For Immediate Release

INNVEST REIT REPORTS FIRST QUARTER RESULTS

Toronto, Canada (May 11, 2012) – InnVest Real Estate Investment Trust (the "REIT") and InnVest Operations Trust ("IOT"), collectively "InnVest" (TSX:INN.UN), today announced financial results for the three months ended March 31, 2012. All dollars are in thousands of Canadian dollars unless otherwise specified.

"We continue to see modest improvement in the Canadian lodging industry's fundamentals. Our hotels achieved rate growth which contributed to improved margins and earnings during the quarter," commented Kenneth Gibson, InnVest's President and Chief Executive Officer. "We expect revenues and earnings to continue to improve heading into the important summer season as many of our hotels benefit from renovations undertaken over the past year."

First Quarter Highlights

- Revenue per available room ("RevPAR") on a same hotel basis increased 1.9% driven by a 2.1% increase in average daily rate ("ADR");
- Gross operating profit generated from hotel operations ("Hotel GOP") increased 7.2%;
- Hotel GOP margins increased 60 basis points;
- Net loss was $30.2 million compared to a loss of $20.0 million in the prior year. Excluding non-cash charges required by IFRS (unrealized losses on liabilities presented at fair value and finance costs relating to the presentation of certain equity instruments as liabilities under IFRS), deferred income taxes and depreciation and amortization, InnVest realized an adjusted net loss of $2.4 million compared to a loss of $3.0 million in the prior period;
- Funds from operations ("FFO") was a loss of $0.023 per diluted unit for the quarter as compared with a loss of $0.033 from the prior period. Distributable loss was $0.063 per unit diluted as compared with a loss of $0.074 in the prior period; and
- In March 2012, InnVest refinanced a $151.9 million mortgage which was scheduled to expire in March 2013. InnVest is in the process of finalizing the renewal of a $164.2 million mortgage which matures in November 2012.

The first quarter is traditionally InnVest's lowest earnings period. Given the seasonality of the portfolio, the first quarter is not reflective of anticipated results for the annual period. Revenues are typically higher in the second and third quarters due to business and leisure travel trends as compared to the first and fourth quarters.

InnVest's Consolidated Condensed Financial Statements and Management's Discussion and Analysis for the three months ended March 31, 2012 and 2011 are available on InnVest's website at www.innvestreit.com.

SELECTED FINANCIAL INFORMATION

($000s except per unit amounts)		**Three Months Ended March 31, 2012 (unaudited)**		Three Months Ended March 31, 2011 (unaudited)
Revenue				
Hotel properties		**$128,978**		$126,274
Franchise business		**$2,113**		$1,845
Other real estate properties		**$832**		$915
		$131,923		$129,034
Gross operating profit [1]				
Hotel properties		**$16,887**		$15,748
Franchise business		**$599**		$531
Other real estate properties		**$252**		$354
		$17,738		$16,633
Net loss and comprehensive loss	**$**	**(30,197)**	$	(20,035)
Reconciliation to funds from operations (FFO)				
Add / (deduct)				
Depreciation and amortization		**23,969**		23,530
Deferred income tax recovery		**(10,334)**		(10,694)
Unrealized loss on liabilities presented at fair value		**14,150**		2,474
Finance costs - distributions		**36**		1,725
SIFT transition expenses		**220**		-
Funds from operations [2]		**($2,156)**		($3,000)
Reconciliation to distributable loss				
Add / (deduct)				
Non-cash portion of mortgage interest expense		**684**		661
Non-cash portion of convertible debentures interest and accretion		**992**		896
Reserve for replacement of furniture, fixtures and equipment and capital improvements		**(5,421)**		(5,279)
Distributable loss [2]		**($5,901)**		($6,722)
Per unit data				
Net loss and comprehensive loss- diluted		**($0.323)**		($0.222)
FFO - diluted		**($0.023)**		($0.033)
Distributable loss - diluted		**($0.063)**		($0.075)
Distributions declared		**$0.0999**	$	0.1251

[1] Gross operating income ("GOP") is defined as revenues less hotel, franchise ad other real estate properties expenses.

[2] Funds from operations and distributable loss are non-GAAP measures of earnings and cash flow commonly used by industry analysts. Non-GAAP financial measures do not have a standardized meaning and are unlikely to be comparable to similar measures used by other organizations.

The operating statistics relating to gross room revenues for the three months ended March 31, 2012 are on a same-hotel basis and exclude one hotel which was classified as an operating lease.

	Occupancy		ADR		RevPAR	
	%	Variance to 2011	$	Variance to 2011	$	Variance to 2011
Ontario	51.8%	(2.2 pts)	$106.70	1.6%	$55.27	(2.5%)
Quebec	54.1%	1.8 pts	$105.19	(0.8%)	$56.92	2.7%
Atlantic	48.8%	(0.8 pts)	$106.60	(0.9%)	$52.06	(2.4%)
Western	57.8%	2.6 pts	$146.35	5.8%	$84.53	10.7%
Total	53.0%	(0.2 pts)	$114.52	2.1%	$60.72	1.9%

FINANCIAL REVIEW

Three months ended March 31, 2012

For the three month ended March 31, 2012, total revenues increased by 2.2% to $131.9 million.

Revenues generated by hotel operations increased 2.1% or $2.7 million to $129.0 million. RevPAR over this period increased 1.9% based on a 2.1% increase in ADR which offset a 0.2 point decline in occupancy. The RevPAR growth was driven by increases of almost 30% at the Fairmont Palliser in Calgary and approximaterly 10% at the Hilton Quebec City following room renovations in 2011. These results offset softness in southwestern Ontario, downtown Montreal (weak group activity) and Halifax (Canada Winter Games held in prior year). Room revenues during the first quarter of 2012 benefitted from one incremental day as a result of the leap year.

InnVest generated gross operating profit ("GOP") from hotel operations of $16.9 million, up 7.2% or $1.1 million as compared to the prior period. GOP margins from hotel operations improved 60 basis points aided by the ADR gains achieved during the quarter.

The first quarter of 2012 generated a distributable loss of $5.9 million ($0.063 per unit diluted) and an FFO loss of $2.2 million ($0.023 per unit diluted) each benefitting from the growth in GOP achieved.

BALANCE SHEET REVIEW

InnVest executed a number of transactions to strengthen its balance sheet including:

- InnVest amended its existing credit agreement to increase the maximum amount available under its line of credit on a seasonal basis. The credit line was increased from $40.0 million to $50.0 million through June 15, 2012 and to $45.0 million through August 31, 2012. Thereafter the line of credit will return to the $40.0 million level.
- On March 30, 2012, InnVest refinanced a $151.9 million mortgage which was scheduled to expire in March 2013. The mortgage, secured by six full-service hotels, has an interest rate of 5.3% and has a three year term with two one-year extensions, at InnVest's option.
- InnVest is finalizing the terms of a five-year renewal of a $164.2 million mortgage which matures in November 2012 and has a current interest rate of 7.5%. Assuming the completion of this renewal, the proforma weighted average term to maturity of mortgages at March 31, 2012 would increase to 3.6 years and the weighted average interest rate would approximate 5.6%.

As of March 31, 2012, InnVest had approximately $24.4 million of cash (including restricted cash) and $44.7 million drawn on its credit facility. Given the seasonality of the business, the end of the first quarter is typically the low point in InnVest's liquidity position.

At March 31, 2012, InnVest's leverage including convertible debentures was 61.8% (44.7% excluding convertible debentures).

During the quarter, InnVest invested $9.9 million in capital expenditures throughout its portfolio. These investments reflect a number of profit-improving projects designed to increase cash flow and improve profitability including room renovations at the Delta Centre-Ville and brand upgrades at a number of our Holiday Inn and Hilton hotels.

INCOME TAX DEFERRAL

For 2012, InnVest estimates that the non-taxable portion of the distributions made to unitholders during the year will approximate 40% (2011 – 60%).

CORPORATE REORGANIZATION

On July 20, 2011, the Minister of Finance (the "Minister") announced changes in, among other things, the tax treatment of real estate investment trusts that have issued "stapled" securities. If the Minister's announcement is enacted as proposed and no changes are made to the existing structure of the REIT and IOT, then rents (and certain other amounts) paid by IOT to the REIT after the applicable transition date (expected to be July 20, 2012) (the "Transition Period") would cease to be deductible in computing the income of IOT for Canadian income tax purposes.

In November 2011, InnVest announced its intention to complete an internal reorganization to unwind the stapled unit structure (the "Reorganization") resulting in all the former stapled unitholders and stapled debenture holders of the REIT and IOT holding only units or convertible debentures, as the case may be, of the REIT. The merged entity would be governed as a trust.

The Reorganization was approved by 99.9% of the votes cast in person or by proxy by InnVest unitholders at a special meeting held on February 23, 2012. On February 29, 2012, InnVest received final court approval of the plan of arrangement forming part of the Reorganization from the Ontario Superior Court of Justice. InnVest anticipates that the effective date of the Reorganization will be June 30, 2012.

Additional information about the Reorganization is contained in InnVest's management information circular dated December 31, 2011, which is available on SEDAR at www.sedar.com.

Pending completion of the proposed merger, InnVest is restricted from issuing stapled securities during the Transition Period, subject to certain exceptions. As a consequence, InnVest suspended its distribution reinvestment plan ("DRIP") beginning in August 2011 until further notice and will satisfy all Trustee compensation and the vesting of executive units in cash as opposed to the usual satisfaction in the form of units.

OUTLOOK

Uncertainty in the world economy continues to impact our business. InnVest's broad, diversified portfolio remains a key advantage in the current environment.

Looking ahead, we are focused on driving internal growth within our existing portfolio. In 2011, we began an important multi-year capital program to enhance our product offering at a number of our hotels. These targeted investments are expected to improve our hotels' competitive positioning and operating performance through increased occupancies and rates. An enhanced product, coupled with improving demand and constrained new supply should enable InnVest to realize cash flow growth.

QUARTERLY CONFERENCE CALL

Management will host a conference call on Friday May 11, 2012 at 11:00 a.m. Eastern time to discuss the performance of InnVest. Investors are invited to access the call by dialing (416) 340-2216 or 1-866-226-1792. You will be required to identify yourself and the organization on whose behalf you are participating. A recording of this call will be made available May 11th beginning at 1:00 pm through to 11:59 p.m. on May 18th. To access the recording please call (905) 694-9451 or (800) 408-3053 and use the reservation number 7573534#.

FORWARD LOOKING STATEMENTS

Statements contained in this press release that are not historical facts are forward-looking statements which involve risk and uncertainties which could cause actual results to differ materially from those expressed in the forward-looking statements. Among the key factors that could cause such differences are real estate investment risks, hotel industry risks and competition. These and other factors are discussed in InnVest's 2012 annual information form which is available at www.sedar.com or www.innvestreit.com. InnVest disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable securities law.

INNVEST PROFILE

InnVest Real Estate Investment Trust (the "REIT") is an unincorporated open-ended real estate investment trust which owns a portfolio of 143 hotels across Canada representing approximately 19,000 guest rooms operated under internationally recognized brands. The REIT leases its hotels to InnVest Operations Trust ("IOT"), a taxable investment trust. IOT indirectly holds all of the hotel operating assets, earns revenues from hotel customers and pays rent to the REIT. IOT also holds a 50% interest in Choice Hotels Canada Inc., one of the largest franchisors of hotels in Canada, and earns revenues from franchising fees.

Each issued and outstanding REIT unit trades together with a non-voting unit of IOT as a "stapled unit" on the Toronto Stock Exchange (the "TSX") under the symbol INN.UN. The REIT's convertible debentures trade on the TSX under the symbols INN.DB.B, INN.DB.C, INN.DB.D, INN.DB.E and INN.DB.F.

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