



## European Commercial REIT Delivers Continued Strong Growth in Fourth Quarter 2017

**March 27, 2018 – Toronto, Ontario:** European Commercial Real Estate Investment Trust (“ECREIT” or the “REIT”) (TSX-V: ERE.UN) announced today strong growth for the three months and year ended December 31, 2017.

### 2017 HIGHLIGHTS

- Acquisitions expand presence in key target markets:
  - Acquired three high-quality office properties comprising six buildings in Belgium and Germany, aggregating approximately 400,000 square feet with a fair market value of \$130.4 million (€86.6 million);
  - Strong occupancy rate of 99.9% with a 7.0 year weighted average lease term as at December 31, 2017.
- Portfolio growth generates significant increase in Q4 2017 financial results:
  - Property revenues up 14% from Q3 2017;
  - NOI increases 40% from Q3 2017;
  - FFO increases 61% from Q3 2017;
  - AFFO increases 62% from Q3 2017;
  - AFFO per Unit and Class B LP Unit increases to \$0.08 from \$0.05 in Q3 2017.
- Maintaining strong financial position:
  - Leverage remains conservative with mortgage debt to fair value declining to 58.2%;
  - Low weighted average interest rate on property debt of 1.82% with 6.6 years term to maturity.
- Unitholder cash distributions implemented:
  - Distribution policy announced of annual \$0.35 per eligible Unit and Class B LP Unit;
  - Unitholder Distribution Reinvestment Plan launched;
  - Initial distribution of \$0.14389 per Unit and Class B LP Unit paid October 13, 2017;
  - Q4 2017 distribution of \$0.0875 per Unit and Class B LP Unit paid January 15, 2018;
  - Q1 2018 distribution of \$0.0875 per Unit and Class B LP Unit to be paid April 16, 2018.
- Management and trustees remain fully aligned with 12.6% economic ownership of the REIT.

“We are extremely pleased with our strong performance and the achievement of many significant milestones during 2017, our first full-year of operation,” commented Phillip Burns, Chief Executive Officer. “Driven by the successful execution of our acquisition strategy, we expanded our presence in our key target European markets and enhanced the size and scale of our portfolio. From our strong operating platform, we increased cash flow consistently each quarter throughout the year while maintaining a strong and conservative balance sheet. Most importantly, we remain confident that we can continue to grow accretively, supported by the strengthening economic fundamentals in our targeted European markets. ECREIT remains solely focused on our objective to enhance Unitholder value.”

## **STRONG PORTFOLIO GROWTH IN 2017**

During the year ended December 31, 2017, ECREIT acquired a total of three high-quality office properties comprising six buildings in its key target markets, aggregating 398,447 square feet with a total fair market value of \$130.4 million (€86.6 million). Occupancy remained strong at 99.9% as at December 31, 2017 with a long-dated 7.0 year weighted average lease term to maturity.

## **PLATFORM GROWTH GENERATES STRONG INCREASES IN QUARTERLY RESULTS**

For the three months ended December 31, 2017, ECREIT generated property revenues of \$2.9 million compared to \$2.5 million during the third quarter of 2017. The increase is due to a full quarter's contribution from the property acquired in Brussels, Belgium on August 17, 2017 (the "Brussels Property"). For the year ended December 31, 2017, property revenues were \$6.5 million.

Net Operating Income ("NOI") was \$2.3 million for the fourth quarter of 2017, up from \$1.6 million for the third quarter of 2017, an increase of 40%. The increase was due to a full quarter's contribution from the Brussels Property as noted above. For the year ended December 31, 2017, NOI was \$4.7 million.

Funds from Operations ("FFO") for the three months ended December 31, 2017 were \$1.6 million compared to \$1.0 million for the third quarter of 2017, an increase of 61%. Adjusted Funds from Operations ("AFFO") were \$1.4 million for the fourth quarter compared to \$0.9 million for the third quarter of 2017, an increase of 62%. The increases were primarily due to the higher NOI resulting from ECREIT's portfolio growth. ECREIT's growth was accretive in the fourth quarter of 2017 as FFO and AFFO rose to \$0.10 per unit of the REIT (the "Units") and class B limited partnership unit of ECRE Limited Partnership (the "Class B LP Units") and \$0.08 per Unit and Class B LP Unit, respectively, compared to \$0.06 per Unit and Class B LP Unit and \$0.05 per Unit and Class B LP Unit, respectively, in the third quarter of 2017. For the year ended December 31, 2017 FFO and AFFO were \$3.0 million and \$2.6 million, respectively.

The REIT generated net income of \$4.7 million in the fourth quarter of 2017 and a net loss of \$2.2 million for the year ended 2017. Net income in the fourth quarter includes a \$3.2 million gain on the fair value of investment properties, highlighting the strength of the assets acquired. As at December 31, 2017, the fair value of investment properties was \$130.4 million (€86.6 million) based on independent third-party appraisals.

## **STRONG AND CONSERVATIVE FINANCIAL POSITION**

As at December 31, 2017, ECREIT's leverage (mortgage debt to fair value) stood at 58.2%, an improvement from Q3 2017, where it was 59.9%. The weighted average all-in interest rate on total property debt was 1.82%, with a weighted average debt term to maturity of 6.6 years, which broadly matches ECREIT's weighted average lease term of 7.0 years, and further highlights the stability and sustainability of ECREIT's cash distributions. As at December 31, 2017, ECREIT had cash of \$8.4 million and net current assets of \$4.0 million. For the year ended December 31, 2017, financing activities increased cash by \$133.4 million. ECREIT used cash of \$130.0 million to acquire properties (including transaction costs). The main sources of funds in 2017 were gross proceeds of \$68.8 million from the issuance of Units and \$75.2 million in gross proceeds from mortgages and other debt.

“Our results for the fourth quarter, after adjusting for the effects of foreign exchange, exceeded the financial forecast published in our short form prospectus dated July 18, 2017,” stated Ian Dyke, Chief Financial Officer. “Looking ahead, we remain confident that we will achieve or exceed our published financial forecast. Equally, we are excited about our growth prospects and believe we have the assets and team to continue meeting our ultimate objective of delivering stable and sustainable cash distributions and capital appreciation to our Unitholders.”

## DISTRIBUTION POLICY IMPLEMENTED

On July 18, 2017, ECREIT declared its initial cash distribution of \$0.14389 (\$0.35 annualized) per Unit and Class B LP Unit, which was paid on October 13, 2017.

On September 15, 2017, ECREIT announced the implementation of its Distribution Reinvestment Plan whereby eligible Unitholders and holders of Class B LP Units can elect to have their quarterly cash distributions paid in Units, and receive a further distribution of Units with a value equal to up to 5.0% of each reinvested distribution.

On December 6, 2017, ECREIT declared its Q4 2017 quarter cash distribution of \$0.0875 per Unit and Class B LP Unit (\$0.35 per Unit annualized), which was paid on January 15, 2018.

On March 8, 2018, ECREIT declared its Q1 2018 cash distribution of \$0.0875 per Unit and Class B LP Unit (\$0.35 per Unit annualized) to holders of record on March 29, 2018 be paid on April 16, 2018.

## FINANCIAL AND OPERATING HIGHLIGHTS

Three Months Ended	Dec. 31, 2017	Sept. 31, 2017	Jun. 30, 2017	Mar. 31, 2017
Gross leasable area (m <sup>2</sup> )	37,015	37,015	21,315	5,261
Occupancy	99.9%	99.9%	99.8%	99.3%
Weighted average lease term	7.0	7.2	7.4	5.7
Portfolio fair market value (€M)	86.6	84.6	43.1	12.5
Portfolio fair market value (\$M)	130.4	124.7	63.8	17.7
Debt to portfolio fair market value	58.2%	59.9%	59.0%	60.0%
Weighted average interest rate	1.82%	1.82%	1.78%	1.55%
Revenues (\$,000)	2,874	2,515	856	206
NOI (\$,000)	2,275	1,625	634	127
FFO (\$,000)	1,603	998	360	21
FFO per Unit	\$0.10	\$0.06	\$0.04	\$0.01
AFFO (\$,000)	1,394	860	313	5
AFFO per Unit	\$0.08	\$0.05	\$0.04	\$0.00
Total Units and Class B LP Units outstanding	16,694,372	16,670,000	8,892,000	2,752,000 <sup>1</sup>

(1) Reflects consolidation that took place as a result of ECREIT’s conversion into a real estate investment trust effective on May 3, 2017.

ECREIT’s Annual Management Discussion and Analysis and Condensed Consolidated Financial Statements can be found at [www.ecreit.com](http://www.ecreit.com) or [www.sedar.com](http://www.sedar.com).

## About European Commercial Real Estate Investment Trust

ECREIT is an unincorporated, open-ended real estate investment trust focused on aggregating a bespoke portfolio of high-quality, non-prime core commercial real estate assets in key European markets with strong fundamentals. ECREIT's strategy is designed primarily to deliver long-term, secure income with additional potential for capital appreciation. ECREIT intends to grow by acquiring additional assets consistent with its strategy and which are expected to be accretive, on a per Unit basis, to its earnings. ECREIT's Units are listed on the TSXV under the symbol ERE.UN. For more information please visit our web site at [www.ecreit.com](http://www.ecreit.com).

For more information please contact: Phillip Burns  
Chief Executive Officer  
European Commercial Real Estate Investment Trust  
Email: [phillip.burns@ecreit.com](mailto:phillip.burns@ecreit.com)  
[www.ecreit.com](http://www.ecreit.com)

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*ECREIT uses financial measures regarding itself, such as adjusted funds from operations, that do not have standardized meaning under the International Financial Reporting Standards ("IFRS") and may not be comparable to similar measures presented by other entities ("non-IFRS measures"). Further information relating to non-IFRS measures, is set out in ECREIT's final short form prospectus dated July 18, 2017 under the heading "Non-IFRS Measures" and "Non-IFRS Reconciliation".*

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