

US Unitholder Tax Information

Per unit Schedule K-1 for US unitholders for the year ended December 31, 2016

Since the January 3rd, 2013 real estate investment trust conversion where shareholders of Granite Real Estate Inc. became unitholders of the stapled units of Granite Real Estate Investment Trust (“Granite REIT”) and Granite REIT Inc., Granite REIT is considered to be a US partnership for US federal income tax purposes. As a result, US unitholders are required to include their allocable share of Granite REIT’s items of income and deductions in their individual income tax returns as reported in their respective individual Schedule K-1.

Granite REIT does not have access to the beneficial ownership information for units held through the investment broker/dealer network, however, to assist US unitholders with the preparation of their US federal and state income tax returns, attached is a “per unit” Schedule K-1 that can be used by US unitholders/partners in Granite REIT for the year ended December 31, 2016. US unitholders can use this “per unit” Schedule K-1 and apply the per unit share of income and expenses multiplied by their actual number of units, pro-rated as applicable, for the time period during which their units were held in 2016, to determine their allocable share of Granite REIT’s items of income and deductions to be included in their US federal and state income tax returns.

Granite REIT also wants to clarify that, while each US unitholder will have received a Form 1099-INT for the portion of the 2016 cash distributions that is interest paid from US sources, the amounts reported on this form are also included in the “per unit” Schedule K-1. Accordingly, Granite REIT recommends that US unitholders only use the information calculated from the “per unit” Schedule K-1 in their US federal and state income tax returns.

As is discussed in Granite REIT’s Annual Information Form dated March 1, 2017, a unitholder’s allocable share of partnership taxable income may differ from the cash distributions received from the partnership. The difference between taxable income and cash distributions received can be an adjustment in computing a unitholder’s tax basis in their stapled units. In 2016, unitholders will be required to report more taxable income than cash distributions received. As the taxable income was in excess of the cash distributions in 2016, a unitholder can add the excess to their tax basis in their stapled units.

Granite REIT recommends that unitholders consult with their tax advisors with respect to their US federal and state tax filing obligations.

**Schedule K-1
(Form 1065)**

2016

Department of the Treasury
Internal Revenue Service

For calendar year 2016, or tax
year beginning _____, 2016
ending _____, 20_____

**Partner's Share of Income, Deductions,
Credits, etc.** ▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
98-6068269

B Partnership's name, address, city, state, and ZIP code
**GRANITE REAL ESTATE INVESTMENT TRUST
77 KING STREET WEST, SUITE 4010
TORONTO CA M5K 1H1**

C IRS Center where partnership filed return

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
PRO FORMA

F Partner's name, address, city, state, and ZIP code
**PRO FORMA SCHEDULE K-1
LINE ITEM PER YEAR AMOUNTS PER UNIT
PLEASE REFER TO "US UNITHOLDER TAX INFORMATION"**

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I1 What type of entity is this partner? _____

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here

J Partner's share of profit, loss, and capital (see instructions):

	Beginning		Ending
Profit	%		%
Loss	%		%
Capital	%		%

K Partner's share of liabilities at year end:

Nonrecourse \$ _____

Qualified nonrecourse financing . . . \$ _____

Recourse \$ _____

L Partner's capital account analysis:

Beginning capital account \$ _____

Capital contributed during the year . . . \$ _____

Current year increase (decrease) . . . \$ _____

Withdrawals & distributions \$ (_____)

Ending capital account \$ _____

Tax basis GAAP Section 704(b) book

Other (explain)

M Did the partner contribute property with a built-in gain or loss?
 Yes No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
		A	VARIOUS
4	Guaranteed payments	B	3.3010
5	Interest income	D	3.0678
	0.6994		
6a	Ordinary dividends	G	0.4230
	2.0895		
6b	Qualified dividends	I	0.4065
	1.4261		
7	Royalties		
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
	(0.0001)		
11	Other income (loss)		
F	0.3989		
12	Section 179 deduction	A	1.8343
13	Other deductions		
A	0.0001	19	Distributions
H	0.4230	A	3.1878
K	0.4159	B	0.4159
14	Self-employment earnings (loss)		

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

3. Other net rental income (loss)

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

Net loss	See the Partner's Instructions
Form 1040, line 8a	Schedule E, line 28, column (j)
Form 1040, line 9a	Form 1040, line 8a
Form 1040, line 9b	Form 1040, line 9a
Schedule E, line 4	Form 1040, line 9b
Schedule D, line 5	Schedule E, line 4
Schedule D, line 12	Schedule D, line 5
28% Rate Gain Worksheet, line 4	Schedule D, line 12
(Schedule D instructions)	28% Rate Gain Worksheet, line 4
See the Partner's Instructions	(Schedule D instructions)
See the Partner's Instructions	See the Partner's Instructions

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

13. Other deductions

A Cash contributions (50%)	} See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	} See Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	
L Deductions—portfolio (other)	
M Amounts paid for medical insurance	
N Educational assistance benefits	
O Dependent care benefits	
P Preproductive period expenses	
Q Commercial revitalization deduction from rental real estate activities	
R Pensions and IRAs	
S Reforestation expense deduction	
T Domestic production activities information	
U Qualified production activities income	
V Employer's Form W-2 wages	
W Other deductions	

14. Self-employment earnings (loss)

Note: If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	} See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	Form 1040, line 73; check box a
	} See the Partner's Instructions

Code		Report on
L Empowerment zone employment credit	} See the Partner's Instructions	
M Credit for increasing research activities		
N Credit for employer social security and Medicare taxes		
O Backup withholding		
P Other credits		
16. Foreign transactions		
A Name of country or U.S. possession	} Form 1116, Part I	
B Gross income from all sources		
C Gross income sourced at partner level		
<i>Foreign gross income sourced at partnership level</i>		
D Passive category	} Form 1116, Part I	
E General category		
F Other		
<i>Deductions allocated and apportioned at partner level</i>		
G Interest expense	Form 1116, Part I	
H Other	Form 1116, Part I	
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I Passive category	} Form 1116, Part I	
J General category		
K Other		
<i>Other information</i>		
L Total foreign taxes paid	Form 1116, Part II	
M Total foreign taxes accrued	Form 1116, Part II	
N Reduction in taxes available for credit	Form 1116, line 12	
O Foreign trading gross receipts	Form 8873	
P Extraterritorial income exclusion	Form 8873	
Q Other foreign transactions	See the Partner's Instructions	
17. Alternative minimum tax (AMT) items		
A Post-1986 depreciation adjustment	} See the Partner's Instructions and the Instructions for Form 6251	
B Adjusted gain or loss		
C Depletion (other than oil & gas)		
D Oil, gas, & geothermal—gross income		
E Oil, gas, & geothermal—deductions		
F Other AMT items		
18. Tax-exempt income and nondeductible expenses		
A Tax-exempt interest income	Form 1040, line 8b	
B Other tax-exempt income	See the Partner's Instructions	
C Nondeductible expenses	See the Partner's Instructions	
19. Distributions		
A Cash and marketable securities	} See the Partner's Instructions	
B Distribution subject to section 737		
C Other property		
20. Other information		
A Investment income	Form 4952, line 4a	
B Investment expenses	Form 4952, line 5	
C Fuel tax credit information	Form 4136	
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions	
E Basis of energy property	See the Partner's Instructions	
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8	
G Recapture of low-income housing credit (other)	Form 8611, line 8	
H Recapture of investment credit	See Form 4255	
I Recapture of other credits	See the Partner's Instructions	
J Look-back interest—completed long-term contracts	See Form 8697	
K Look-back interest—income forecast method	See Form 8866	
L Dispositions of property with section 179 deductions	} See the Partner's Instructions	
M Recapture of section 179 deduction		
N Interest expense for corporate partners		
O Section 453(l)(3) information		
P Section 453A(c) information		
Q Section 1260(b) information		
R Interest allocable to production expenditures		
S CCF nonqualified withdrawals		
T Depletion information—oil and gas		
U Reserved		
V Unrelated business taxable income		
W Precontribution gain (loss)		
X Section 108(l) information		
Y Net investment income		
Z Other information		