



## **European Commercial REIT Reports Continued Strong Performance in Third Quarter of 2018**

**November 28, 2018 – Toronto, Ontario:** European Commercial Real Estate Investment Trust (“ECREIT” or the “REIT”) (TSX-V: ERE.UN) announced today strong performance for the three and nine months ended September 30, 2018.

### **THIRD QUARTER 2018 HIGHLIGHTS**

- Strong portfolio operating performance generated solid results:
  - Full contribution from the REIT’s acquisitions and rental growth drive increases in revenue, FFO and AFFO compared to last year;
  - Occupancy remains strong at 99.9% with 6.3 year weighted average lease term;
  - Net Operating Income of \$2.4 million, a \$0.1 million increase over Q2 2018;
  - Further \$2.8 million fair value gain in portfolio value during third quarter;
  - FFO and AFFO up 4.5% and 6.0%, respectively, from Q2 2018;
  - FFO and AFFO of \$0.10 and \$0.09 per Unit, respectively, exceed July 2017 forecast.
- Maintaining strong financial position:
  - Leverage remains conservative with debt to gross book value improving to 49.9%;
  - Low weighted average interest rate of 1.82% with 5.7 year term to maturity.
- Unitholder cash distributions of \$0.35 per Unit annually continue to generate stable, recurring yield:
  - Q1 2018 distribution of \$0.0875 per Unit and Class B LP Unit paid April 16, 2018;
  - Q2 2018 distribution of \$0.0875 per Unit and Class B LP Unit paid July 16, 2018;
  - Q3 2018 distribution of \$0.0875 per Unit and Class B LP Unit paid October 15, 2018;
  - Q4 2018 distribution of \$0.0875 per Unit and Class B LP Unit to be paid January 16, 2019.
- Management and trustees remain fully aligned with 12.8% economic ownership of the REIT.

“We continue to benefit from our operational platform, delivering sustainable, near-full occupancy across the portfolio and the solid increases in monthly rents implemented earlier in the year,” commented Phillip Burns, Chief Executive Officer. “We continue to assess potential growth opportunities in our target European markets and remain confident we will continue to generate strong returns. Our focus remains on enhancing Unitholder value over the long term.”

During 2017, the REIT 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 \$135.9 million (€90.5 million). Since the fourth quarter of 2017, the REIT’s operating performance has reflected the full contribution from these acquisitions. Occupancy remained strong at 99.9% as at September 30, 2018, with a 6.3 year weighted average lease term. During the first quarter of 2018 the REIT implemented a 2.3% increase in annual base rent due to contractual rent indexation which will continue to contribute to revenue performance through 2018.

## **PORTFOLIO CONTINUES TO PERFORM WELL**

For the three months ended September 30, 2018, ECREIT generated property revenues of \$3.2 million, up from \$3.0 million in the second quarter of 2018 and \$2.5 million in the third quarter of 2017. The increase from the prior year is due primarily to the full quarter contribution from the Brussels property acquired in mid-August 2017 and the rental increases implemented earlier in the year. For the first nine months of 2018 property revenues were \$9.2 million compared to \$3.6 million in the prior year. During the third quarter of last year the REIT recognized extraordinary recovery revenue of \$384,951 related to a recoverable tax assessment. Excluding the effect of this assessment last year, property revenue increased by 49.4% and 187.3%, respectively, for the three and nine months ended September 30, 2018 compared to the prior year.

Net Operating Income ("NOI") was \$2.4 million for the third quarter of 2018, up from \$2.3 million in the second quarter of 2018 and \$1.6 million in the third quarter of 2017 due primarily to portfolio growth over the prior twelve months. For the nine months ended September 30, 2018, NOI was \$7.1 million compared to \$2.4 million in the prior year. Excluding the recoverable property tax assessment in 2017 discussed above, NOI was up 57.4% and 220.6% for the three and nine months ended September 30, 2018, respectively, compared to the same periods last year

Funds from Operations ("FFO") for the three months ended September 30, 2018 were \$1.8 million (\$0.10 per Unit) compared to \$1.0 million (\$0.07 per Unit) in the third quarter of 2017. Adjusted Funds from Operations ("AFFO") were \$1.6 million (\$0.09 per Unit) in the third quarter of 2018, up from \$0.9 million (\$0.06 per Unit) in the third quarter of 2017. The increases were primarily due to the REIT's portfolio growth and strong operating performance over the prior twelve months. For the nine months ended September 30, 2018 FFO and AFFO were \$5.2 million (\$0.31 per Unit) and \$4.5 million (\$0.27 per Unit), respectively.

The REIT reported net income of \$4.0 million and \$9.1 million for the three and nine months ended September 30, 2018, respectively, compared to a net loss of \$5.9 million and a net loss of \$6.9 million for the three and nine months ended September 30, 2017, respectively. During the three and nine months ended September 30, 2018, the REIT recognized fair value gains on the value of its investment properties of \$2.8 million and \$5.8 million, respectively, primarily due to the compression of capitalization rates and increases in market rents in certain markets.

The REIT's third quarter 2018 results exceeded the audited forecast included in its Short-Form Prospectus dated July 18, 2017. More detail comparing actual results to the forecast can be found in the REIT's Management Discussion and Analysis for the three and nine months ended September 30, 2018.

## **STRONG AND CONSERVATIVE FINANCIAL POSITION**

As at September 30, 2018, ECREIT's leverage (debt to gross book value) stood at 49.9%, an improvement from 53.6% at December 31, 2017. The weighted average all-in interest rate on total property debt was 1.82% with a weighted average debt term to maturity of 5.7 years, which broadly matches ECREIT's weighted average lease term of 6.3 years and further highlights the stability and sustainability of the REIT's cash distributions. As at September 30, 2018, the REIT had cash and cash equivalents of \$9.5 million.

"Our strong balance sheet and conservative financial position provide us with the capacity and flexibility for future portfolio growth," stated Ian Dyke, Chief Financial Officer. "We remain confident we will continue to deliver strong and sustainable cash distributions to our Unitholders over the long term."

## QUARTERLY DISTRIBUTION DECLARED

ECREIT's Board of Trustees has announced today its regular quarterly cash distribution, in respect of the fourth quarter of 2018 of \$0.0875 per Unit and Class B LP Unit, being equivalent to \$0.35 per Unit annualized. The distribution will be payable to eligible, non-waiving holders of the Units and Class B LP Units (the "Unitholders") of record on December 31, 2018, with payment on January 16, 2019. As previously disclosed, ECREIT's management and Board of Trustees have agreed to initially waive receipt of certain cash distributions subject to certain conditions.

Upon payment of ECREIT's most recent previous distribution on October 15, 2018, 50,450 Units were issued pursuant to the REIT's Distribution Reinvestment Plan ("DRIP"), of which 21% of such Units were issued to ECREIT insiders.

## FINANCIAL AND OPERATING HIGHLIGHTS

Three Months Ended	Sept. 30 2018	June 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sept. 31, 2017
Gross leasable area (m <sup>2</sup> )	37,015	37,015	37,015	37,015	37,015
Occupancy	99.9%	99.9%	99.9%	99.9%	99.9%
Weighted average lease term (yrs)	6.3	6.5	6.8	7.0	7.2
Portfolio fair market value (€M)	90.5	88.6	86.6	86.6	84.6
Portfolio fair market value (\$M)	135.9	136.1	137.5	130.4	124.7
Debt to gross book value	49.9%	51.7%	52.7%	53.6%	53.4%
Weighted average interest rate	1.82%	1.82%	1.82%	1.82%	1.82%
Revenues (\$,000)	3,183	3,008	2,981	2,874	2,515
NOI (\$,000)	2,408	2,265	2,442	2,275	1,625
FFO (\$,000)	1,759	1,683	1,713	1,603	998
FFO per Unit	\$0.10	\$0.10	\$0.10	\$0.10	\$0.07
AFFO (\$,000)	1,547	1,463	1,496	1,394	860
AFFO per Unit	\$0.09	\$0.09	\$0.09	\$0.08	\$0.06
Total Units outstanding (,000)	16,871	16,778	16,589	16,694	16,670
Weighted average Units outstanding (,000)	16,862	16,771	16,725	16,691	15,233

ECREIT's Management Discussion and Analysis and Audited 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).

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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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