

## Investor Presentation

September 2016

(1) ALP is a non-IFRS measure.

All figures in Canadian dollars, metrics and foreign exchange rates as of, or for the twelve months ended ("LTM"), June 30, 2016, as applicable, unless noted otherwise.

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Important factors that could cause such differences include, but are not limited to the risks set forth in the annual information form of Granite REIT and Granite REIT Inc. dated March 2, 2016 (the Annual Information Form). The “Risk Factors” section of the Annual Information Form also contains information about the material factors or assumptions underlying such forward-looking statements and forward-looking information.

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# COMPANY OVERVIEW

# GRANITE OVERVIEW

## Description

- Owner and manager of industrial, warehouse and logistics properties
- Operates in nine countries in North America and Europe
- Magna International Inc. and its subsidiaries (“Magna”) as the largest tenant
- Creditworthy tenant base

## Portfolio

- 94 income-producing properties
- 29.9 M square feet
- \$2.5 B in property value

## Financial Information

- \$223 M in ALP
- \$161 M in FFO<sup>(1)</sup>
- \$110 M in distributions
- 68% FFO payout ratio<sup>(1)</sup>

## Public Listing

- GRT.UN on TSX and GRP.U on NYSE
- Market cap of \$2.0 B and enterprise value of \$2.4 B<sup>(2)</sup>
- Investment grade ratings (BBB / Baa2)

**Global industrial real estate platform**

(1) Funds From Operations (“FFO”) and FFO Payout Ratio are non-IFRS measures. For definitions see slide 23.

(2) Market cap and enterprise value as of August 31, 2016.

# INVESTMENT HIGHLIGHTS



## **Global industrial portfolio**

- Strategically located in Canada, US and Europe
- Unique and high quality portfolio of large scale properties
- 99% occupied



## **Strong track record of profitability, stable cash flow generation and distribution increases**

- Consistent growth in annual FFO per unit and distribution per unit since 2011
- Conservative payout ratio



## **Industry leading balance sheet provides financial flexibility**

- Largely unencumbered assets, low leverage and investment grade ratings (BBB / Baa2)
- Foreign-denominated debt provides partial natural currency hedge
- Leading debt leverage and coverage metrics
- Significant and available debt capacity and liquidity



## **Diverse and creditworthy tenant base**

- 35 tenants across broad spectrum of industries
- Magna, a world class automotive supplier, is principal tenant
- Magna credit ratings A- / Baa1 / A (low)



## **Favourable lease terms**

- Net lease structure with tenant responsible for operating costs
- Contractual rent escalators typical both during term and upon renewal
- Weighted lease to maturity of 5.4 years



## **Potential for further diversification and optimization of portfolio**

- Renew and extend special purpose property leases
- Divest non-core assets
- Growth opportunities through development and acquisitions

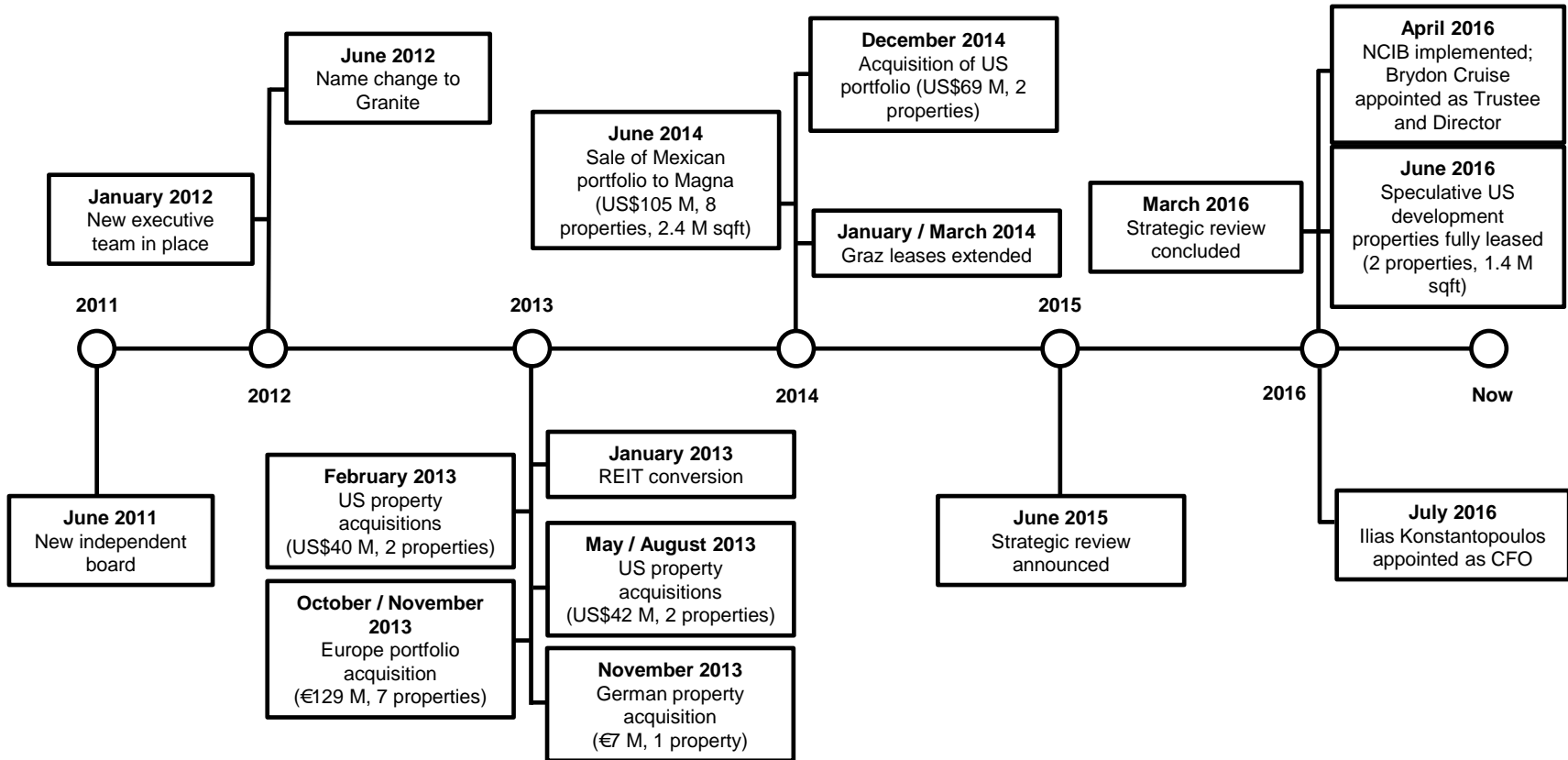


## **Experienced and focused management team**

# GRANITE HISTORY

## Timeline

Over last 4 years, 27 non-core properties sold totaling \$217 M



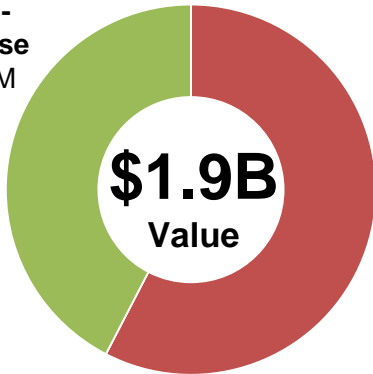
GRT has undergone a significant transformation since the June 30, 2011 reorganization

# GRANITE EVOLUTION – THEN & NOW

## Income-Producing Properties Summary

Then – 2011

90  
Multi-Purpose  
\$802M



15  
Special Purpose  
\$1,089M

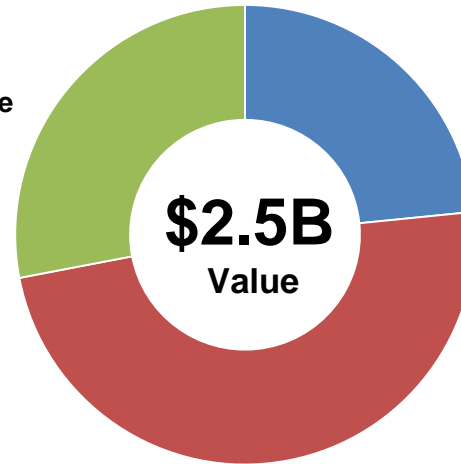
**\$1.9B**  
Value

**105**  
# of Income-Producing Properties

**97%**  
Magna % of Annualized Lease Payments

Now – June 2016

64  
Multi-Purpose  
\$681M



18  
Modern Logistics / Distribution Warehouse  
\$590M

**\$2.5B**  
Value

12  
Special Purpose  
\$1,233M

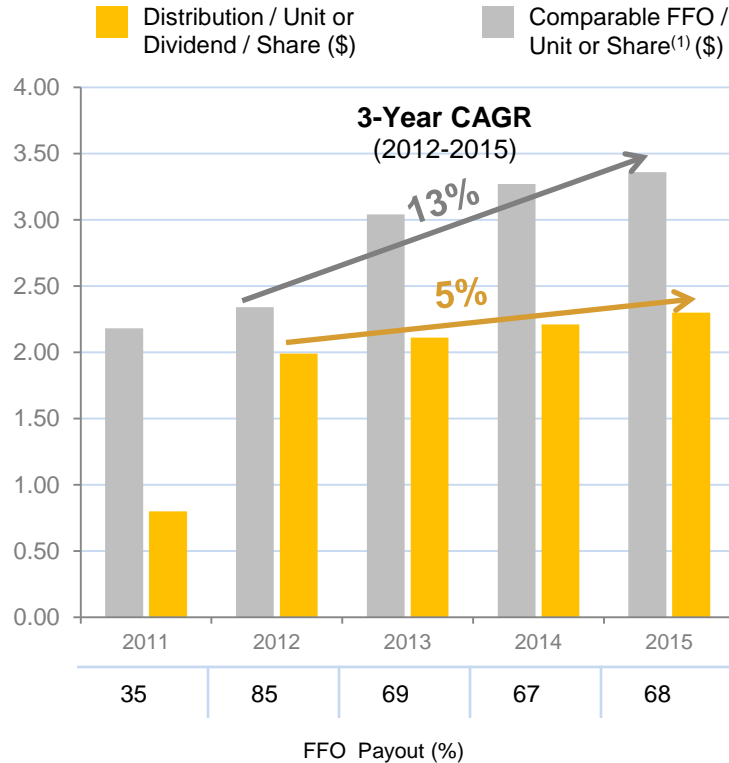
**94**  
# of Income-Producing Properties

**79%**  
Magna % of Annualized Lease Payments

Management team has significantly advanced GRT's transformation since 2011

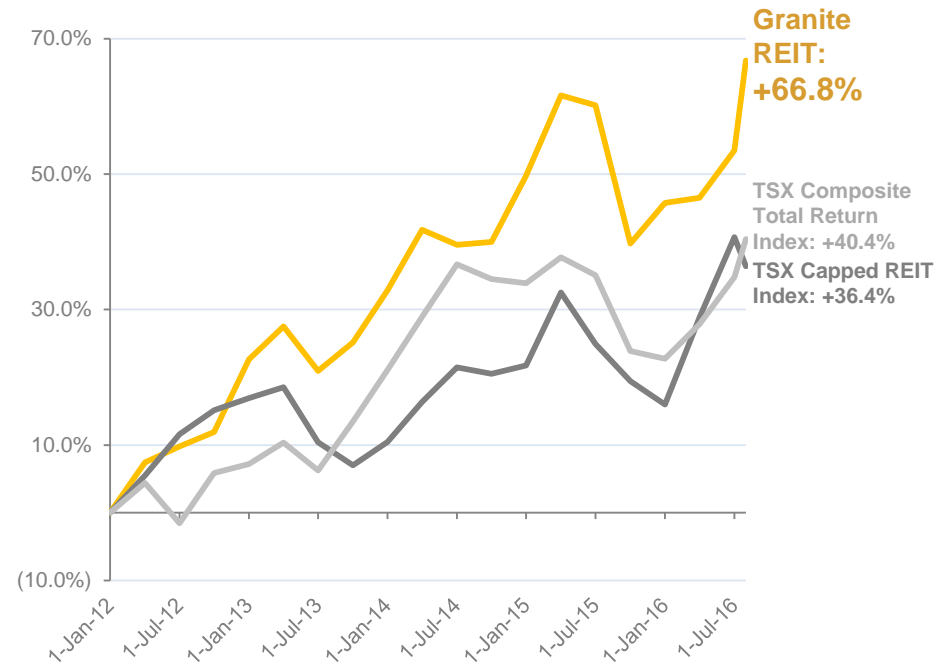
# GRANITE HISTORICAL PERFORMANCE

## Historical Operating Performance



## Total Return Analysis

(January 1, 2012 – August 31, 2016)



**Stable cash flows, conservative payout, steady growth and unit price performance**

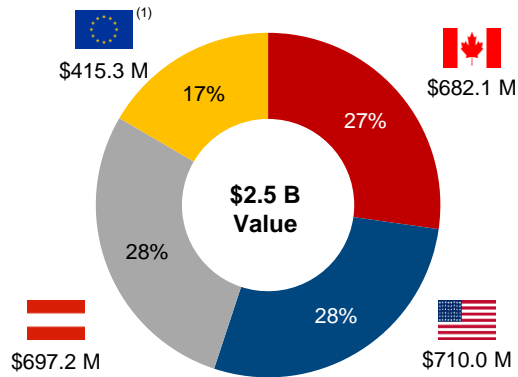
(1) Comparable FFO is a non-IFRS measure.



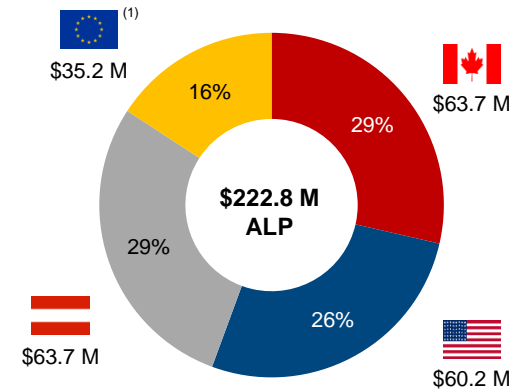
# PORTFOLIO OVERVIEW

# PORTFOLIO SEGMENTATION BY GEOGRAPHY

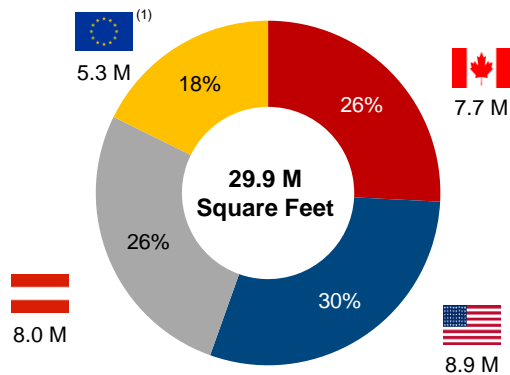
## By Income-Producing Property Fair Value



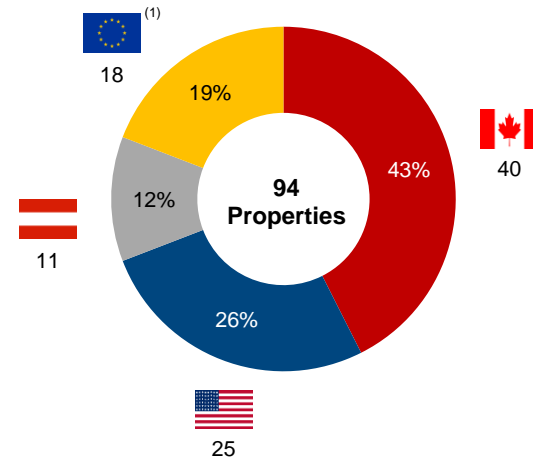
## By Annualized Lease Payments



## By Square Feet



## By Number of Income-Producing Properties



Note: As of June 30, 2016.

(1) Denotes rest of Europe excluding Austria.

■ Canada ■ US ■ Austria ■ Rest of Europe (Excluding Austria)

# PORTFOLIO SEGMENTATION BY CATEGORY

## Income-Producing Properties by ALP Segmented by Category

### Modern Logistics

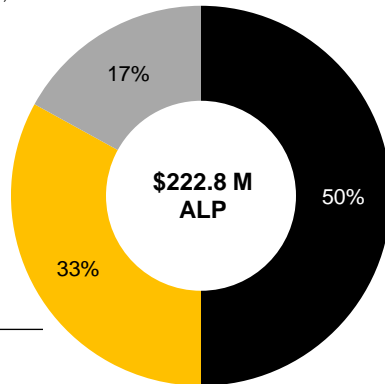
18 Properties  
6.9 M sqft  
\$590.4 M Fair Value  
WALT: 4.8 years<sup>(1)</sup>

### Special Purpose

12 Properties  
12.7 M sqft  
\$1,232.9 M Fair Value  
WALT: 7.4 years<sup>(1)</sup>

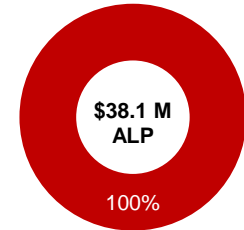
### Multi-Purpose

64 Properties  
10.3 M sqft  
\$681.4 M Fair Value  
WALT: 3.3 years<sup>(1)</sup>



### Modern Logistics

Recently acquired or newly developed / redeveloped within the last three years



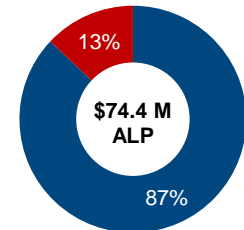
### Special Purpose

Designed and built with unique features



### Multi-Purpose

Tenantable by a wide variety of potential users



■ Special Purpose    ■ Multi-Purpose    ■ Modern Logistics

■ Magna    ■ Non-Magna

(1) WALT is defined as weighted average lease term based on square footage.

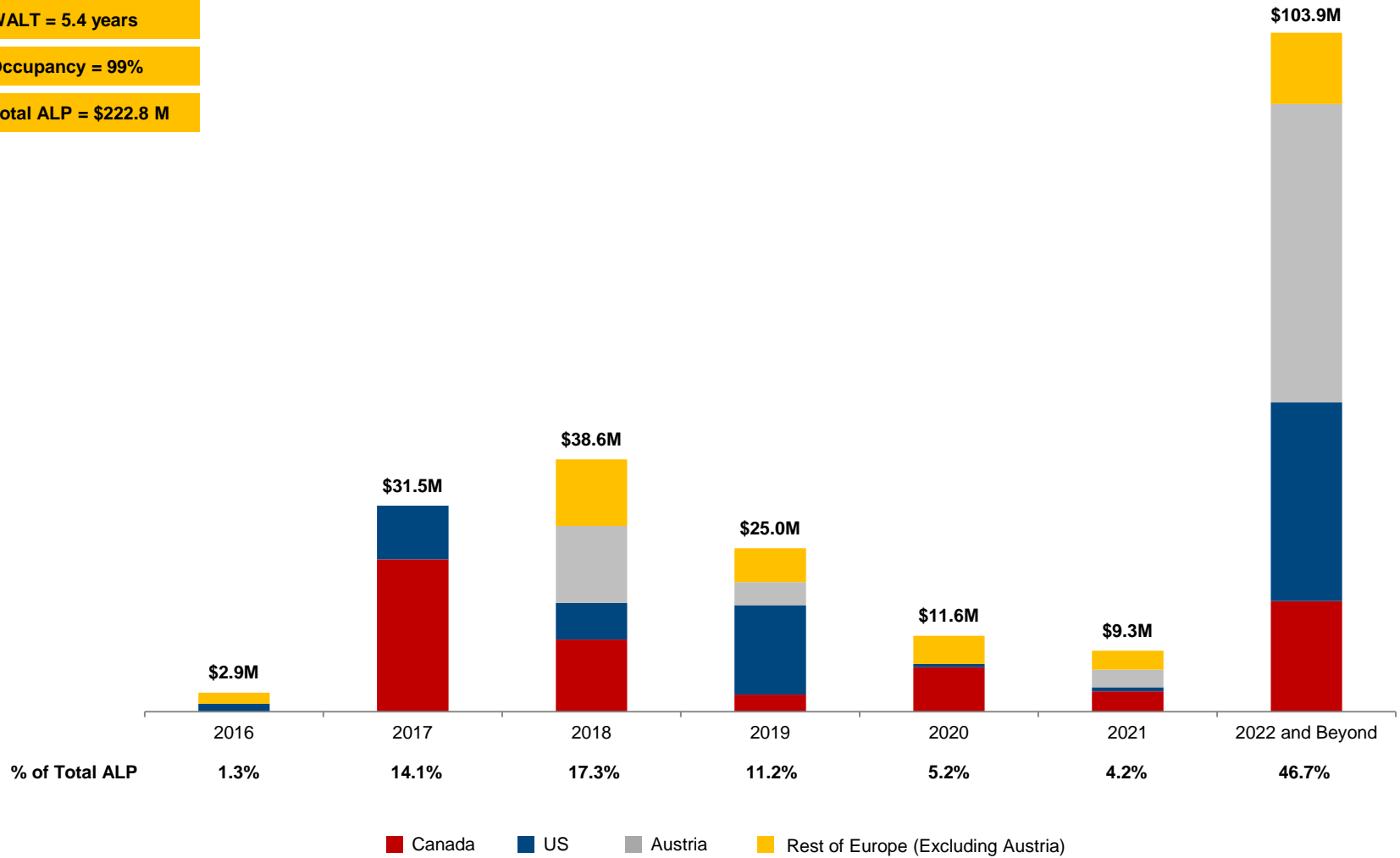
# LEASE EXPIRATION PROFILE

## Lease Expiration By ALP (As at June 30, 2016)

WALT = 5.4 years

Occupancy = 99%

Total ALP = \$222.8 M



# TENANTS

## Current Tenants

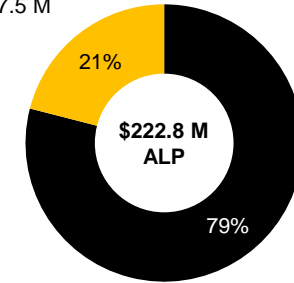


Mercedes-Benz



## Total ALP by Tenant

Non-Magna  
\$47.5 M



Magna  
\$175.3 M

Non-Magna tenants individually comprise less than 10% of non-Magna ALP

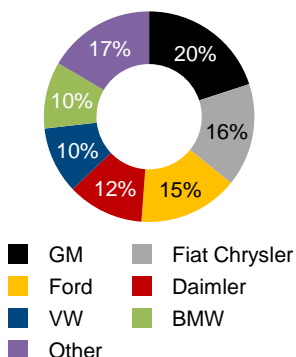
# MAGNA RELATIONSHIP

# PRINCIPAL TENANT – MAGNA

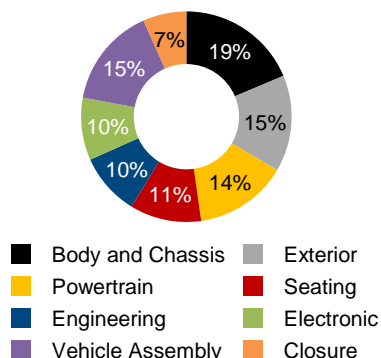
## Overview

- Fourth largest global automotive supplier with operations in 29 countries and ~129 K employees
- \$32.1 B revenues; \$3.3 B EBITDA
- Enterprise value of \$24.5 B and market cap of \$20.4 B

### Customer Mix

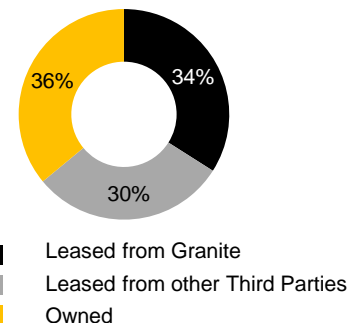


### Product Mix



## Magna Property Summary

### 292 Manufacturing Facilities (59 M sqft)



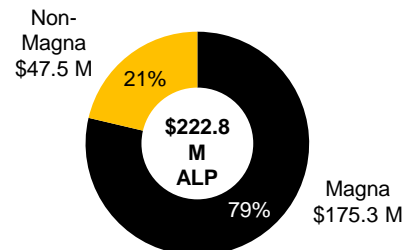
- Magna also has 83 product development, engineering and sales facilities (2.7 M sqft)
  - 16% owned, 32% leased from Granite and 52% leased from third parties
- Magna has \$268 M in 2016 operating lease commitments
  - Less than 1% of total 2015 COGS (\$27.6 B)
  - ~\$5 / sqft

## Credit Attributes

- Magna is a high credit quality tenant (A- / Baa1 / A (low))
- “Mission Critical” assets
- “Sticky” tenant – burdensome to move equipment to new facilities
- Heavily invested in facilities
  - Equipment \$191 / sqft (\$11.3 B)
  - Significant expansion
- History of:
  - Timely and complete payments
  - Renewals and extensions
  - Expansion and investment

## Magna ALP in Granite (\$ M)

- Magna's ALP is 79% of Granite's total and is < 1% of Magna's COGS



Note: All information is as of year end December 31, 2015, with the exceptions being Magna's enterprise value and market cap which are as of August 23, 2016 and Magna ALP in Granite which is as of June 30, 2016.

# FINANCIAL OVERVIEW



# P&L SUMMARY

## Historical P&L<sup>(1)</sup>

	2012	2013	2014	2015	LTM Q2 2016
ALP	\$185.2	\$221.9	\$212.5	\$228.6	\$222.8
Comparable FFO	\$109.9	\$142.5	\$153.8	\$158.4	\$160.6
Comparable FFO / Unit	\$2.34	\$3.04	\$3.27	\$3.36	\$3.42
Distribution / Unit	\$1.99	\$2.11	\$2.21	\$2.30	\$2.35
FFO Payout %	85%	69%	68%	68%	69%

**Track record of growth and stable cash flows with conservative payout**

(1) For the year ended December 31<sup>st</sup>, unless otherwise noted.

# BALANCE SHEET SUMMARY

## Historical Balance Sheet<sup>(1)</sup>

	2014	2015	Q2 2016
<b>Assets</b>			
Investment Properties	\$2,310	\$2,592	\$2,511
Cash and Cash Equivalents	\$116	\$119	\$159
Other Assets	\$22	\$21	\$15
<b>Total Assets</b>	<b>\$2,448</b>	<b>\$2,732</b>	<b>\$2,685</b>
<b>Liabilities and Equity</b>			
Debt	\$579	\$589	\$561
Deferred Tax Liabilities	\$156	\$208	\$210
Other Liabilities	\$77	\$76	\$75
Total Equity	\$1,636	\$1,859	\$1,839
<b>Total Liabilities and Equity</b>	<b>\$2,448</b>	<b>\$2,732</b>	<b>\$2,685</b>
Total Debt / Fair Value of Investment Properties	25%	23%	22%
Net Debt / Fair Value of Investment Properties	20%	18%	16%

**Strong balance sheet with significant debt capacity**

(1) For the year ended December 31<sup>st</sup>, unless otherwise noted.

# CAPITALIZATION & TRADING METRICS

## Market-Based Valuation (\$ M)

Current Unit Price (August 31, 2016)	\$41.68
Units Outstanding (f/d)	47.1
<b>Market Capitalization</b>	<b>\$1,962.0</b>
Unsecured Debentures	\$448.0
Construction Loans	\$54.4
Mortgages Payable	\$45.5
Currency Interest Rate Swap	\$7.4
Bank Indebtedness	\$6.5
<b>Total Debt</b>	<b>\$561.8</b>
Less: Cash and Cash Equivalents	(\$158.5)
<b>Total Enterprise Value ("TEV")</b>	<b>\$2,365.3</b>

## Available Liquidity

Cash and Cash Equivalents	\$159
Credit Facility Available	\$243
<b>Total Available Liquidity</b>	<b>\$402</b>

## Key Trading and Valuation Metrics

LTM Q2 2016 NOI <sup>(1)</sup>	\$218.5
LTM Q2 2016 FFO / Unit	\$3.42
NAV / Unit <sup>(2)</sup>	\$44.76
Implied Cap Rate (LTM Q2 2016 NOI / TEV)	9.0%
Price / LTM Q2 2016 FFO	12.6x
Premium / (Discount) to NAV	(3.7%)
Annual Distribution / Unit	\$2.44
Annual Distribution Yield	5.7%
Total Debt / Fair Value of Investment Properties	22%
Net Debt / Fair Value of Investment Properties	16%

## Incremental Debt Capital

At Net Debt / Fair Value of Investment Properties	Additional Debt Capital (\$ M)
30%	\$500
40%	\$1,002
50%	\$1,705

**Significant liquidity and debt capacity available**

(1) LTM Q2 2016 NOI is a non-IFRS measure. It is calculated as Q2 2016 ALP (\$222.8 M) less LTM Q2 2016 non-recoverable property operating costs (\$4.3 M).

(2) NAV / Unit is calculated as fair value of investment properties (\$2,511 M) less net debt (\$403 M) and before deferred taxes over total units outstanding (47.1 M).

Note: Max total debt / GBV of 65% per indenture.

Note: Financial information as of quarter end June 30, 2016; unit price as of August 31, 2016.

# KEY DIFFERENCES BETWEEN GRANITE AND OTHER REITS

-  Unique asset base
-  Largely unencumbered assets and low leverage
-  Significant liquidity and debt capacity
-  Historically low maintenance capex / tenant improvements / leasing commissions
-  Favourable operating leverage results in significant pass-through of cash flow
-  Low payout ratio
-  Not entirely dependent on capital markets for acquisition capital
-  Patient and opportunistic approach to acquisitions and development

**Benefits of a REIT with the financial flexibility of a corporation**

# FUTURE STRATEGIC OBJECTIVES

# STRATEGIC PRIORITIES

## Build a high quality diversified industrial real estate business

### Priority #1

- Optimize Magna relationship
  - Address near term lease expiries
  - Support Magna's overall growth / expansion plans for existing footprint
- Continue diversification strategy
  - Tenant, industrial sub-asset class and geography
  - North American and European focus
  - Divest non-core assets

### Priority #2

- Deploy capital for development and strategic acquisitions
  - Balance value creation while retaining prudent capital structure
  - Consider cost of capital and available "dry powder"
  - Execute on development opportunities
  - Target strategic acquisitions

### Priority #3

- Consider return of capital alternatives
  - Within context of Priority #1 and Priority #2
  - Also dependent upon extent of GRT.UN / GRP.U under-valuation
  - NCIB implemented
  - Special dividend and substantial issuer bid to be evaluated as strategy unfolds

**Strategic priorities to be guided by value creation potential on a risk-adjusted basis**

# MANAGEMENT BIOS

## Experienced Leadership Team



**Michael Forsayeth**

- Chief Executive Officer
- From June 2007 to July 2011, was Chief Financial Officer of Intrawest
- Held several CFO and senior executive financial and operating positions in numerous large public and private Canadian organizations



**John De Aragon**

- Chief Operating Officer, Co-Head Global Real Estate
- Over 20 years of experience in the real estate industry, covering all aspects from finance and accounting to acquisitions, mergers and asset management



**Lorne Kumer**

- Executive Vice President, Co-Head Global Real Estate
- Over 21 years of experience in the real estate industry working for both public and private development companies



**Jennifer Tindale**

- Executive Vice President, General Counsel and Secretary
- Previously Vice President, Associate General Counsel & Corporate Secretary at Biovail Corporation; Partner, Blake, Cassels and Graydon LLP



**Stefan Wierzbinski**

- Executive Vice President Europe
- Responsible for acquisition, development, leasing and management in Europe
- Joined Granite in 2001

# SUMMARY



Global industrial portfolio



Strong track record of profitability, stable cash flow generation and distribution increases



Industry leading balance sheet provides financial flexibility



Diverse and creditworthy tenant base



Favourable lease terms



Potential for further diversification and optimization of portfolio



Experienced and focused management team



# APPENDIX

# PERFORMANCE MEASUREMENT<sup>(1)</sup>

## Key Definitions

### Funds From Operations (FFO)

FFO is defined as net income attributable to stapled unitholders prior to fair value gains (losses), gains (losses) on sale of investment properties, acquisition transaction costs, deferred income taxes and certain other non-cash items, adjusted for non-controlling interests in such items. The Trust's determination of FFO follows the definition prescribed by the Real Estate Property Association of Canada ("REALPAC") and is a widely used measure by analysts and investors in evaluating the performance of real estate entities. Granite considers FFO to be a meaningful supplemental measure that can be used to determine the Trust's ability to service debt, finance capital expenditures and provide distributions to stapled unitholders. FFO is reconciled to net income, which is the most directly comparable IFRS measure. FFO does not represent or approximate cash generated from operating activities determined in accordance with IFRS and is not reconciled to cash flow from operating activities, as the calculation of FFO does not consider changes in working capital items or adjust for certain other non-cash items that are included in the determination of cash flow from operating activities in accordance with IFRS.

### Comparable Funds From Operations

When applicable, certain large unusual items that are not expected to be of a recurring nature may be added to FFO to arrive at a comparable FFO amount. In periods when comparable FFO is presented, any adjustment made to FFO will be explicitly described and quantified.

### FFO Payout Ratio

The FFO payout ratio is calculated as distributions declared to unitholders divided by FFO or comparable FFO, if applicable, in a period and is a supplemental measure widely used by analysts and investors in evaluating the sustainability of the Trust's distributions to stapled unitholders.

### Annualized Lease Payments (ALP)

ALP represents Granite's total annual rent assuming that contractual lease payments in place at the last day of the reporting period were in place for an entire year or less than a year if non-renewal or termination notices have been provided or the disposal of a property is certain. Accordingly, any revenue changes from future contractual rent adjustments, renewal and re-leasing activities or expansion and improvement projects to be completed are not reflected in ALP as at any given period end. In addition, rents denominated in foreign currencies are converted to Cdn. dollars based on exchange rates in effect at the last day of the reporting period. Granite considers annualized lease payments to be a useful indicator of rental revenue excluding tenant recoveries and straight-line revenue adjustments anticipated in the upcoming 12 month period. ALP is also a measure that is used by analysts in evaluating the outlook for real estate entities, as it provides a forward-looking estimate of such revenue using the present trends and foreign exchange rates in effect at the last day of the reporting period. ALP is not reconciled to any IFRS measure as it is an indicator of anticipated revenue excluding tenant recoveries and straight-line revenue adjustments and therefore not comparable to any measure in the combined financial statements.

(1) See Management Discussion and Analysis dated May 4, 2016.