

(CAD $ thousands)	**June 30 2023**	March 31, 2023	June 30 2022
Cash per condensed consolidated interim financial statements	**$ 15,795**	$ 10,827	$ 3,802
Undrawn revolving credit facility	**42,000**	23,000	28,000
Available Liquidity (1)	**$ 57,795**	$ 33,827	$ 31,802

(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 PROREIT'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 generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. 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, the proposed increase of PROREIT's footprint in the light industrial sector, the proposed sale of two non-core office properties for gross proceeds of $9.1 million, the timing thereof and the use of the proceeds thereof, and the medium-term goals of reaching$2 billion in assets, 90% industrial base rent and 45% Debt to Gross Book Value* in the next three to five years.

PROREIT's objectives and forward-looking statements are based on its current assumptions about future events, 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 PROREIT'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.

Without limiting the foregoing, the medium-term targets of PROREIT are based on PROREIT's current business plan and strategies and are not intended to be a forecast of future results. The medium-term targets contemplate the REIT's historical growth and certain assumptions including but not limited to (i) current global capital market conditions, (ii) access to capital, (iii) interest rate exposure, (iv) availability of high-quality industrial properties for acquisitions, (v) dispositions of retail and office properties, and (vi) capacity to finance acquisitions on an accretive basis.

Although PROREIT believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct, and since forward-looking statements inherently involve risks and uncertainties, undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such forward-looking statements. 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 and six months ended June 30, 2023, which are available under PROREIT's profile on SEDAR+ at www.sedarplus.ca

SOURCE PROREIT

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https://proreit.mediaroom.com/2023-08-09-PROREIT-ANNOUNCES-SECOND-QUARTER-RESULTS-FOR-FISCAL-2023