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GRANITE ANNOUNCES 2016 SECOND QUARTER RESULTS

August 3, 2016, Toronto, Ontario, Canada — Granite Real Estate Investment Trust and Granite REIT Inc. (TSX: GRT.UN; NYSE: GRP.U) (''Granite'' or the ''Trust'') today announced their combined results for the three and six month periods ended June 30, 2016.

HIGHLIGHTS

Highlights for the three month period ended June 30, 2016, including events subsequent to the quarter, are set out below:

- Funds from operations (''FFO'')[1] remained consistent at $39.9 million ($0.85 per stapled unit) in comparison to $40.3 million ($0.86 per stapled unit) in the second quarter of 2015. The second quarter of 2016 had higher revenue from both favourable exchange rates and the lease up of two development properties in the United States. The prior year's quarter had the favourable impact of a significant income tax recovery and incremental close out revenue associated with certain lease expiries;
- Magna International Inc. exercised its contractual lease renewal options for two special purpose properties in Canada with an aggregate square footage of 2.1 million and annualized lease payments[2] of $16.4 million. The renewal options are each for 12 years thereby extending the lease terms to December 31, 2029. The lease expiries were previously December 31, 2017;
- Leased the remaining 250,000 square feet of the recently completed development property in Pennsylvania, United States to the existing tenant occupying 500,000 square feet of the property. The 750,000 square foot property is now fully leased and has annual revenue of approximately $4.0 million;
- Sold three non-core properties in the United States and Germany representing approximately 0.8 million square feet and $2.9 million in annual revenue for gross proceeds of approximately $23.0 million;
- The balance sheet leverage ratio[3] was 22%, available liquidity comprising cash and an available credit line was approximately $400 million and the FFO payout ratio[4] for the quarter was 72%; and
- Announced the appointment of Mr. Ilias Konstantopoulos as Granite's new Chief Financial Officer effective September 12, 2016.

Granite's results for the three and six month periods ended June 30, 2016 and 2015 are summarized below (all figures are in Canadian dollars):

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per unit figures)	**2016**	**2015**	**2016**	**2015**
Revenues	**$56,387**	$53,470	**$ 112,764**	$ 106,506
Net income	**$57,524**	$48,241	**$ 100,923**	$ 103,056
Funds from operations (''FFO'')[1]	**$39,947**	$40,304	**$ 81,301**	$ 79,099
Basic and Diluted FFO per stapled unit[1]	**$ 0.85**	$ 0.86	**$ 1.73**	$ 1.68
Fair value of investment properties[5]			**$2,511,331**	$2,408,525

Readers are cautioned that certain terms used in this press release such as FFO, annualized lease payments (''ALP'') 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) 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.

(4) 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.

(5) At period end.

GRANITE'S COMBINED FINANCIAL RESULTS

Three month period ended June 30, 2016

For the three month period ended June 30, 2016, rental revenue increased by $2.9 million to $56.4 million from $53.5 million in the second quarter of 2015. The increase in rental revenue was primarily due to the effect of favourable foreign exchange rates and leasing up the two development properties in the United States. The second quarter of 2015 also included $0.9 million of close out fees associated with four lease expiries.

Granite's net income in the second quarter of 2016 was $57.5 million compared to $48.2 million for the second quarter of 2015. Net income increased primarily due to the increase in rental revenue and the after tax impact of the increase in the net fair value gains on investment properties, partially offset by the increase in loss on sale of investment properties and foreign exchange losses.

FFO for the second quarter of 2016 was $39.9 million compared to $40.3 million in the prior year period. During the second quarter of 2016, the higher rental revenue was offset by increases in current income tax expense, which was significantly higher than the prior year period due to a favourable settlement of an income tax audit in 2015, foreign exchange losses and interest expense.

Six month period ended June 30, 2016

For the six month period ended June 30, 2016, rental revenue increased $6.3 million to $112.8 million from $106.5 million in the prior year period primarily due to the favourable impact of foreign exchange rates.

Granite's net income for the six month period ended June 30, 2016 was $100.9 million compared to $103.1 million in the prior year period. Although revenue increased $6.3 million, a reduction in the after tax impact of net fair value gains on investment properties, an increase in current income tax expense due largely to the favourable settlement of an income tax audit in 2015 and interest expense together with a loss on sale of investment properties resulted in a decrease of $2.2 million in net income.

FFO for the six month period ended June 30, 2016 was $81.3 million compared to $79.1 million in the prior year period. The increase of $2.2 million was primarily due to an increase in rental revenue, partially offset by increases in current income tax expense, for the reasons noted above, interest expense and property operating costs.

A more detailed discussion of Granite's combined financial results for the three and six month periods ended June 30, 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 June 30,		Six Months Ended June 30,	
(in thousands, except per unit information)	**2016**	**2015**	**2016**	**2015**
Net income attributable to stapled unitholders	**$ 57,179**	$ 46,097	**$ 99,604**	$100,459
Add (deduct):				
Fair value gains on investment properties, net	**(26,034)**	(21,511)	**(34,748)**	(46,754)
Fair value losses (gains) on financial instruments	**682**	851	**(167)**	240
Loss on sale of investment properties	**1,035**	48	**1,374**	233
Current income tax expense associated with the sale of investment properties	**1,688**	—	**707**	350
Deferred income tax expense	**5,286**	12,710	**13,465**	22,063
Non-controlling interests relating to the above	**111**	2,109	**1,066**	2,508
FFO	**$ 39,947**	$ 40,304	**$ 81,301**	$ 79,099
Basic and Diluted FFO per stapled unit	**$ 0.85**	$ 0.86	**$ 1.73**	$ 1.68
Basic number of stapled units outstanding	**47,073**	47,017	**47,049**	47,017
Diluted number of stapled units outstanding	**47,081**	47,087	**47,057**	47,105

CONFERENCE CALL

Granite will hold a conference call on Thursday, August 4, 2016 at 8:30 a.m. Eastern time. The number to use for this call is 1-800-676-7402. Overseas callers should use +1-416-981-9080. 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 21814361) and will be available until Monday, August 15, 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 94 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 June 30, 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.