For Immediate Release

INNVEST REIT REPORTS RESULTS FOR SECOND QUARTER 2016

Toronto, Canada (August 12, 2016) – InnVest Real Estate Investment Trust ("InnVest" or the "REIT"); (TSX:INN.UN) announced today its operating and financial results for the three and six months ended June 30, 2016.

2016 Strategic Highlights

- Entered into an arrangement agreement pursuant to which Bluesky Hotels and Resorts Inc., ("Bluesky") will acquire all the issued and outstanding units of InnVest for $7.25 in cash per unit, pursuant to a court-approved plan of arrangement (the "Arrangement"). Closing is anticipated on or about August 18, 2016;
- Announced the acquisition of the leasehold interest in the Fairmont Vancouver Airport for $90.0 million. Closing of the hotel acquisition is anticipated in the third quarter of 2016. The acquisition of the hotel has the support of, and has been consented to, by Bluesky;
- Acquired the Marriott Ottawa hotel for $114.8 million and finalized a $54.4 million mortgage on the property at 3.87% for a 7-year term;
- InnVest and its joint venture partner KingSett, finalized a floating rate 2-year mortgage financing on the Courtyard by Marriott Toronto hotel for $82.0 million. InnVest's effective pro rata share of the financing totaled $27.2 million;
- Invested $36.1 million in hotel capital improvements to enhance the portfolio;
- Expanded the non-core properties for sale to 26 hotels with estimated net proceeds of over $135 million; and
- Sold one non-core property for $5.7 million in net proceeds in the first quarter. Subsequent to the end of the second quarter, sold two hotels for over $30.0 million in net proceeds. The REIT has entered into an agreement to sell an additional 14 hotels for anticipated net proceeds of over $40.0 million. Closing is anticipated in the third quarter.

Q2 Operating Highlights

- Positive performance across majority of portfolio impacted by weakness in Alberta and displacement from ongoing renovation projects;
- RevPAR[(1)] up 5.4% on occupancy and room rate gains;
- Same-hotel[(2)] RevPAR grew 2.6% with strength in most regions offsetting softness in Alberta. Excluding the Alberta portfolio, same-hotel RevPAR grew 5.7%;
- GOP[(1)] improved 2.8% driven by contributions from new acquisitions;
- Same-hotel GOP declined $0.4 million. Excluding the Alberta portfolio, same-hotel GOP improved 3.9%;
- Net income was impacted by $3.3 million of transaction costs related to the Arrangement as well as a $1.0 million non-cash charge related to the revaluation of unit plans;
- FFO[(1)] and AFFO[(1)] per unit impacted by higher number of units outstanding;
- Trailing twelve-month AFFO payout ratio of 88.7%; and
- Leverage ratio of 61.1%.

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(1) RevPAR is defined as the product of the average daily rate and the average daily occupancy. RevPAR measures room revenue and is a commonly used metric within the hotel industry to evaluate hotel operations. Gross operating profit ("GOP"), Funds from operations ("FFO") and Adjusted FFO ("AFFO") are non-IFRS financial measures which do not have a standardized meaning and may not be comparable to similar financial measures used by other organizations. Hotel GOP measures hotel property level results before debt service costs and facilitates comparisons between InnVest and its hotel competitors. FFO and AFFO are indicators which measure profitability and cash flow after all internal funding requirements including debt service costs and capital reserves. For further

information about InnVest's business and financial results, please refer to the "Management's Discussion and Analysis" section of the REIT's filings on SEDAR.

(2) Same-hotel information includes 105 hotel properties and does not include the results of operations for the five properties sold since January 1, 2015. Additionally, it excludes hotels that the REIT did not own for the entirety of the periods presented (Hotel Saskatchewan in Regina and the Ottawa Marriott Hotel) and hotels in which the REIT owns partial interests (the Fairmont Royal York and Courtyard by Marriott Toronto).

"Our portfolio continues to deliver solid growth aided by acquisitions and capital investments across the portfolio. Our second quarter results demonstrate the value of our diversified portfolio with revenue and GOP growth achieved, despite softness in Alberta and other resource markets," said Drew Coles, President and Chief Executive Officer of InnVest. "Last week, we announced the pending closing of the acquisition of the REIT by Bluesky on or about August 18, 2016. This transaction is a positive outcome for all stakeholders. Execution of InnVest's strategy to improve its portfolio quality and strengthen its balance sheet has culminated in the crystallization of value that this transaction represents. Bluesky is aligned with InnVest's strategic objectives for the portfolio, and I look forward to continuing to lead InnVest on the path of asset-quality driven growth."

The following table details occupancy, ADR and RevPAR for the same-hotel portfolio for the three and six months ended June 30, 2016 and excludes properties sold or acquired since January 1, 2015:

	Three months ended June 30, 2016	Variance to 2015	Six months ended June 30, 2016	Variance to 2015
Occupancy				
Ontario	72.4%	**3.1 pts**	64.9%	**1.4 pts**
Quebec	68.3%	**(2.4 pts)**	62.7%	**(1.0 pts)**
Atlantic	62.4%	**1.9 pts**	51.6%	**(0.5 pts)**
Western	68.9%	**(0.6 pts)**	62.2%	**(2.0 pts)**
Total	69.3%	**0.9 pts**	61.9%	**(0.2 pts)**
ADR				
Ontario	$119.15	**2.8%**	$117.19	**2.7%**
Quebec	$132.32	**7.2%**	$124.53	**5.4%**
Atlantic	$125.69	**0.5%**	$120.01	**2.0%**
Western	$175.89	**(2.6%)**	$165.88	**(2.2%)**
Total	$136.44	**1.2%**	$131.07	**1.1%**
RevPAR				
Ontario	$86.25	**7.3%**	$76.09	**5.0%**
Quebec	$90.33	**3.5%**	$78.08	**3.7%**
Atlantic	$78.39	**3.7%**	$61.95	**1.0%**
Western	$121.27	**(3.3%)**	$103.20	**(5.2%)**
Total	$94.60	**2.6%**	$81.18	**0.9%**

Note: Gross hotel revenues on a same-hotel basis (105 hotels), excluding hotels which were sold or acquired during the periods presented

OPERATIONS REVIEW

Revenues increased 4.7% and 3.3% in the second quarter and first half of 2016, respectively, driven by same-hotel growth and contributions from acquisitions. Same-hotel revenues for the three and six months ended June 30, 2016 improved $1.1 million (0.8%) and $0.3 million (0.1%) notwithstanding weakness in the REIT's Alberta portfolio, and displacement from ongoing hotel renovation programs. Not including the Alberta properties, same-hotel revenues increased 3.9% and 3.7% in the quarter and year-to-date periods.

Overall RevPAR for the second quarter and year-to-date of 2016 increased 5.4% and 3.5% compared to the same prior year periods, benefitting from the contribution of upscale acquisitions. Same-hotel RevPAR improved 2.6% and 0.9%, respectively. Not including the Alberta hotels, same-hotel RevPAR rose 5.7% and 4.5% for the three and six months ended June 30, 2016.

For the three and six months ended June 30, 2016, Gross Operating Profit (GOP) grew 2.8% and 1.3%, respectively. Contributions from acquisitions were somewhat offset by the decline in operating performance at the Alberta hotels and the reduced contribution from non-core properties sold. Second quarter same-hotel GOP declined 0.9% due to weaker results in the Alberta properties. Not including Alberta, same-hotel GOP rose 3.9% in the second quarter. For the six months ended June 30, 2016, same-hotel GOP declined 2.7%. Not including Alberta, same-hotel GOP rose 5.4% in the first half of the year.

Corporate and administrative expenses increased in the three months ended March 31, 2016 due primarily to a $1.0 non-cash charge related to the mark-to-market valuation of the REIT's unit plans, the full periods' expenses related to the internalized corporate, finance and asset management platform completed through 2015 and costs associated with remediation efforts related to internal controls.

Second quarter expenses include $3.3 million of transaction costs (legal fees and financial advisory services) related to the Arrangement.

For the three months ended June 30, 2016, InnVest generated funds from operations ("FFO") and adjusted funds from operations ("AFFO") of $29.6 million ($0.209 per diluted unit) and $24.9 million ($0.174 per unit diluted) compared to $29.4 million ($0.224 per unit diluted) and $25.0 million ($0.189 per unit diluted) in the same prior year period. For the six months ended June 30, 2016, InnVest generated FFO of $24.8 million ($0.184 per unit diluted) and AFFO of $17.5 million ($0.130 per unit diluted) compared to $26.0 million ($0.215 per unit diluted) and $19.8 million ($0.162 per unit diluted) for the same period in 2015. Per unit amounts in 2016 were impacted by the 8.2% and 9.2% increase in the weighted average number of units outstanding for the three and six months ended June 30, 2016, respectively, related to the July 2015 equity offering.

For the twelve months ended June 30, 2016 the REIT's AFFO payout was 88.7% compared to 81.2% for the twelve months ended December 31, 2015.

PORTFOLIO REPOSITIONING PROGRAM

During the first half of 2016, the REIT expanded its portfolio of non-core properties slated for sale to 26 hotels. The sale of properties is expected to generate net aggregate proceeds of over $135 million. Proceeds from these asset sales are expected to be re-invested to improve the overall quality and diversification of the REIT's core portfolio, reduce debt, and fund further growth. In the first quarter, the REIT sold one non-core hotel for net proceeds of $5.7 million.

As at June 30, 2016 InnVest has entered into two separate transactions to sell 16 hotels for aggregate gross proceeds of $122.6 million (anticipated net proceeds of over $70 million). Subsequent to the end of the quarter, InnVest completed the sale of two properties, generating net proceeds of over $30.0 million. The sale of an additional 14 hotels is anticipated to close in the third quarter of 2016 for net proceeds of over $40.0 million.

CAPITAL INVESTMENT PROGRAM

Capital investments in the REIT's core portfolio help to ensure performance is optimized and assets are competitive within their markets. During the first half of 2016 the REIT invested approximately $31.6 million in its owned portfolio, and $36.1 million including participation in joint venture hotel investments.

Capital investment projects completed during the six months ended June 30, 2016 included the addition of a gold floor executive product at the Fairmont Macdonald in Edmonton (completed in June), room renovations at Moncton's Delta Beausejour (completed in May), room, lobby and food and beverage outlet renovations at the Hotel Saskatchewan in Regina (completed in May) and room and public space renovations at Toronto's Courtyard Marriott Hotel (completed in June).

FINANCIAL POSITION

At June 30, 2016 InnVest had liquidity of $33.9 million, down from the prior year end due primarily to the funding of the Ottawa Marriott acquisition in the first quarter. Liquidity is before the impact of possible divestiture and financing activities which, if successful, could generate aggregate liquidity of over $100 million. Consequently, to the extent these activities are successful, liquidity would be greatly enhanced. Subsequent to the end of the quarter, InnVest completed the sale of two properties, generating net proceeds of over $30.0 million. The sale of an additional 14 hotels is anticipated to close in the third quarter of 2016 for net proceeds of over $40.0 million. Liquidity generated is expected to be partially used to fund the $90.0 million acquisition of the Fairmont Vancouver Airport. The acquisition is expected to be funded by first mortgage financing of approximately 50%.

At June 30, 2016 InnVest's leverage ratio was 61.1%, up from 58.2% at December 31, 2015 due primarily to the use of bridge funding for the Marriott Ottawa acquisition, pending the planned sale of assets. The REIT's weighted average interest rate improved to 4.9% at June 30, 2016 from 5.0% at December 31, 2015, with a weighted average term to maturity of 3.9 years.

During the first quarter of 2016, the REIT completed a $54.4 million seven-year mortgage financing of its recently-acquired Marriott Ottawa Hotel with a fixed interest rate of 3.87%. In January 2016, the REIT partially funded this acquisition with a bridge loan of $52.0 million which was fully repaid through the first half of the year.

In May 2016, InnVest and KingSett completed a 2-year mortgage financing on the Courtyard Marriott Toronto hotel for $82.0 million at an interest rate of either (i) the Canadian bank prime rate plus 1.75%, or (ii) the Canadian Bankers' Acceptance rate plus 2.75%. InnVest's effective pro rata share of the financing totaled $27.2 million. Proceeds were used to repay the balance of the bridge loan and for general corporate purposes, including to fund capital investments.

In December 2016 approximately $46.1 million of mortgage debt bearing an interest rate of 5.8% matures on two hotel properties. InnVest is proceeding in the normal course to refinance its 2016 maturities.

PLAN OF ARRANGEMENT WITH BLUESKY

On May 10, 2016, the REIT and Bluesky Hotels and Resorts Inc., ("Bluesky"), a privately-held Canadian company, announced that they have entered into an arrangement agreement pursuant to which Bluesky will acquire all the issued and outstanding units of InnVest for $7.25 in cash per unit, pursuant to a court-approved plan of arrangement (the "Arrangement").

On June 28, 2016, unitholders approved the Arrangement at the annual and special meeting of unitholders. On July 18, 2016, debentureholders approved certain amendments to the indentures governing the redemption of each of InnVest's series of convertible debentures, on or about the date of the closing of the Arrangement.

On August 4, 2016, InnVest announced that all of the required regulatory approvals have been obtained with respect to the Arrangement. The parties currently anticipate that the transaction will close on or about August 18, 2016.

FINANCIAL AND OPERATING HIGHLIGHTS

InnVest's Condensed Interim Consolidated Financial Statements and Management's Discussion and Analysis for the three and six months ended June 30, 2016 are available on InnVest's website at www.innvestreit.com.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Consolidated Performance:				
Number of hotel properties - end of the period	107	108	107	108
Number of rooms - end of the period	14,044	13,860	14,044	13,860
Occupancy (%)	69.6%	68.0%	62.1%	61.8%
ADR	$138.46	$134.44	$132.96	$129.15
RevPAR	$96.35	$91.40	$82.63	$79.81
Revenues	$154,568	$147,580	$266,274	$257,646
Gross operating profit (GOP) (1)	47,421	46,146	62,294	61,492
Gross operating margin	30.7%	31.3%	23.4%	23.9%
Net income (loss) and comprehensive income (loss)	2,712	9,684	(26,562)	(13,549)
Funds from operations (FFO) (1)	29,637	29,433	24,838	26,029
Adjusted funds from operations (AFFO)(1)	24,870	24,954	17,468	19,782
Distributions declared	13,424	12,219	26,825	24,151
Capital Expenditure	$13,666	$7,492	$31,602	$17,573
Same Hotel Performance:				
Number of hotel properties	105	105	105	105
Occupancy (%)	69.3%	68.4%	61.9%	62.1%
ADR	$136.44	$134.86	$131.07	$129.60
RevPAR	$94.60	$92.19	$81.18	$80.45
Room Revenues	$112,308	$109,563	$192,515	$190,041
GOP	$45,010	$45,423	$59,330	$60,991
GOP margin	31.5%	32.0%	24.1%	24.8%
Per diluted unit:				
Net income (loss) and comprehensive income (loss)	$0.020	$0.079	($0.198)	($0.112)
FFO	$0.209	$0.224	$0.184	$0.215
AFFO	$0.174	$0.189	$0.130	$0.162
Distributions per unit	$0.0999	$0.0999	$0.1998	$0.1998
FFO and AFFO - Weighted average units outstanding - basic	134,348,346	122,265,716	134,206,126	120,466,242
FFO and AFFO - Weighted average units outstanding - diluted	161,137,986	148,961,630	134,723,971	123,415,523

As at:	**June 30, 2016**	**December 31, 2015**
Total assets	1,409,496	1,314,052
Gross mortgages and other debt	934,800	804,626
Convertible debentures	211,220	211,220
Weighted average term to maturity (2)	3.9 years	4.7 years
Weighted average interest rate (2)	4.9%	5.0%
Total debt to gross asset value (leverage ratio) (3)(4)	61.1%	58.2%
Total debt to total capitalization (3)(4)(5)	55.0%	59.7%
Debt service coverage ratio (times) (3)(4)	1.9 x	1.9 x
Interest coverage ratio (times) (3)	2.5 x	2.6 x
Floating rate debt as % of total debt	21.6%	12.5%
Total potential liquidity (6)	37,502	92,308
Twelve-month trailing AFFO payout ratio	88.7%	81.2%
Twelve-month trailing AFFO payout ratio (including DRIP)	73.8%	68.8%

(1) Refer to Non-IFRS Financial Measures and Additional IFRS Financial Measures.
(2) Mortgages and other debt
(3) Calculated on a trailing 12 month basis.
(4) Total debt consists of mortgage, other debt and convertible debentures on a proportionate consolidated basis.
(5) Total capitalization is based on the number of units outstanding and the period end closing trading price on the Toronto Stock Exchange.
(6) Total potential liquidity is defined as cash on hand, the availablity under credit facilities and restricted cash.

ABOUT INNVEST REIT
InnVest Real Estate Investment Trust is an unincorporated open-ended real estate investment trust which owns interests in a portfolio of 107 hotels with approximately 14,000 rooms across Canada operated under internationally recognized brands. InnVest's units and convertible debentures trade on the Toronto Stock Exchange (the "TSX") under the symbols INN.UN, INN.DB.E, INN.DB.F and INN.DB.G.

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CAUTIONARY AND FORWARD LOOKING STATEMENTS

GOP, FFO and AFFO are additional and non-IFRS financial measures of earnings and cash flow commonly used by industry analysts. Additional and non-IFRS financial measures do not have a standardized meaning and are unlikely to be comparable to similar financial measures used by other organizations.

In the interest of providing InnVest unitholders and potential investors with information regarding InnVest, certain statements contained in this press release constitute forward-looking statements within the meaning of applicable securities laws. These statements include, but are not limited to, statements made concerning InnVest's investment approach, objectives, its strategies to achieve those objectives, assumptions and forecasts of future results from acquisitions and divestitures as well as other statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances and performance or expectations that are not historical facts. Forward-looking information typically contains statements with words such as "outlook", "objective", "may", "could", "continue", "anticipate", "believe", "expect", "estimate", "plan", "intend", "forecast", "project" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on certain factors, assumptions and analyses made by InnVest in light of information currently available to management, management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances, including those factors set out below.

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on InnVest's estimates and assumptions, which are subject to risks and uncertainties, including those detailed in InnVest's filings with applicable securities regulators, including InnVest's Annual Information Form and its annual audited management discussion and analysis and financial statements and the notes thereto. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, InnVest's forward-looking information involves numerous assumptions, inherent risks and uncertainties, which may cause InnVest's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Factors that could cause actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, the inability to complete the planned acquisition by Bluesky Hotels and Resorts, Inc.; current and future financial performance of the Fairmont Vancouver Airport Hotel, the terms and conditions on which the acquisition of the Fairmont Vancouver Airport Hotel will be completed and financed, including planned proceeds from asset divestitures, and the anticipated financial impact of the acquisition on InnVest; the status of InnVest as a real estate investment trust for Canadian federal income tax purposes in any year; achievement of plans to build a long-term diversified portfolio through completion of acquisitions, divestitures, and reinvestments within the timeframes necessary to generate the desired return on investment; maintain adequate liquidity to fund all capital commitments; successfully achieve planned liquidity activities including the sale of assets and asset financings; extent of realized benefits from the internalization of asset management functions, acquisitions and newly-renovated hotels; ability to refinance debt maturities as planned; ability to achieve and maintain a lower debt leverage target; ability to reduce reliance on unsecured convertible debentures; ability to reduce payout ratio; ability to sustain the current level of unit distributions; ability to fund acquisitions at a capital cost and equity/debt mix as desired; lender concentration; general global credit market conditions including currency and interest rate fluctuations; general global economic and business conditions; variable regional economic conditions including dependence on manufacturing, oil or other resource markets; failure to effectively understand and respond to changing guest demands and/or failure to meet guest needs; failure to effectively manage relationships with hotel brands including failure to comply with the appropriate standards and contractual requirements; failure to effectively manage relationships with operators including operator managed employee satisfaction, morale, and effectiveness; medical or terrorist concerns relating to travel and/or specific destinations; reliance on entities that provide management services to InnVest; the impact of lower crude oil prices and the decline in the Canadian dollar compared to the U.S. dollar on travel; the effects of competition and pricing pressures from multiple bidders for acquisitions; development and opening of new hotel properties; aggressive marketing, and service or product quality improvements by competitors; extent of industry overcapacity; changes in the level of cross-border travel by Americans to Canada and other possible shifts in market demands; adverse changes in laws and regulations, including environmental and taxation; failure to leverage technological innovation to achieve or sustain financial and operational efficiency, competitive advantage, and deliver better quality services to guests; potential increases in maintenance and operating costs; possible variances in the amount and timing of completion for planned capital or maintenance projects; failure of planned capital projects to result in desired shift in business mix; uncertainties of litigation; labour disputes; ability to adjust costs based on occupancy changes; various events which could disrupt operations; reliance on information systems and associated security risks; the effect of a data breach or significant disruption of hotel information technology networks as a result of cyber attacks and technological changes including impact of direct internet reservation systems and potential impact of new disruptive hospitality offerings in the market.

Although InnVest believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be consistent with these forward-looking statements. The forward-looking statements contained in this press release are made as of the date of this press release.