

GRANITE ANNOUNCES 2016 THIRD QUARTER RESULTS AND INCREASES DISTRIBUTION

November 2, 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 and nine month periods ended September 30, 2016, and an increase to Granite’s targeted annualized distribution, to \$2.60 from \$2.40 per stapled unit, to be effective upon the declaration of the distribution in respect of the month of December 2016, payable January 2017.

HIGHLIGHTS

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

- Granite entered into binding agreements with Magna International Inc. and certain of its operating subsidiaries (collectively “Magna”) to extend or renew early and extend existing leases at seven special purpose properties and eight multi-purpose facilities in Canada, Austria and the United States, representing an aggregate square footage of 7 million (24% of total square footage and excluding the building expansions to two special purpose properties that Granite has agreed to acquire in the first quarter of 2017) and annualized lease payments⁽¹⁾ of \$69.2 million (31% of total annualized lease payments). The lease extension periods range from approximately five to 16 years from the existing lease expiry dates. As a result of the binding agreements, annualized lease payments decreased by approximately \$0.8 million (including the impact of the two building expansions), however, it is anticipated that annualized lease payments will increase thereafter;
- Primarily as a result of the binding agreements to extend or renew early and extend existing leases at seven special purpose properties, the reported fair value of those properties increased by approximately \$135.3 million since December 31, 2015;
- Granite’s weighted average lease term for the special purpose portion of its portfolio has increased to 11.0 years from 5.9 years at the beginning of 2016 and the weighted average lease term for Granite’s entire income producing portfolio has increased to 7.2 years from 4.7 years at the beginning of the year;
- Funds from operations (“FFO”)⁽²⁾ increased 6% from \$39.8 million (\$0.85 per stapled unit) in the prior year period to \$42.2 million (\$0.90 per stapled unit) in the third quarter of 2016. The third quarter had higher revenues from the lease up of two recently developed properties in the United States and lower general and administrative expenses;
- The targeted annualized distribution will increase to \$2.60 (\$0.217 per month) per stapled unit commencing with the declaration of the monthly distribution for December 2016, payable January 2017. For 2016, Granite expects to make total distributions of approximately \$2.40 per stapled unit. The new targeted annualized distribution therefore represents an annualized increase of 8.3%; and
- Mr. Ilias Konstantopoulos was appointed Granite’s Chief Financial Officer effective September 12, 2016.

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

<i>(in thousands, except per unit figures)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	\$ 56,347	\$54,854	\$ 169,111	\$ 161,360
Net income	\$150,241	\$47,053	\$ 251,164	\$ 150,109
Funds from operations ("FFO") ⁽²⁾	\$ 42,178	\$39,771	\$ 123,479	\$ 118,870
Basic FFO per stapled unit ⁽²⁾	\$ 0.90	\$ 0.85	\$ 2.62	\$ 2.53
Diluted FFO per stapled unit ⁽²⁾	\$ 0.90	\$ 0.84	\$ 2.62	\$ 2.52
Fair value of investment properties ⁽³⁾			\$2,674,451	\$2,542,477

Readers are cautioned that certain terms used in this press release such as FFO, annualized lease payments 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) Annualized lease payments ("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. 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. Any other 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 September 30, 2016. Granite considers ALP 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 and therefore not comparable to any measure in the combined financial statements.

(2) 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.

(3) At period end.

GRANITE'S COMBINED FINANCIAL RESULTS

Three month period ended September 30, 2016

For the three month period ended September 30, 2016, rental revenue increased by \$1.4 million to \$56.3 million from \$54.9 million in the third quarter of 2015. The increase in rental revenue was primarily due to the lease up of two recently developed properties in the United States.

Granite's net income in the third quarter of 2016 was \$150.2 million compared to \$47.1 million for the third quarter of 2015. Net income increased primarily due to the after tax impact of the increase in the net fair value gains on investment properties. The increase in fair value gains on investment properties of \$119.7 million was primarily attributable to positive changes in leasing assumptions relating to extensions or renewals and extensions associated with the 15 properties concluded with Magna as previously noted. The changes in leasing assumptions generally resulted in a compression in discount and terminal capitalization rates for certain properties due to the increased certainty and extension of contractual cash flows.

FFO for the third quarter of 2016 was \$42.2 million compared to \$39.8 million in the prior year period. The \$2.4 million increase was primarily due to the increase in rental revenue and reductions in general and administrative expenses and current income tax expense.

Nine month period ended September 30, 2016

For the nine month period ended September 30, 2016, rental revenue increased \$7.7 million to \$169.1 million from \$161.4 million in the prior year period primarily due to the favourable impact of foreign exchange rates and the lease up of the developed properties in the United States, partially offset by the reduction in revenue from property disposals.

Granite's net income for the nine month period ended September 30, 2016 was \$251.2 million compared to \$150.1 million in the prior year period. The increase of \$101.1 million is primarily attributable to the after tax impact of the increase in net fair value gains on investment properties and higher rental revenue explained above.

FFO for the nine month period ended September 30, 2016 was \$123.5 million compared to \$118.9 million in the prior year period. The increase of \$4.6 million was primarily due to an increase in rental revenue, partially offset by higher current income tax expense due to a favourable settlement of an income tax audit in 2015 and increased interest expense and property operating costs.

A more detailed discussion of Granite's combined financial results for the three and nine month periods ended September 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<i>(in thousands, except per unit information)</i>				
Net income attributable to stapled unitholders	\$ 150,293	\$ 47,710	\$ 249,897	\$148,169
Add (deduct):				
Fair value gains on investment properties, net	(134,967)	(15,287)	(169,715)	(62,041)
Fair value losses on financial instruments	2,553	1,258	2,386	1,498
Loss on sale of investment properties	1,070	726	2,444	959
Current income tax expense associated with the sale of investment properties	561	351	1,268	701
Deferred income tax expense	22,984	5,746	36,449	27,809
Non-controlling interests relating to the above	(316)	(733)	750	1,775
FFO	\$ 42,178	\$ 39,771	\$ 123,479	\$118,870
Basic FFO per stapled unit	\$ 0.90	\$ 0.85	\$ 2.62	\$ 2.53
Diluted FFO per stapled unit	\$ 0.90	\$ 0.84	\$ 2.62	\$ 2.52
Basic number of stapled units outstanding	47,073	47,017	47,057	47,017
Diluted number of stapled units outstanding	47,083	47,100	47,066	47,107

CONFERENCE CALL

Granite will hold a conference call on Thursday, November 3, 2016 at 8:30 a.m. Eastern time. The number to use for this call is 1-800-676-1545. 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 21819852) and will be available until Monday November 14, 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 million square feet in over 90 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 or Ilias Konstantopoulos, Chief Financial Officer, at 647-925-7540.

OTHER INFORMATION

Additional property statistics as at September 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 expected increase in the monthly distribution, 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.