Rating Report

Granite REIT Holdings Limited Partnership

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Insight beyond the rating.

Ratings

Debt	Rating Action	Rating	Trend
Senior Unsecured Debentures	Confirmed	BBB	Stable

Rating Update

DBRS Limited (DBRS) has confirmed the rating of Granite REIT Holdings Limited Partnership's (GRHLP) Senior Unsecured Debentures at BBB with a Stable trend. The rating is based on the credit risk profile of Granite Real Estate Investment Trust (Granite REIT) and Granite REIT Inc. (collectively, Granite or the Trust), as the Senior Unsecured Debentures are fully and unconditionally guaranteed by the Trust. The confirmation acknowledges the recent conclusion of Granite's review of strategic alternatives and reflects the Trust's continued focus on enhancing portfolio quality and diversification through growth. The confirmation also takes into consideration DBRS's expectation of higher debt levels as the Trust pursues its growth opportunities. The rating continues to be constrained by the Trust's significant tenant and geographic concentration and portfolio size relative to Granite's higher-rated, investment-grade peers.

DBRS expects earnings to modestly increase primarily because of the lease-up of completed development projects and contractual rental rate increases in 2016. Granite has a significant number of leases maturing between 2017 and 2019. Five special-purpose properties tenanted by Magna International Inc. (Magna) and its operating subsidiaries, four of which are located in Canada and one in Austria, represent the largest number of maturing leases and account for approximately $35 million in annualized lease payments. In DBRS's view, these properties are core to Magna's operations, which is supported by Magna's having made significant capital investments in these properties over the past several years. As such, DBRS expects Magna to renew these leases.

Over the next few years and as the leases for the five special purpose properties are settled, Granite is expected to ramp up its acquisition program. Granite's management has stated its plan to acquire and develop properties with a value of approximately $1 billion over the next three to four years. Granite is currently seeking high-quality logistics and distribution industrial properties located primarily in its core European and U.S. markets with a cap rate range between 6.0% and 7.0%. DBRS believes the new acquisitions, coupled with developments coming on stream and selective property dispositions, should continue to enhance earnings stability through a gradual improvement in asset quality and geographic and tenant diversification, thereby entrenching the Trust more firmly in the BBB rating category.

DBRS expects Granite to fund its investments and potential unit repurchases of up to an aggregate of approximately 3.64 million of issued and outstanding units with proceeds from asset dispositions and incremental debt in 2016. As a result, DBRS expects Granite's debt-to-capital ratio to eventually reach 40% to 50% (including subordinated convertible debt and preferred equity).

DBRS's rating incorporates Granite's financial leverage target and the expectation for the Trust to operate with liquidity and financial metrics that are strong for the current rating category (i.e., EBITDA interest coverage of at least 3.0 times over the long term). DBRS notes that the current rating also incorporates the expectation for the Trust to not have more than 20% of secured debt-to-total debt upon achieving its targeted leverage levels.

Financial Information

	3 mos. to Mar 31		12 mos. to Mar 31	For the year ended Dec. 31			
IFRS	**2016**	**2015**	**2016**	**2015**	**2014**	**2013**	**2012**
Total debt/total capital	23.5%	25.7%	23.5%	23.3%	26.0%	24.9%	14.8%
Total debt/EBITDA	2.8	3.2	3.0	3.0	3.2	3.2	1.8
EBITDA ($ millions)	49.3	46.2	189.7	186.7	177.5	171.9	146.1
EBITDA interest coverage (incl. capitalized interest)	9.54	10.13	9.72	9.87	7.38	8.41	8.66
EBITDA interest coverage (excl. capitalized interest)	9.66	10.24	9.77	9.91	7.41	8.46	8.92

Note: Granite Real Estate Investment Trust and Granite REIT Inc. combined results.

Issuer Description

Granite REIT Holdings Limited Partnership owns a portfolio of industrial real estate in North America and Europe. The portfolio is predominately leased to Magna International Inc. (Magna) as a result of a spin-off of Magna's real estate assets in 2003.

Rating Considerations

Strengths

1. High quality industrial portfolio
Granite owns a high-quality portfolio of 96 income-producing industrial, logistics and warehouse properties totalling approximately 30.4 million square feet (sf) of leasable area as at Q1 2016. The properties are well located in nine countries across its core European and North American industrial markets and are predominately leased to Magna and its automotive subsidiaries (account for 79% of Granite's annualized lease payments as at Q1 2016). DBRS believes that several of the properties in Granite's portfolio are considered to be core plants for Magna. This view is supported by the fact Magna has made significant capital investments, including expansions, in many of these plants over the past several years.

2. Favourable lease arrangements
The features in Granite's Magna-related lease agreements contribute to earnings and cash flow stability, as they are generally structured so that the tenant is responsible for all costs of occupancy (including operating costs, property taxes, insurance and maintenance costs) and rent increases (based either on fixed-rate step increases or inflation adjustment and generally limited to 10% over five years). The majority of these lease agreements are long term, with built-in renewal options that reset at market rates or existing rent plus inflation.

3. Conservative financial profile
With current leverage at 23.5%, Granite has a significant ability to increase its leverage up to 50.0% (with subordinated and preferred securities included in debt), which is part of its strategic plan. DBRS expects the Trust will use a higher proportion of debt to fund future growth. DBRS notes that the current rating incorporates the expectation for the Trust to not have more than 20% of secured debt-to-total-debt upon achieving its targeted leverage levels. DBRS's rating incorporates Granite's financial leverage target and the expectation for the Trust to operate with liquidity and financial metrics that are strong for the current rating category (i.e., EBITDA interest coverage of at least 3.0 times over the long term).

Challenges

1. Tenant concentration (Magna)
Granite has a high degree of tenant concentration, as Magna accounts for 79% of Granite's annualized lease payments as at Q1 2016. As such, Granite's credit risk profile could be affected by significant changes in Magna's business strategy and the cyclicality of the automotive industry. Magna is currently rated A (low) with a Stable trend by DBRS (see report dated July 14, 2015). Going forward, Granite will not be relying on Magna as its primary source of growth, but will instead focus on acquiring new industrial tenants, thereby enhancing its diversification over time.

2. Portfolio is small for the current rating category
The size of Granite's portfolio is relatively small on the basis of EBITDA ($189.4 million in the last 12 months 2016) and gross assets (approximately $2.7 billion as at Q1 2016) compared with similarly rated real estate entities. Real estate entities rated BBB by DBRS typically generate EBITDA in excess of $350 million and have gross assets in excess of $5 billion. Larger real estate entities are typically more diversified, with broader tenant profiles and properties in multiple geographic markets, and also benefit from operating efficiencies as a result of greater economies of scale.

3. High proportion of special-purpose facilities
Granite has 12 industrial properties that are classified as special-purpose facilities and have locations throughout Canada, the United States, Austria and Germany. These special-purpose facilities account for 49.7% of Granite's annualized lease payments (or $113.7 million in 2015) and are specifically designed for Magna's operations, which makes Granite's re-leasing risk greater than that of more generic industrial properties. In addition, Granite's portfolio has a moderate degree of property concentration risk, with the top ten properties accounting for approximately 47.3% of the Trust's annual lease payments.

4. Geographic concentration
Granite's portfolio has a significant degree of geographic concentration in the Graz area of Austria and the Greater Toronto Area (GTA), which exposes the Trust to changes in economic conditions in these markets. The Graz area and the GTA are particularly sensitive to the health of the automotive industry, as this sector makes up a large proportion of their respective economies.

Earnings Profile

IFRS ($ millions)	3 mos. to Mar 31 2016	3 mos. to Mar 31 2015	12 mos. to Mar 31 2016	For the year ended Dec. 31 2015	2014	2013	2012
Rental revenue	57.8	54.4	225.2	221.8	212.0	204.5	182.2
Operating expense	(8.7)	(8.2)	(35.9)	(35.4)	(34.9)	(32.9)	(36.6)
Net rental income	49.2	46.2	189.4	186.4	177.0	171.6	145.6
Net rental margin	85.0%	84.9%	84.1%	84.0%	83.5%	83.9%	79.9%
EBITDA	49.3	46.2	189.7	186.7	177.5	171.9	146.1
EBIT	49.0	46.0	188.8	185.7	176.4	170.9	145.9
Net income before non-recurring items	35.7	30.7	135.8	130.8	144.0	140.0	117.8

Note: Granite Real Estate Investment Trust and Granite REIT Inc. combined results.

Summary

Granite's earnings profile continues to benefit from the stability and predictability of income generated by the Trust's high-quality industrial portfolio and favourable lease arrangements.

- Net rental income increased by 6.5% to $49.2 million in Q1 2016 from $46.2 million a year earlier primarily because of favourable exchange rates (+$3.5 million) and contractual rental rate increases, partially offset by property disposals and lower rental rates on lease renewals.
- Dispositions included the sale of two income-producing properties in the United States and Austria for aggregate proceeds of $9 million, while no properties were acquired during the quarter.

Outlook

Management's immediate priority is the renewal of five special-purpose property leases expiring in the next two years. In parallel, DBRS expects Granite to continue to execute on its strategic plan and to ramp up its acquisition program over the next several years. DBRS believes property acquisitions, coupled with developments coming on stream and selective property dispositions, should continue to enhance earnings stability through a gradual improvement in asset quality and geographic and tenant diversification. DBRS expects earnings to modestly increase primarily because of the lease-up of completed development projects and contractual rental rate increases in 2016.

- DBRS notes that Granite is exposed to changes in currency exchange rates (the euro and the U.S. dollar in particular) and has naturally hedged a portion of its exposure using foreign-denominated debt.
- Granite is disciplined in its approach to acquisitions, and if it can source opportunities that meet its stringent investment criteria, it is targeting approximately $1 billion in acquisitions over the next three to four years. DBRS expects that in the near term, Granite will continue to focus on high-quality logistics and distribution industrial assets at cap rates between 6.0% and 7.0% in its core U.S. and European markets.
- Granite's growth initiatives should enhance tenant and geographic diversification, resulting in greater cash flow stability over time, thereby entrenching the Trust more firmly in the BBB rating category.

Financial Profile

Cash Flow Statement	3 mos. to Mar 31		12 mos. to Mar 31	For the year ended Dec. 31			
IFRS ($ millions)	2016	2015	2016	2015	2014	2013	2012
Net income before non-recurring items	35.7	30.7	135.8	130.8	144.0	140.0	117.8
Depreciation and amortization	0.5	0.4	1.8	1.8	2.7	1.5	0.8
Deferred income taxes and other	10.1	10.3	26.2	26.3	10.3	0.4	(13.6)
Cash Flow from Operations	**46.3**	**41.4**	**163.7**	**158.8**	**157.0**	**142.0**	**104.9**
Maintenance capital expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Leasing costs and tenant improvements	(1.1)	(0.5)	(3.6)	(3.0)	(45.2)	(2.2)	(3.2)
Cash Available for Distribution	**45.2**	**40.9**	**160.1**	**155.8**	**111.8**	**139.8**	**101.7**
Distributions	(27.1)	(27.1)	(108.3)	(108.3)	(103.2)	(90.3)	(93.8)
Cash Available After Distribution	**18.1**	**13.8**	**51.8**	**47.5**	**8.6**	**49.4**	**7.9**
Change in working capital	2.7	(0.0)	3.4	0.7	(6.2)	0.3	10.8
Free Cash Flow	**20.8**	**13.8**	**55.2**	**48.2**	**2.5**	**49.7**	**18.6**
Acquisition of real estate assets	0.0	0.0	(6.0)	(6.0)	(79.0)	(247.6)	0.0
Disposition of real estate assets	8.6	4.7	19.3	15.4	39.1	16.8	1.2
Capital expenditures	(6.7)	(10.2)	(20.2)	(23.7)	(36.7)	(27.3)	(28.4)
Other investments/dis. cont. ops. and non-recurring	(2.9)	(8.6)	10.5	4.7	82.4	0.3	4.9
Cash Flow before Financing	**19.8**	**(0.4)**	**58.8**	**38.6**	**8.2**	**(208.0)**	**(3.7)**
Net change in equity	0.0	0.0	(0.0)	(0.0)	1.8	3.1	(1.7)
Net change in debt	4.6	(2.3)	(28.6)	(35.5)	12.6	250.4	0.0
Other financing	(0.2)	(0.1)	(0.2)	(0.1)	(1.9)	(1.1)	(0.4)
Net Change in Cash	**24.3**	**(2.7)**	**29.9**	**2.9**	**20.7**	**44.4**	**(5.8)**
Key Financial Ratios							
Total debt/total capital	23.5%	25.7%	23.5%	23.3%	26.0%	24.9%	14.8%
Cash flow/total debt	0.33	0.28	0.29	0.28	0.27	0.25	0.40
Total debt/EBITDA	2.8	3.2	3.0	3.0	3.2	3.2	1.8
EBITDA interest coverage (incl. capitalized interest)	9.54	10.13	9.72	9.87	7.38	8.41	8.66
EBITDA interest coverage (excl. capitalized interest)	9.66	10.24	9.77	9.91	7.41	8.46	8.92

Note: Granite Real Estate Investment Trust and Granite REIT Inc. combined results.

Financial Profile (CONTINUED)

Summary

Granite has a conservative financial profile based on its modest debt levels, cash flow-generating capacity and sizable unencumbered asset pool.

- Cash flow from operations increased by 11.8% to $46.3 million in Q1 2016, from $41.4 million a year earlier, primarily because of favourable exchange rates, contractual rental rate increases, which were partially offset by asset dispositions and lower rental rates on lease renewals.
- As such, cash flow from operations was more than sufficient to fund distributions, resulting in a positive free cash flow position of $20.8 million in Q1 2016.
- Investments in property development projects were mainly funded by operating cash flow, proceeds from property dispositions and, to a lesser extent, incremental debt.
- Granite's financial metrics remain very conservative relative to the Trust's investment-grade peers, with total debt-to-total capital of 23.5% and very strong coverage ratios.

Outlook

The rating incorporates the expectation that Granite will use a higher proportion of debt as it pursues its growth strategy, which should result in total debt-to-capital (with subordinated and preferred securities included in debt) increasing to the 40% to 50% range over time.

- DBRS expects operating cash flow to modestly increase primarily because of contractual rental rate increases and the lease-up of completed development projects.
- On March 2, 2016, Granite announced an increase to its monthly distribution to $0.203 per stapled unit (or $2.44 per stapled unit annually). DBRS estimates annual distributions of approximately $113.6 million in 2016, assuming 47 million units outstanding.
- As such, DBRS estimates Granite will generate positive free cash flow in a range of $50 million to $65 million in 2016.
- Granite is disciplined in its approach to acquisitions, and if it can source opportunities that meet its stringent investment criteria, it is targeting to acquire properties with a value of approximately $1 billion over the next three to four years. Granite is currently seeking high-quality logistics and distribution properties located in core European and U.S. markets with a cap rate range between 6.0% and 7.0%.
- DBRS expects Granite to fund its investments and potential unit repurchases of up to an aggregate of approximately 3.64 million of issued and outstanding units with proceeds from asset dispositions and incremental debt in 2016.

Debt and Liquidity Profile

Debt Maturity Profile

(as at March 31, 2016) ($ millions)	2016	2017	2018	2019	2020	Thereafter	Total
Mortgages	-	30.1	15.5	-	-	-	45.6
Construction loans	21.0	28.8	-	-	-	-	49.8
Credit facility	-	-	18.2	-	-	-	18.2
Senior unsecured debentures	-	-	199.0	-	-	248.8	447.8
Total debt 1	**21.0**	**58.9**	**232.7**	**0.0**	**0.0**	**248.8**	**561.4**
% of total debt	3.7%	10.5%	41.5%	0.0%	0.0%	44.3%	100.0%

Debt Outstanding	Maturity	Interest Rate	Amount
Mortgages 2	2017/2018	LIBOR+ 2.50%	45.6
Construction loans 2	2016/2017	LIBOR+2.25%	49.8
Credit facility (unsecured)	1-Feb-18	-	18.2
Senior unsecured debentures 2	2-Oct-18	4.61%	199.0
Senior unsecured debentures 2	5-Jul-21	3.79%	248.8
Total Debt 1			**561.4**

Liquidity	Limit	Used	Available
Cash and cash equivalents	-	-	143.4
Credit facility 3	250.0	18.8 2	231.2
Total			**374.6**

Note: Granite Real Estate Investment Trust and Granite REIT Inc. combined results.
1 Excludes $20.8 million cross currency interest rate swaps as at March 31, 2016. 2 Net of financing costs. 3 Includes $18.2 million cash advances and $0.6 million used letters of credit under the credit facility.

Summary of Debt

- Granite has a relatively low amount of debt outstanding ($561.4 million), and its debt structure largely comprises Senior Unsecured Debentures, including the $200 million 4.613% debentures due on October 2, 2018, and the $250 million 3.788% debentures due July 5, 2021. These debentures represented 79.8% of total debt (net of financing costs) as at Q1 2016, which were both swapped into euros resulting in effective interest rates of 3.56% and 2.68%, respectively.
- Granite has one unsecured credit facility ($250 million), which it uses primarily for property acquisitions. This facility matures on February 1, 2018, with the option to extend the maturity date by one year.
- Granite also had a modest amount of secured U.S. dollar-denominated debt consisting of approximately $45.6 million of mortgages secured by properties with a fair value of $96.4 million, and two construction loans, totalling $49.8 million secured by a properties with a combined fair value of $118.7 million as at Q1 2016.

Debt Maturities

- Granite has a significant concentration of debt maturing in the near term, which partially reflects its relatively low amount of debt outstanding.
- Granite's largest concentration of debt maturities is in 2018 when approximately 41.5% of total debt matures. This amount primarily consists of the $200 million 4.613% Senior Unsecured Debentures.

Liquidity

- Granite has more than sufficient liquidity and financial flexibility based on its sizable unencumbered asset base totalling approximately $2.5 billion, undrawn amounts of $231.2 million on its $250 million unsecured credit facility and cash on hand of $143.4 million as at Q1 2016.

Real Estate Portfolio

(As at March 31, 2016)	No. of properties	Leasable sf (mm)	% of Leasable sf	Annual lease payments ($mm)	% of annual lease payments ($mm)
North America					
Canada	40	7,719	25.4%	64	28.4%
U.S.	26	8,995	29.6%	59	26.1%
Total North America	**66**	**16,714**	**55.0%**	**123**	**54.5%**
Europe					
Austria	11	8,010	26.3%	65	28.8%
Germany	13	3,814	12.6%	24	10.6%
Netherlands	3	1,441	4.7%	10	4.3%
Other	3	434	1.4%	4	1.8%
Total Europe	**30**	**13,699**	**45.0%**	**103**	**45.5%**
Total Portfolio	**96**	**30,413**	**100.0%**	**226**	**100.0%**

Granite owned a portfolio of 96 industrial, logistics and warehouse income-producing properties totalling approximately 30.4 million sf of leasable area as at March 31, 2016.

Granite's portfolio comprises special-purpose (12 properties totalling 12.6 million sf), multi-purpose (69 properties totalling 11.1 million sf) and modern logistics/distribution warehouse facilities (17 properties totalling 6.7 million sf).

Granite's properties are predominately leased to Magna and its automotive subsidiaries (representing 79% of Granite's annualized lease payments as at Q1 2016).

- Granite's properties are primarily located in Austria, Canada, the United States and Germany, which represent approximately 28.8%, 28.4%, 26.1% and 10.6% of annual lease payments as at Q1 2016, respectively. The remaining annual lease payments are derived from the Netherlands (4.3%) and other European locations, including the United Kingdom, Spain and the Czech Republic.
    - DBRS notes that properties located in Canada are concentrated in Southern Ontario, with 35 of 40 properties located in the GTA (or 77% of the Trust's Canadian annual lease payments as at Q4 2015), which exposes Granite to changes in local economic conditions.
    - Two of Granite's largest income-producing properties (Magna's Eurostar and Thondorf plants) are located in the city of Graz, Austria, and represent 17% of the Q4 2015 annualized lease payments.

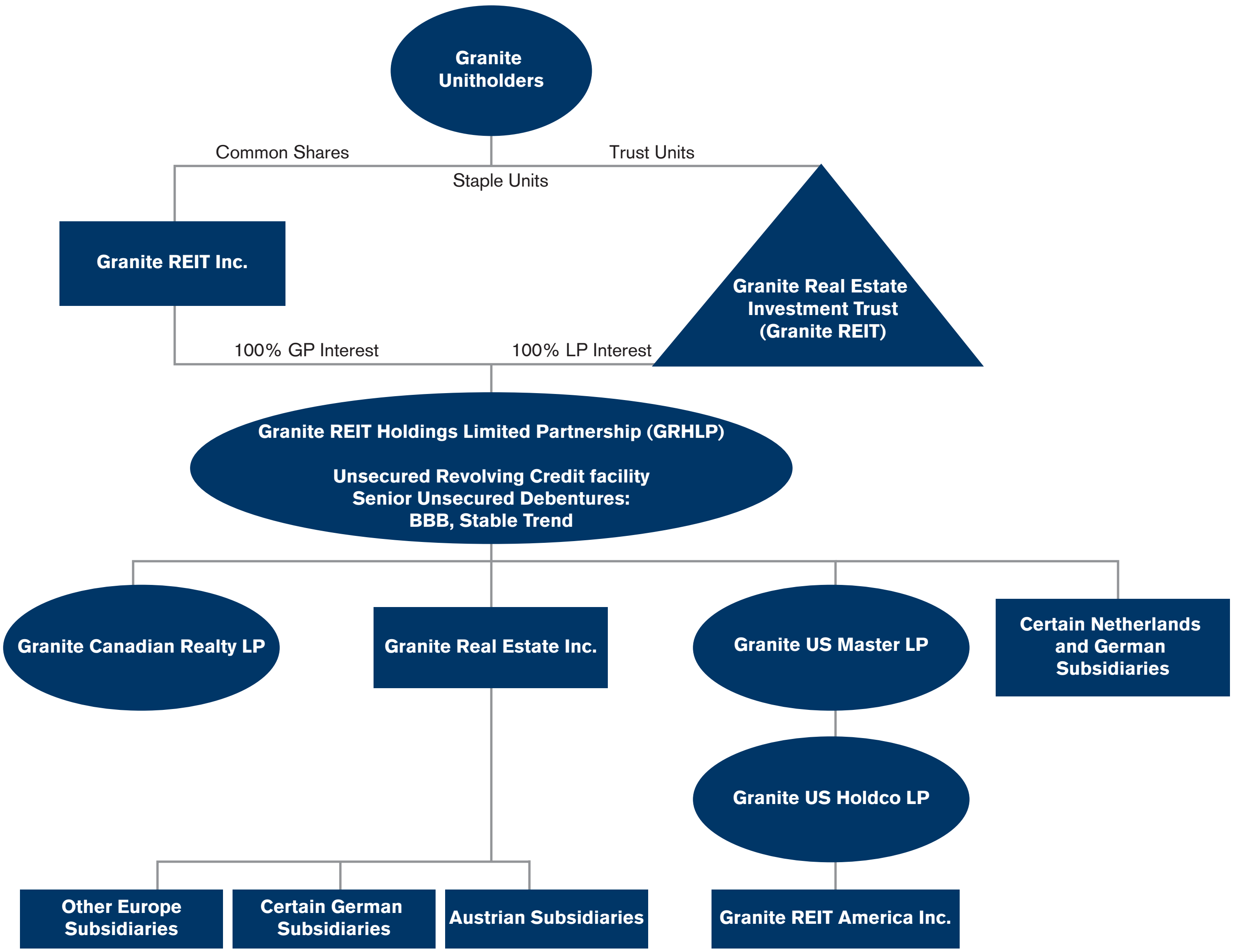
Lease Maturity Profile

Lease Expiration Schedule (as at March 31, 2016)

(thousands sf)	Vacant	2016	2017	2018	2019	2020	2021	2022 & thereafter	Total
Canada	91	-	3,835	1,918	435	1,033	316	91	7,719
U.S.	250	312	643	989	1,475	59	588	4,679	8,995
Austria	-	-	-	1,500	380	-	389	5,741	8,010
Germany	-	957	-	1,015	303	-	-	1,539	3,814
Netherlands	-	-	314	-	500	627	-	-	1,441
Other	-	-	-	90	90	-	254	-	434
Total	**341**	**1,269**	**4,792**	**5,512**	**3,183**	**1,719**	**1,547**	**12,050**	**30,413**
% of total	**1.1%**	**4.2%**	**15.7%**	**18.1%**	**10.5%**	**5.7%**	**5.1%**	**39.6%**	**100.0%**

- Almost half of Granite's leases expire before the end of 2019. The five Magna-tenanted, special-purpose properties, four of which are located in Canada and one in Austria, represent the majority of these expiring leases and account for approximately $35 million in annualized lease payments.
- In DBRS's view, these properties are core to Magna's operations, which is supported by Magna's having made significant capital investments in these properties over the past several years. As such, DBRS expects Magna to renew these leases.

Organizational Structure



- On January 3, 2013, Granite completed its conversion from a corporation to a REIT.
- Granite REIT is an unincorporated and open-ended REIT, with its business carried on directly and indirectly by GRHLP and all of its partnership units, which are owned by Granite REIT and Granite REIT Inc.
- On September 25, 2013, and June 23, 2014, Granite REIT announced that GRHLP issued $200 million of 4.613% Series 1 Senior Debentures due 2018 and $250 million of 3.788% Series 2 Senior Debentures due July 5, 2021 (the Debentures), respectively. These Debentures were both swapped into euros, resulting in effective interest rates of 3.56% and 2.68%, respectively.
- As long as they remain outstanding, the Debentures are fully and unconditionally guaranteed by Granite Real Estate Investment Trust and Granite REIT Inc.
- DBRS also notes that the Debentures and the unsecured revolving credit facility are ranked equally and rateably with one another and with all other future unsecured and unsubordinated indebtedness of GRHLP.

Granite Real Estate Investment Trust & Granite REIT Inc. *

Balance Sheet

IFRS ($ millions)	Mar. 31	As at Dec. 31			Mar. 31	As at Dec. 31	
Assets	**2016**	**2015**	**2014**	**Liabilities & Equity**	**2016**	**2015**	**2014**
Income and development properties	2,534.8	2,592.4	2,310.4	Mortgages and construction loans	95.5	97.0	66.1
Cash and cash equivalents	143.4	119.2	116.2	Unsecured debentures	447.8	447.7	447.0
Accounts receivable	2.5	3.8	2.2	Credit facilities	18.2	19.4	62.6
Other receivables	0.8	3.2	0.9	Accounts payable	36.9	39.0	36.6
Goodwill and intangibles	0.0	0.0	0.0	Other payables	17.5	16.8	23.4
Other assets	12.2	13.2	18.1	Other liabilities	250.8	253.1	175.8
				Common equity	1,817.0	1,849.0	1,630.0
				Minority Interest	10.0	9.8	6.3
Total Assets	**2,693.7**	**2,731.8**	**2,447.8**	**Total Liab. & Equity**	**2,693.7**	**2,731.8**	**2,447.8**

Balance Sheet & Liquidity Ratios	3 mos. to Mar 31		12 mos. to Mar 31	For the year ended Dec. 31			
	2016	**2015**	**2016**	**2015**	**2014**	**2013**	**2012**
Total debt/total capital	23.5%	25.7%	23.5%	23.3%	26.0%	24.9%	14.8%
Net debt/total capital	18.6%	21.8%	18.6%	19.3%	21.9%	21.6%	12.3%
Cash flow/total debt	0.33	0.28	0.29	0.28	0.27	0.25	0.40
Total debt/EBITDA	2.8	3.2	3.0	3.0	3.2	3.2	1.8
Coverage Ratios							
EBITDA interest coverage (incl. capitalized interest)	9.54	10.13	9.72	9.87	7.38	8.41	8.66
EBITDA interest coverage (excl. capitalized interest)	9.66	10.24	9.77	9.91	7.41	8.46	8.92
Profitability Ratios							
EBITDA margin %	85.2%	85.1%	84.2%	84.2%	83.7%	84.1%	80.2%
Cash flow return on average equity	10.0%	9.9%	9.3%	9.1%	9.5%	8.9%	-
Cash flow return on average capital	8.6%	8.2%	7.9%	7.7%	8.1%	8.1%	-
Operating Statistics							
Portfolio leasable area (thousands of sq. ft.)	30,413	30,072	30,413	30,546	30,217	31,922	28,043
Number of properties	96	101	96	101	103	112	104

* Granite Real Estate Investment Trust and Granite REIT Inc. combined results.

Income Statement	3 mos. to Mar 31		12 mos. to Mar 31	For the year ended Dec. 31			
IFRS ($ millions)	**2016**	**2015**	**2016**	**2015**	**2014**	**2013**	**2012**
Rental revenue	57.8	54.4	225.2	221.8	212.0	204.5	182.2
Operating expense	(8.7)	(8.2)	(35.9)	(35.4)	(34.9)	(32.9)	(36.6)
Net rental income	**49.2**	**46.2**	**189.4**	**186.4**	**177.0**	**171.6**	**145.6**
Interest income	0.1	0.1	0.3	0.3	0.4	0.3	0.5
EBITDA	**49.3**	**46.2**	**189.7**	**186.7**	**177.5**	**171.9**	**146.1**
Depreciation and amortization	(0.2)	(0.2)	(0.9)	(0.9)	(1.1)	(1.0)	(0.2)
EBIT	**49.0**	**46.0**	**188.8**	**185.7**	**176.4**	**170.9**	**145.9**
Gross interest expense	(5.2)	(4.6)	(19.5)	(18.9)	(24.0)	(20.4)	(16.9)
Capitalized interest expense	0.1	0.0	0.1	0.1	0.1	0.1	0.5
Net interest expense	(5.1)	(4.5)	(19.4)	(18.8)	(23.9)	(20.3)	(16.4)
Other income/expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**43.9**	**41.5**	**169.4**	**166.9**	**152.5**	**150.6**	**129.5**
Income taxes	(8.2)	(10.8)	(33.6)	(36.2)	(8.5)	(10.5)	(11.7)
DBRS Adjusted Net Income	**35.7**	**30.7**	**135.8**	**130.8**	**144.0**	**140.0**	**117.8**
Non-controlling interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income before Non-recurring Items	**35.7**	**30.7**	**135.8**	**130.8**	**144.0**	**140.0**	**117.8**
Non-recurring items	7.7	24.1	48.6	64.8	(80.3)	5.2	32.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported Net Income	**43.4**	**54.8**	**184.1**	**195.5**	**63.7**	**145.3**	**149.8**

Rating History

	Current	2015	2014	2013	2012	2011
Senior Unsecured Debentures	BBB	BBB	BBB	BBB	BBB	BBB

Previous Report

- Granite REIT Holdings Limited Partnership Rating Report, March 20, 2015.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on **www.dbrs.com**.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.