

## GRANITE ANNOUNCES 2015 FIRST QUARTER RESULTS

**May 6, 2015, 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, 2015.

### HIGHLIGHTS

Highlights for the three month period ended March 31, 2015, including events subsequent to the quarter, are set out below:

- Funds from operations (“FFO”)<sup>(1)</sup> attributed to continuing operations increased 8.1% in comparison to the same quarter last year. The increase was driven by lower interest costs and reduced general and administrative expenses;
- Sold two properties in North America for total gross proceeds of \$4.8 million; and
- Renewed or extended five leases representing approximately 0.7 million square feet with ALP<sup>(2)</sup> of approximately \$4.5 million.

Granite’s results for the three month periods ended March 31, 2015 and 2014 are summarized below (all figures are in Canadian dollars):

<i>(in thousands, except per unit figures)</i>	<b>Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Revenues . . . . .	<b>\$ 53,036</b>	\$ 52,933
Net income from continuing operations . . . . .	<b>54,815</b>	12,175
Net income from discontinued operations . . . . .	<b>—</b>	2,388
Net income . . . . .	<b>\$ 54,815</b>	\$ 14,563
Funds from operations (“FFO”) <sup>(1)</sup> . . . . .	<b>\$ 38,795</b>	\$ 39,004
Basic and diluted FFO per stapled unit <sup>(1)</sup> . . . . .	<b>\$ 0.82</b>	\$ 0.83
Fair value of investment properties <sup>(3)</sup> . . . . .	<b>\$2,362,726</b>	\$2,421,557

Readers are cautioned that certain terms used in this press release such as FFO and any related per unit amounts used by management to measure, compare and explain the operating results and financial performance of the Trust do not have standardized meanings prescribed under International Financial Reporting Standards (“IFRS”) and, therefore, should not be construed as alternatives to net income, cash flow from operating activities or revenue, as appropriate, calculated in accordance with IFRS. Additionally, because these terms do not have a standardized meaning prescribed by IFRS they may not be comparable to similarly titled measures presented by other publicly traded entities.

(1) 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 (see “*Reconciliation of Funds from Operations to Net Income Attributable to Stapled Unitholders*”). 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.

- (2) 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 Canadian 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 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 and therefore not comparable to any measure in the combined financial statements.
- (3) At period end.

## **GRANITE'S COMBINED FINANCIAL RESULTS**

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On June 26, 2014, Granite disposed of its portfolio of Mexican properties. As the Mexican properties represented a significant geographical area of operations, the Trust has presented the income and expenses associated with the Mexican portfolio as discontinued operations on a retroactive basis to prior reporting periods. Discontinued operations are reported separately from income and expenses from continuing operations in the combined financial statements. Granite's results of operations for the three month period ended March 31, 2015 were not impacted by discontinued operations.

### **Three month period ended March 31, 2015**

For the three month period ended March 31, 2015, rental revenue from continuing operations increased by \$0.1 million to \$53.0 million from \$52.9 million in the first quarter of 2014, as the increase in revenue from the acquisition of two properties in the United States during the fourth quarter of 2014 and contractual rent adjustments was offset by revenue lost from vacancies and disposals of income-producing properties and the effect of unfavourable foreign exchange rates. For the first quarter of 2014, there was \$3.6 million of revenue from discontinued operations.

Granite's net income from continuing operations in the first quarter of 2015 was \$54.8 million compared to \$12.2 million for the first quarter of 2014. Net income from continuing operations increased primarily due to (i) net fair value gains on investment properties of \$25.2 million compared to net fair value losses of \$23.6 million in the prior year period, (ii) a \$2.4 million decrease in net interest expense, and (iii) a \$0.8 million reduction in general and administrative expenses, which were partially offset by a \$10.4 million increase in deferred tax expense.

FFO for the first quarter of 2015 was \$38.8 million and derived solely from continuing operations. FFO for the first quarter of 2014 was \$39.0 million and comprised \$35.9 million from continuing operations and \$3.1 million from discontinued operations. The increase in FFO from continuing operations of \$2.9 million to \$38.8 million from \$35.9 million in the prior year period was primarily due to a decrease in interest expense and other financing charges of \$2.4 million and decreased general and administrative expenses of \$0.8 million.

A more detailed discussion of Granite's combined financial results for the three month periods ended March 31, 2015 and 2014 is contained in Granite's Management's Discussion and Analysis of Results of Operations and Financial Position and the unaudited condensed combined financial statements for those periods and the notes thereto, which are available through the internet on Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at [www.sedar.com](http://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](http://www.sec.gov).

## RECONCILIATION OF FUNDS FROM OPERATIONS TO NET INCOME ATTRIBUTABLE TO STAPLED UNITHOLDERS

<i>(in thousands, except per unit information)</i>	Three Months Ended March 31,	
	2015	2014
Net income attributable to stapled unitholders	\$ 54,362	\$14,455
Add (deduct):		
Fair value losses (gains) on investment properties	(25,243)	23,553
Fair value losses (gains) on financial instruments	(611)	38
Loss on sale of investment properties	185	182
Current income tax expense associated with the sale of investment properties	350	1,099
Deferred income taxes	9,353	(1,051)
Non-controlling interests relating to the above	399	10
FFO adjustments related to discontinued operations	—	718
<b>FFO</b>	<b>\$ 38,795</b>	<b>\$39,004</b>
<b>Basic and diluted FFO per stapled unit</b>	<b>\$ 0.82</b>	<b>\$ 0.83</b>
<b>Basic number of stapled units outstanding</b>	<b>47,017</b>	<b>46,962</b>
<b>Diluted number of stapled units outstanding</b>	<b>47,085</b>	<b>46,973</b>

## CONFERENCE CALL

Granite will hold a conference call on Thursday, May 7, 2015 at 8:30 a.m. Eastern time. The number to use for this call is 1-800-698-5954. Overseas callers should use +1-416-981-9095. 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 21767108) and will be available until Monday, May 18, 2015.

## ABOUT GRANITE

Granite is a Canadian-based REIT engaged in the ownership and management of predominantly industrial, warehouse and logistics properties in North America and Europe. Granite owns approximately 30 million square feet in over 100 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/propertystatistics/view-property-statistics>. Copies of financial data and other publicly filed documents are available through the internet on SEDAR which can be accessed at [www.sedar.com](http://www.sedar.com) and on EDGAR which can be accessed at [www.sec.gov](http://www.sec.gov).

## FORWARD-LOOKING STATEMENTS

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This press release may contain statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements” or “forward-looking information” within the meaning of applicable securities legislation, including the United States Securities Act of 1933, as amended, the United States Securities Exchange Act of 1934, as amended, and applicable Canadian securities legislation. Forward-looking statements and forward-looking information may include, among others, statements regarding Granite’s future plans, goals, strategies, intentions, beliefs, estimates, costs, objectives, economic performance, expectations, or foresight 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 and forward-looking information. Forward-looking statements and forward-looking information 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. There can be no assurance that the intended developments in Granite’s relationships with its tenants, the expansion and diversification of Granite’s real estate portfolio, the expected cost of development and re-development projects and the expected sources of funding and increases in leverage can be achieved in a timely manner, with the expected impact or at all. Forward-looking statements and forward-looking information 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 Granite’s control, that could cause actual events or results to differ materially from such forward-looking statements and forward-looking information. Important factors that could cause such differences include, but are not limited to, the risk of changes to tax or other laws and treaties that may adversely affect Granite Real Estate Investment Trust’s mutual fund trust status under the *Income Tax Act* (Canada) or the effective tax rate in other jurisdictions in which Granite operates; economic, market and competitive conditions and other risks that may adversely affect Granite’s ability to achieve desired developments in its relationships with its tenants, expand and diversify its real estate portfolio and increase its leverage; and the risks set forth in the “Risk Factors” section in Granite’s Annual Information Form for 2014 dated March 4, 2015, filed on SEDAR at [www.sedar.com](http://www.sedar.com) and attached as Exhibit 1 to the Trust’s Annual Report on Form 40-F for the year ended December 31, 2014, filed with the SEC and available online on EDGAR at [www.sec.gov](http://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 and forward-looking information. Forward-looking statements and forward-looking information speak only as of the date the statements and information were made and unless otherwise required by applicable securities laws, Granite expressly disclaims any intention and undertakes no obligation to update or revise any forward-looking statements or forward-looking information contained in this press release to reflect subsequent information, events or circumstances or otherwise.