



**Granite Real Estate
Investment Trust**

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GRANITE ANNOUNCES 2013 FIRST QUARTER RESULTS UNDER IFRS

May 8, 2013, Toronto, Ontario, Canada — Granite Real Estate Investment Trust and Granite REIT Inc. (TSX: GRT.UN; NYSE: GRPU) (“Granite” or the “Trust”) today announced their combined results for the three month period ended March 31, 2013 using, for the first time, International Financial Reporting Standards (“IFRS”) as the basis of financial reporting.

“The first quarter of 2013 represents the first quarter in which Granite enjoyed the tax-saving benefits of being a REIT. We completed our first acquisition, developed an important new joint venture relationship to accelerate our diversification strategy and growth phase, began making monthly distributions to our unitholders and we adopted the IFRS accounting framework. These are important milestones and combined with the improved operating performance resulted in a very successful quarter for Granite,” commented Tom Heslip, Chief Executive Officer.

Granite’s results for the three month periods ended March 31, 2013 and 2012 are summarized below (all figures are in Canadian dollars):

	Three months ended March 31,	
	2013	2012
<i>(in thousands, except per unit/share figures)</i>		
Revenues	\$ 48,124	\$ 45,660
Net income	94,394	28,259
Funds from operations (“FFO”) ⁽¹⁾	34,006	29,544
Per stapled unit or common share amounts:		
Basic and diluted net income	\$ 2.01	\$ 0.60
Basic and diluted FFO ⁽¹⁾	\$ 0.73	\$ 0.63
Fair value of investment properties ⁽²⁾	\$2,007,760	\$1,901,769

(1) FFO and basic and diluted FFO per stapled unit or common share are measures widely used by analysts and investors in evaluating the operating performance of real estate companies. However, FFO does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Granite determines FFO using the definition prescribed by the Real Estate Property Association of Canada (“REALPAC”). For a reconciliation of FFO to net income attributable to stapled unitholders or common shareholders, please refer to the section titled “Reconciliation of Funds from Operations to Net Income Attributable to Stapled Unitholders or Common Shareholders”.

(2) At period end.

GRANITE’S COMBINED FINANCIAL RESULTS

For the three month period ended March 31, 2013, rental revenue increased by \$2.4 million from \$45.7 million in the first quarter of 2012 to \$48.1 million in the first quarter of 2013 primarily due to contractual rent adjustments resulting from Consumer Price Index based increases, completed projects coming on-stream and the acquisition of two properties in the United States in February 2013.

Net income of \$94.4 million for the first quarter of 2013 reflected (i) a recovery of \$41.9 million in Canadian deferred income tax liabilities as a result of converting to a real estate investment trust (“REIT”) on January 3, 2013; (ii) \$18.7 million in fair value gains on investment properties largely attributable to discount and terminal capitalization rate compressions in North America; (iii) a \$5.1 million gain on the settlement of the Meadows

holdback and (iv) \$1.4 million of REIT and reorganization costs. The net income for the first quarter of 2012 reflected the income tax provision applicable when Granite was a corporation, \$1.6 million in fair value gains on investment properties, \$0.8 million of REIT related costs and \$0.3 million of employee termination expenses.

FFO for the first quarter of 2013 increased \$4.5 million from \$29.5 million in the prior year period to \$34.0 million in the current period. The increase in the FFO from the prior period was primarily attributable to the increase in rental revenue of \$2.4 million, lower current income taxes of \$2.5 million partially offset by an increase in interest and other financing charges of \$0.5 million.

A more detailed discussion of Granite's combined financial results for the three month periods ended March 31, 2013 and 2012 is contained in Granite's Management's Discussion and Analysis of Results of Operations and Financial Position and the unaudited combined financial statements for those periods and the notes thereto, which are available through the internet on Canadian Securities Administrators' Systems for Electronic Document Analysis and Retrieval (SEDAR) and can be accessed at www.sedar.com and on the United States Securities and Exchange Commission's (the "SEC") Electronic Data Gathering, Analysis and Retrieval System (EDGAR) which can be accessed at www.sec.gov.

RECONCILIATION OF FUNDS FROM OPERATIONS TO NET INCOME ATTRIBUTABLE TO STAPLED UNITHOLDERS OR COMMON SHAREHOLDERS

	Three months ended March 31,	
	2013	2012
<i>(in thousands, except per unit/share information)</i>		
Net income attributable to stapled unitholders or common shareholders	\$ 94,291	\$28,262
Add (deduct):		
Fair value gains on investment properties	(18,734)	(1,556)
Fair value gains (losses) on financial instruments	(495)	161
Gain on Meadows holdback	(5,143)	—
Acquisition transaction costs	411	—
Deferred taxes	(36,378)	2,704
Non-controlling interest relating to the above	54	(27)
Funds from Operations	\$ 34,006	\$29,544
Basic and diluted funds from operations per stapled unit or common share	\$ 0.73	\$ 0.63
Basic number of stapled units or common shares outstanding	46,882	46,884
Diluted number of stapled units or common shares outstanding	46,910	46,906

COMPLETION OF REAL ESTATE INVESTMENT TRUST CONVERSION

Effective January 3, 2013, Granite completed its conversion from a corporate structure to a stapled unit REIT structure. The conversion to a REIT was implemented pursuant to a court approved plan of arrangement under the *Business Corporations Act* (Quebec). Under the plan of arrangement, all of the common shares of Granite Real Estate Inc. were exchanged, on a one-for-one basis, for stapled units, each of which consists of one unit of Granite Real Estate Investment Trust and one common share of Granite REIT Inc. The assets, liabilities and operations of the new combined stapled unit structure are comprised of all the previous assets, liabilities and operations of Granite Real Estate Inc.

CHANGES IN FINANCIAL REPORTING

Effective January 1, 2013, Granite adopted IFRS as the basis of financial reporting commencing with our interim financial statements for the three month period ended March 31, 2013 and using January 1, 2012 as its transition date. Accordingly, financial data provided in this press release has been prepared in accordance with IFRS. Fiscal 2012 comparative results have also been reported under IFRS.

The Trust's first quarter reporting under the IFRS accounting framework has had a significant impact on the combined financial statements. IFRS is premised on a conceptual framework similar to United States generally accepted accounting principles; however, significant differences exist in certain areas of recognition, measurement and disclosure. While adoption of IFRS has not had an impact on the Trust's reported net cash flows, there have been material impacts on the combined balance sheets and statements of income, which are discussed further in the Trust's Management's Discussion and Analysis of Results of Operations and Financial Position and the unaudited interim financial statements for the three month periods ended March 31, 2013 and 2012. In particular, Granite's balance sheets reflect the revaluation of all of its investment properties to fair value.

CONFERENCE CALL

Granite will hold a conference call on Thursday, May 9, 2013 at 8:30 a.m. Eastern time. The number to use for this call is 1-800-734-8592. Overseas callers should use +1-416-981-9015. Please call in at least 10 minutes prior to start time. The conference call will be chaired by Tom Heslip, Chief Executive Officer. For anyone unable to listen to the scheduled call, the rebroadcast numbers will be: North America — 1-800-558-5253 and Overseas — +1-416-626-4100 (enter reservation number 21654597) and will be available until Sunday, May 19, 2013.

ABOUT GRANITE

Granite is a Canadian-based REIT engaged in the ownership and management of predominantly industrial properties in North America and Europe. Granite owns approximately 29 million square feet in 106 rental income properties. Our tenant base currently includes Magna International Inc. and its operating subsidiaries as our largest tenants, together with tenants from other industries.

For further information, please contact Tom Heslip, Chief Executive Officer, at 647-925-7539 or Michael Forsayeth, Chief Financial Officer, at 647-925-7600.

OTHER INFORMATION

Additional property statistics have been posted to our website at <http://www.granitereit.com/uploads/File/propertystatistics.pdf>. Copies of financial data and other publicly filed documents are available through the internet on Canadian Securities Administrators' Systems for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com and on the United States Securities and Exchange Commission's Electronic Data Gathering, Analysis and Retrieval System (EDGAR) which can be accessed at www.sec.gov.

FORWARD-LOOKING STATEMENTS

This press release may contain statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements" within the meaning of applicable securities legislation, including the United States Securities Act of 1933, as amended and the United States Securities Exchange Act of 1934, as amended. Forward-looking statements may include, among others, statements regarding the Trust's future plans, goals, strategies, intentions, beliefs, estimates, costs, objectives, capital structure, cost of capital, tenant base, tax consequences, economic performance or expectations, or the assumptions underlying any of the foregoing. Words such as "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", "seek" and similar expressions are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future events, performance or results and will not necessarily be accurate indications of whether or the times at or by which such future performance will be achieved. Undue reliance should not be placed on such statements. In particular, Granite cautions that there can be no assurance that the anticipated reduction in cash income taxes payable following the REIT conversion will be realized. Forward-looking statements are based on information available at the time and/or management's good faith assumptions and analyses made in light of our perception of historical trends, current conditions and expected future developments, as well as other factors

we believe are appropriate in the circumstances, and are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond the Trust's control, that could cause actual events or results to differ materially from such forward-looking statements. Important factors that could cause such differences include, but are not limited to, the risk of changes to tax or other laws that may adversely affect the REIT; the ability to realize the anticipated reduction in cash income taxes payable following the REIT conversion and the risks set forth in the "Risk Factors" section in Granite's Annual Information Form for 2012, filed on SEDAR at www.sedar.com and attached as Exhibit 1 to the Trust's Annual Report on Form 40-F for the year ended December 31, 2012, filed with the SEC and available online on EDGAR at www.sec.gov, all of which investors are strongly advised to review. The "Risk Factors" section also contains information about the material factors or assumptions underlying such forward-looking statements. Forward-looking statements speak only as of the date the statements were made and unless otherwise required by applicable securities laws, the Trust expressly disclaims any intention and undertakes no obligation to update or revise any forward-looking statements contained in this press release to reflect subsequent information, events or circumstances or otherwise.