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GRANITE ANNOUNCES 2016 FIRST QUARTER RESULTS

May 4, 2016, 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, 2016.

HIGHLIGHTS

Highlights for the three month period ended March 31, 2016, including events subsequent to the quarter, are set out below:

- Funds from operations (“FFO”)⁽¹⁾ increased 6.6% to \$41.4 million (\$0.88 per stapled unit) in comparison to the first quarter of 2015 primarily due to an increase in rental revenues of 6.3% from the appreciation of the U.S. dollar and euro relative to the Canadian dollar;
- Sold two non-core properties in the United States and Austria representing approximately 0.2 million square feet for gross proceeds of approximately \$9.0 million;
- As a result of executing the two previously announced leases for two development properties in the United States, representing 1.1 million square feet of leaseable area, the vacancy rate remains at 1.1%;
- Increased the monthly distribution by 5.7% to \$0.203 per stapled unit, to reflect a targeted annualized distribution of approximately \$2.44 per stapled unit;
- The balance sheet leverage ratio⁽²⁾ was 23%, available liquidity comprising cash and an available credit line was approximately \$375 million and the FFO payout ratio⁽³⁾ was 67%; and
- Announced the implementation of a Normal Course Issuer Bid.

Granite’s results for the three month periods ended March 31, 2016 and 2015 are summarized below (all figures are in Canadian dollars):

<i>(in thousands, except per unit figures)</i>	Three Months Ended March 31,	
	2016	2015
Revenues	\$ 56,377	\$ 53,036
Net income	\$ 43,399	\$ 54,815
Funds from operations (“FFO”) ⁽¹⁾	\$ 41,354	\$ 38,795
Basic and Diluted FFO per stapled unit ⁽¹⁾	\$ 0.88	\$ 0.82
Fair value of investment properties ⁽⁴⁾	\$2,534,847	\$2,362,726

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) Leverage ratio is calculated as total debt divided by the fair value of investment properties, expressed as a percentage, and is a supplemental measure widely used by analysts and investors in evaluating the Trust's degree of leverage and the relative strength of its balance sheet.
- (3) The FFO payout ratio is calculated as distributions declared to unitholders divided by FFO 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.
- (4) At period end.

GRANITE'S COMBINED FINANCIAL RESULTS

Three month period ended March 31, 2016

For the three month period ended March 31, 2016, rental revenue increased by \$3.4 million to \$56.4 million from \$53.0 million in the first quarter of 2015. The increase in rental revenue was primarily due to the effect of favourable foreign exchange rates.

Granite's net income in the first quarter of 2016 was \$43.4 million compared to \$54.8 million for the first quarter of 2015. Net income decreased primarily due to the after tax impact of the decrease in the net fair value gains on investment properties, partially offset by the increase in rental revenue due to the appreciation of the U.S. dollar and euro relative to the Canadian dollar.

FFO for the first quarter of 2016 was \$41.4 million compared to \$38.8 million in the prior year period. The \$2.6 million increase was primarily due to the increase in rental revenue, partially offset by the unfavourable impact of foreign exchange rates on certain expense items, in particular interest expense as all of Granite's debt is effectively denominated in foreign currencies.

A more detailed discussion of Granite's combined financial results for the three month periods ended March 31, 2016 and 2015 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 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

	Three Months Ended March 31,	
<i>(in thousands, except per unit information)</i>	2016	2015
Net income attributable to stapled unitholders	\$42,425	\$ 54,362
Add (deduct):		
Fair value gains on investment properties, net	(8,714)	(25,243)
Fair value gains on financial instruments	(849)	(611)
Loss on sale of investment properties	339	185
Current income tax expense (recovery) associated with the sale of investment properties	(981)	350
Deferred income tax expense	8,179	9,353
Non-controlling interests relating to the above	955	399
FFO	\$41,354	\$ 38,795
Basic and Diluted FFO per stapled unit	\$ 0.88	\$ 0.82
Basic number of stapled units outstanding	47,025	47,017
Diluted number of stapled units outstanding	47,032	47,085

CONFERENCE CALL

Granite will hold a conference call on Thursday, May 5, 2016 at 8:30 a.m. Eastern time. The number to use for this call is 1-800-403-7802. Overseas callers should use +1-416-981-9073. Please call in at least 10 minutes prior to start time. The conference call will be chaired by Michael Forsayeth, 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 21809439) and will be available until Monday, May 16, 2016.

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 30.0 million square feet in over 95 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 Michael Forsayeth, Chief Executive Officer, at 647-925-7600.

OTHER INFORMATION

Additional property statistics as at March 31, 2016 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 and on 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” 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", "should", "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 Granite's perception of historical trends, current conditions and expected future developments, as well as other factors Granite believes 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 2015 dated March 2, 2016, 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, 2015, 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 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.