

Granite Investor Day

November 30, 2018

GRANITE
REIT



(All dollar references in CAD currency unless noted)

PRESENTATION OF CERTAIN INFORMATION

Unless otherwise indicated in this presentation, all information is presented as of September 30, 2018 and all financial information that is identified as current refers to the period ending September 30, 2018. For definitions of certain non-IFRS measures used in this presentation including funds from operations (“FFO”), adjusted funds from operations (“AFFO”), FFO payout ratio, AFFO payout ratio, net operating income (“NOI”), income producing properties (“IPP”), internal rate of return (“IRR”), funds from operations per unit (“FFOPU”), payout ratio (“POR”), net leverage ratio, earnings before interest, income taxes, depreciation and amortization (“EBITDA”), please refer to Granite’s Management Discussion and Analysis (“MD&A”) for the third quarter of 2018. Readers are cautioned that these measures do not have standardized meanings prescribed under IFRS and, therefore, should not be construed as alternatives to net income, cash flow from operating activities or any other measure calculated in accordance with IFRS. Additionally, because these terms do not have standardized meanings prescribed by IFRS, they may not be comparable to similarly titled measures presented by other reporting issuers. Refer to “NON-IFRS MEASURES” in Granite’s MD&A for definitions and reconciliations of non-IFRS measures to IFRS financial measures.

This presentation 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 expectations with respect to: the future composition of its property portfolio with respect to the region, market type, investment profile and asset type of its properties (including its 2020 and 2023 targets); its other strategic targets for 2020, including with respect to square footage, gross book value, net leverage and Magna concentration; its potential trading multiples in 2020; the elements of its phased strategy as outlined on slide [5], including the potential enhancement of its US presence, its entrance to key distribution markets in the US and Europe and its ability to optimize its balance sheet and cost of capital; its target for capital spending over the next five years on development; its ability to preserve and potentially enhance its current credit ratings and the potential benefits of enhancing its ratings; expected trends relating to e-commerce; and statements regarding Granite’s future plans, goals, strategies, intentions, beliefs, estimates, costs, objectives, economic performance or expectations, or the assumptions underlying any of the foregoing. Words such as “may”, “would”, “could”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “target”, “project”, “estimate”, “seek”, “stand to” 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.

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 ability of Granite to find satisfactory acquisition, disposition, and development opportunities; Granite’s ability to dispose of any non-core assets on satisfactory terms; economic, market and competitive conditions and other risks that may adversely affect Granite’s ability to expand and diversify its real estate portfolio, optimize its balance sheet and maintain a prudent capital structure; changes to the methodologies used to calculate Granite’s credit ratings; and the risks set forth in the annual information form of Granite REIT and Granite REIT Inc. dated March 1, 2018 (the Annual Information Form). The “Risk Factors” section of the Annual Information Form also contains information about the material factors or assumptions underlying such forward-looking statements and forward-looking information, and is incorporated herein by reference. This presentation is qualified in its entirety by the information in such risk factors, which readers are strongly advised to review.

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 presentation to reflect subsequent information, events or circumstances or otherwise.

MISSION, VISION, PRIORITIES

MISSION

Generate stable & growing cash flow and maximize total return for GRT unitholders

VISION

Build the highest quality industrial REIT in Canada

PRIORITIES

Institutional quality portfolio in key e-commerce and distribution markets

Industry-leading management platform

Performance & NAV growth through active management

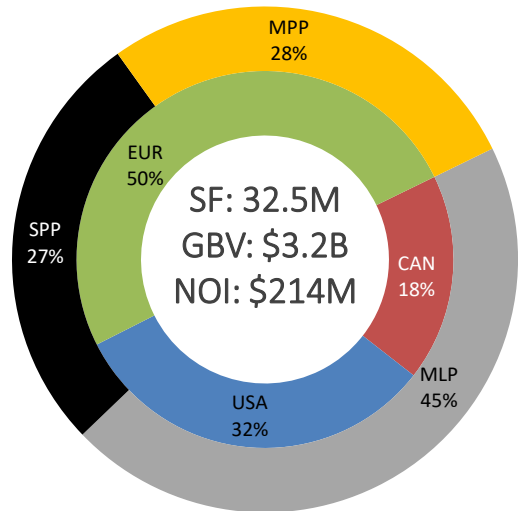
Conservative capital structure

Strong corporate governance and unitholder alignment

SUMMARY OF 2020 STRATEGIC TARGETS

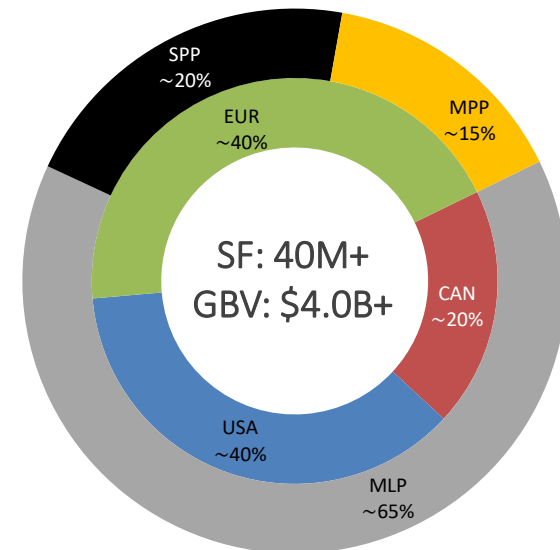
Granite Current & Granite 2020

Current



Phase I

2020



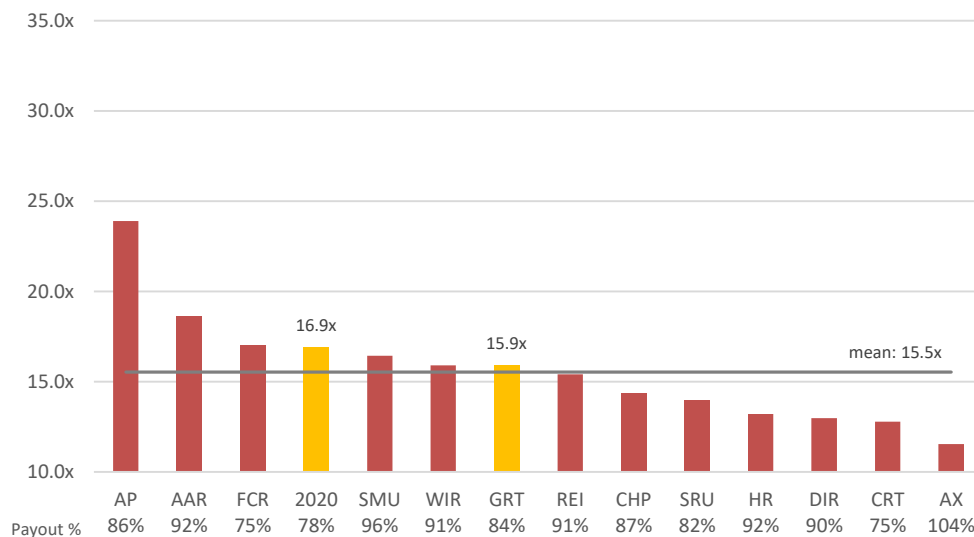
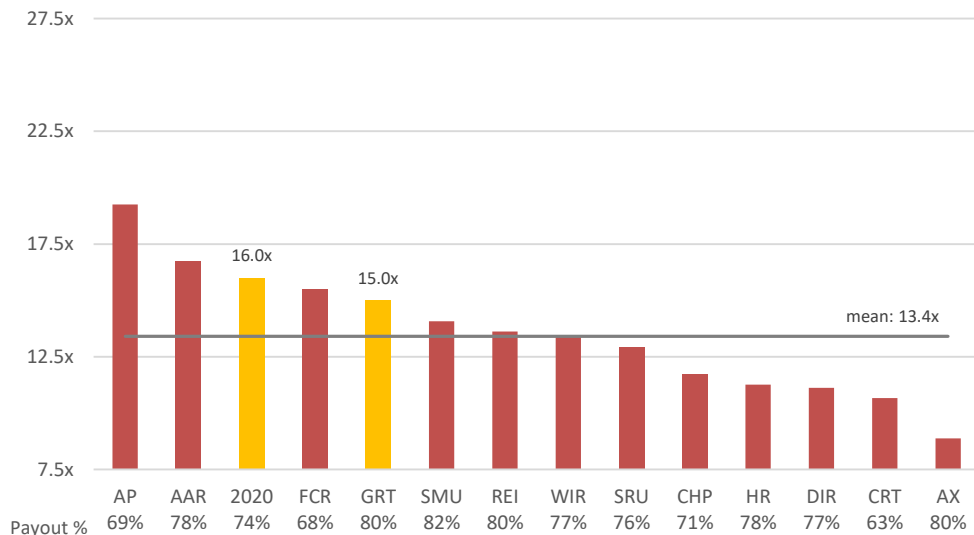
| | |
|--------------------------|---------------|
| Cons. FFOPU / POR | \$3.66 / 77% |
| Consensus P/FFO & P/AFFO | 15.0x / 15.9x |
| Unit Price | ~\$55.00 |
| EV | \$3.0B |
| Net Leverage | 16% |
| Magna GLA/Rev % | 48%/57% |

| | |
|-------------------|-------------|
| FFOPU / POR | |
| P/FFO / P/AFFO | |
| Unit Price (est.) | |
| EV | |
| Net Leverage | 35% - 40% |
| Magna GLA/Rev % | <40% / <50% |

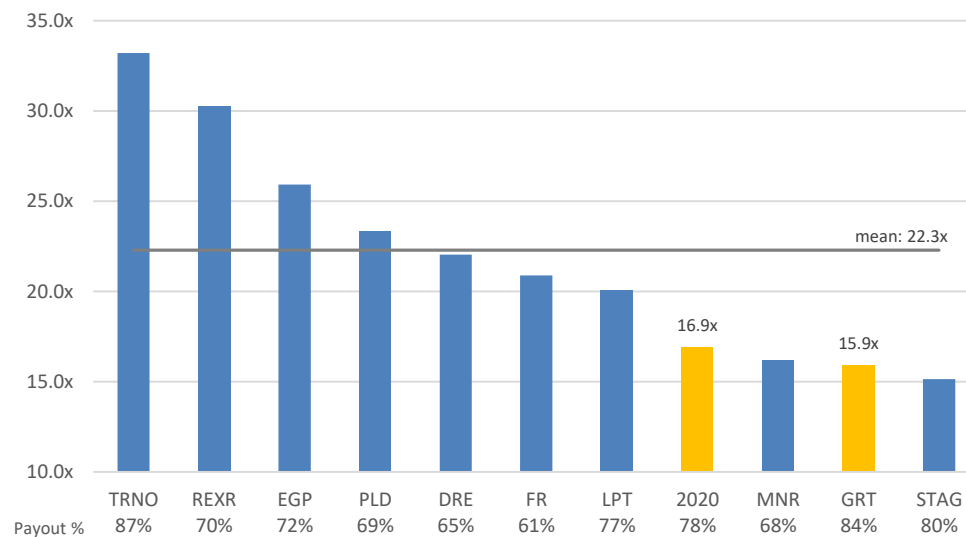
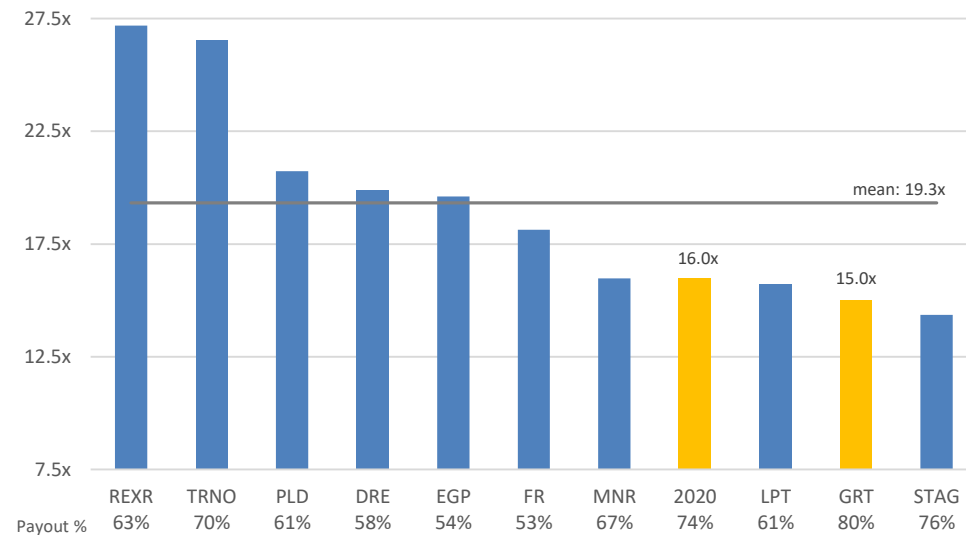
De-risking and transforming the portfolio while creating value and maintaining financial flexibility

PEER TRADING SUMMARY

Canadian Peers



US Peers



Significant value enhancement potential through multiple expansion

Note: 2020 illustrates the potential target trading multiples for GRT in 2020 which assumes a 1.0x multiple expansion.
 PIRET (AAR) multiples based upon unaffected trading price on day prior to Blackstone's acquisition announcement.
 Sourced from Bloomberg and other public company filings dated October 2018

PHASES OF STRATEGY

REORGANIZATION

2016-2018

Change in Board composition

New CEO appointed

Changes to Real Estate
Leadership Team

PHASE I – BUILDING THE FOUNDATION

2018-2020

Refocused Board & Management
Teams

Sale of select non-core SPP in
Canada & US

Platform enhancements & US
presence

Entrance to key distribution
markets in US & Europe

Establish development program

PHASE II – ACCELERATED TRANSFORMATION

2019-2023

Achieve critical mass in target
markets

Finalize Austria asset strategy

Optimize balance sheet & cost of capital

Mature development program in place

Increase activity in Canada

Transformation continues & accelerates

INVESTMENT TARGETS BY RETURN PROFILE & TYPE

Investment Profile

CORE

Stabilized Class A assets in core target markets
5.5-7.0% IRR

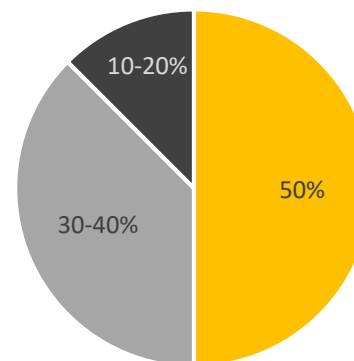
YIELD/VALUE-ADD

IPP in Tier II markets & E-Commerce Hubs
Value-add assets with vacancy and/or
redevelopment characteristics
In-fill locations
8.0-12.0% IRR

OPPORTUNISTIC

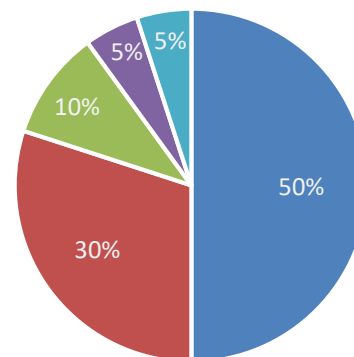
IPP in emerging E-Commerce markets
Land for development
12.0-20.0% IRR

Target Allocation by Investment Profile



■ Core ■ Value-Add ■ Opportunistic

Target Allocation by Asset Type



■ Warehouse/DC ■ Crossdock/Fulfillment ■ Light Industrial
■ Flex ■ Cold Storage

Striking the right balance between return & risk

INVESTMENT TARGETS BY MARKET

Market Type

Tier I

| | |
|--------------------|----------|
| PF Current*: | 12.1M SF |
| Total 2023 – Low: | ~20 M SF |
| Total 2023 – High: | ~25 M SF |

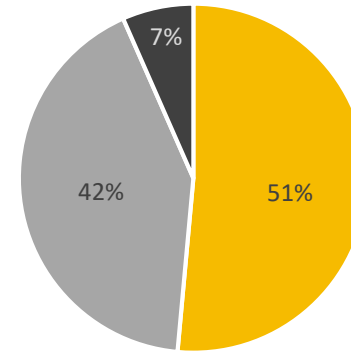
Tier II & E-Commerce Hubs

| | |
|--------------------|----------|
| PF Current*: | 11.4M SF |
| Total 2023 – Low: | ~15 M SF |
| Total 2023 – High: | ~20 M SF |

Emerging E-Commerce Hubs

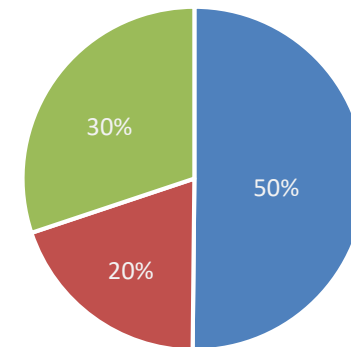
| | |
|--------------------|---------|
| PF Current*: | 0.3M SF |
| Total 2023 – Low: | ~3 M SF |
| Total 2023 – High: | ~5 M SF |

Target Portfolio Allocation by Market Type



■ Tier I
 ■ Tier II & E-Commerce Hubs
 ■ Emerging E-Commerce Hubs

Target Portfolio Allocation by Region



■ U.S.A.
 ■ Canada
 ■ Europe

Positioning the portfolio for superior total returns

*Pro-forma Current reflects current portfolio adjusted for identified acquisitions & dispositions.

MARKET AND ASSET CONSIDERATIONS

Target markets with superior economic conditions and market fundamentals

Proximity to major MSAs

Available labour

Strategic location

Population Growth

Liquidity

Major infrastructure

Focus on modern facilities that meet the demands of E-Commerce and traditional distribution users

Modern characteristics

Lower capex requirements

Potential for expansion or redevelopment

Strategic location within market

Captive tenancy

Invest selectively/opportunistically in evolving property types and markets benefiting from technological advancement/E-Commerce trends

Cold Storage
(Food & Pharma)

Multi-Level

Transport facilities

Focusing on characteristics that meet current and evolving user demand

DEVELOPMENT AS PART OF GROWTH STRATEGY

Leverage our in-house expertise to pursue and execute on development and redevelopment opportunities

Target ~\$300M in capital over the next five years on development

Develop properties having state-of-the-art design characteristics meeting evolving trends in tenant requirements

Target higher yield & IRR in core markets and enhanced growth prospects

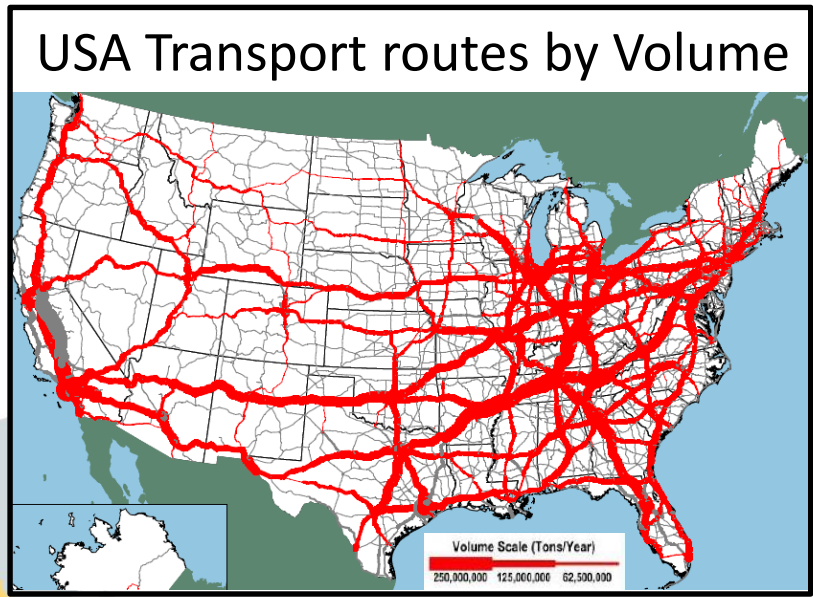
Partner with experienced developers in select target markets to manage risk and generate higher number of opportunities for scale

Target IPP acquisition opportunities with redevelopment potential

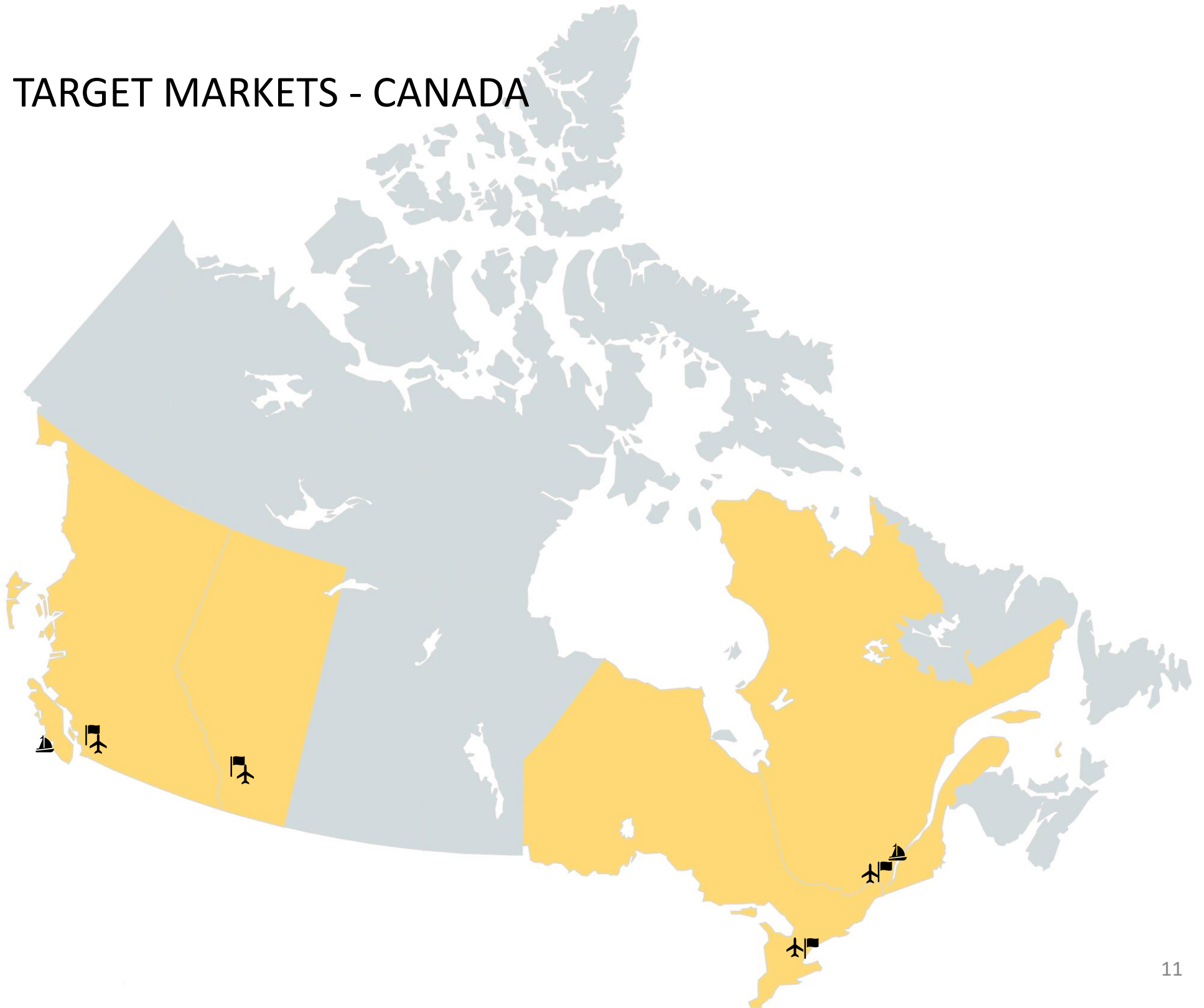
Incorporate sustainable practices throughout the development program

Incorporate development into our growth plans to enhance IRR & platform value

TARGET MARKETS - USA



TARGET MARKETS - CANADA



E-COMMERCE TRENDS - GENERAL

Global E-Commerce sales expected to more than double by 2021

Estimated 30% of net absorption related to E-Commerce

US E-Commerce sales expected to grow by ~50% by 2021

+\$170B of additional annual retail sales in the US by 2022 requires over +200M SF of additional modern warehouse which requires ~800K additional workers

Every \$1 per hour of additional labour cost increases expenses +\$1M with a 500 employee operation; whereas total annual rent is ~\$1.8M - \$2.5M

\$1B E-Commerce sales requires ~ 1.25M SF of distribution space

E-Commerce sales require ~ 3x more space to fulfill sales

2012 – 2018 Average US Industrial land price per acre increased from under \$50K to ~\$150K for plots 50-500 acres

\$2 Trillion – Food is the largest single retail category

20% of each paycheck goes towards food¹ and currently only 3% (US\$24B) of grocery sales originate online

15% E-Commerce penetration in grocery = \$100B in sales



| | Sales US\$, B | Facilities SF, M | Productivity US\$ / SF | Efficiency SF / \$1B | |
|----------------|------------------|---------------------|---------------------------|-------------------------|--|
| Online | \$214B | 302 | \$710 | 1,409 KSF | <div style="border: 2px solid red; padding: 5px; display: inline-block;"> ~3x </div> |
| Brick & Mortar | \$1,061B | 493 | \$2,152 | 465 KSF | |

Growth in E-Commerce is driving unprecedented demand for distribution space

LABOUR AS AN INCREASING MARKET FACTOR

Markets with a deep labour pool and relatively low labour cost stand to benefit most from E-Commerce & logistics growth

Markets with these attributes can expect higher rent growth, positive absorption and increased development

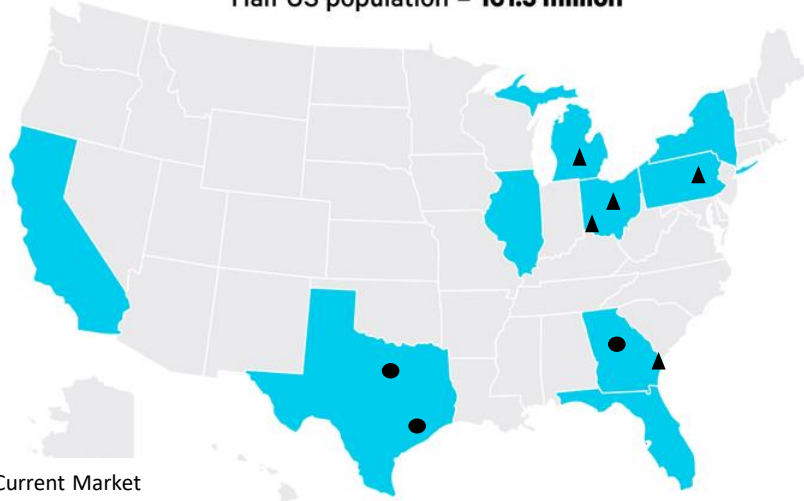
Labour access and cost hold a tremendous financial weight in user's location decisions

Granite strategically targets these markets to capture increased relative yields coupled with strong potential rent growth

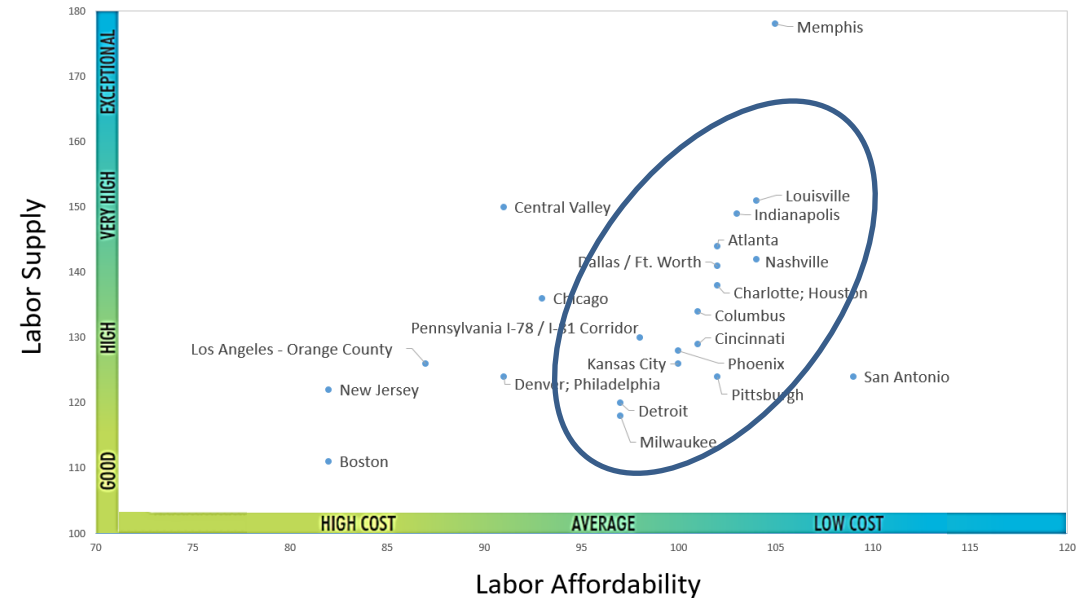
Half of the US population lives in just 9 states

9 most populous states = 161.1 million

Half US population = 161.5 million



- ▲ Current Market
- Target Market

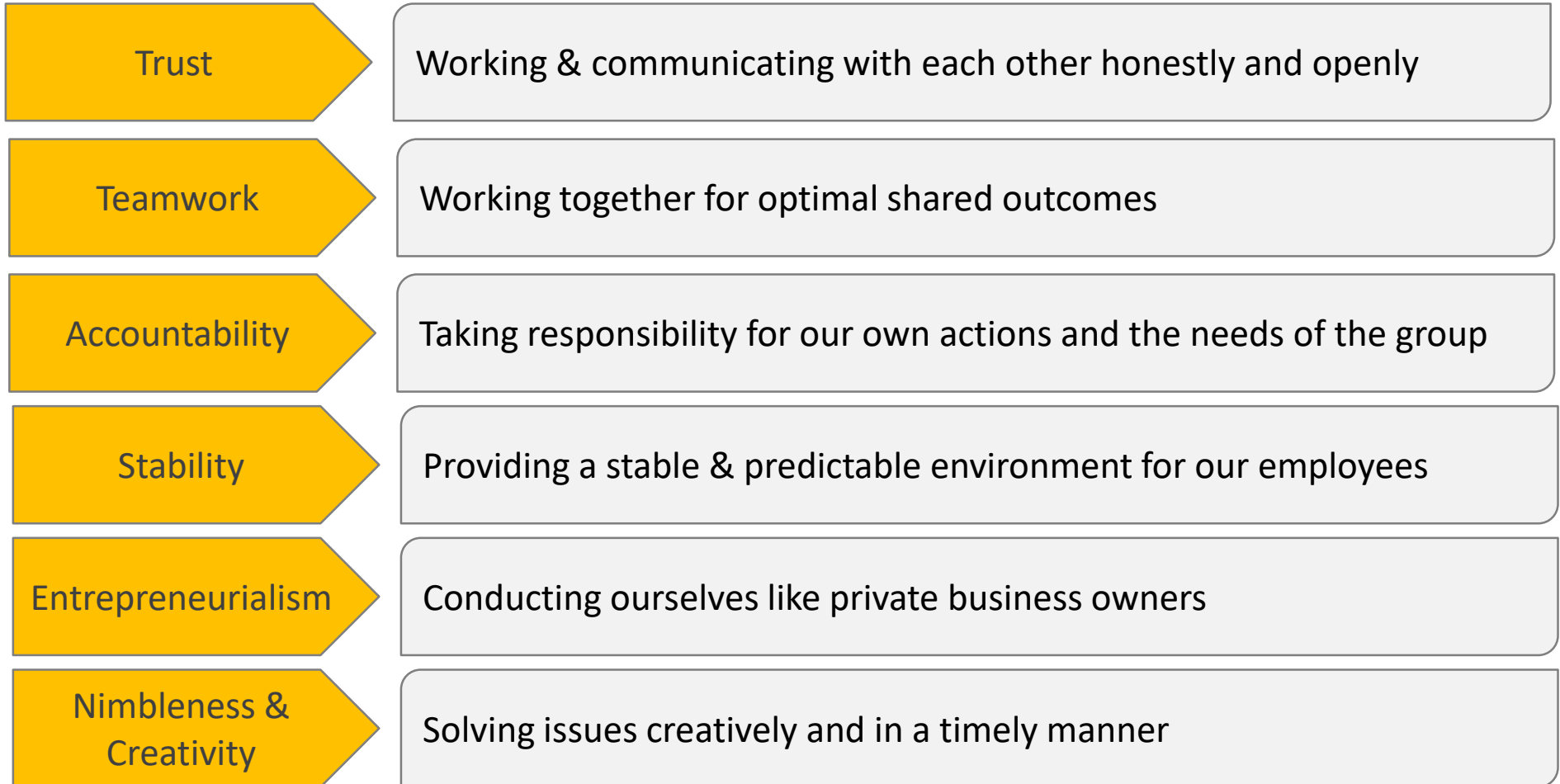


Labour costs & availability are key decision factors

Source: Business Insider & US Census reports
 Source: CBRE US Industrial Labor Market Trends Report

ORGANIZATIONAL PRINCIPLES

Collectively, our culture will be based on the following priorities:



Foster a results-oriented team environment rooted in trust and open communication

UTILIZING THE BALANCE SHEET

GRT is currently rated BBB/Baa2 with a stable outlook by DBRS/Moody's

Reducing Magna concentration to <40% by revenue and maintaining prudent capital structure will preserve and potentially enhance current ratings

A credit rating enhancement would reduce cost of debt and cost of capital and further enable acceleration of growth

| <u>Credit Metrics Summary</u> | | |
|---|---|----------------|
| Credit Metrics | Moody's Baa1 Targets³ | Q3 2018 |
| Debt / GBV | ≤ 40% | 16% |
| Debt / EBITDA¹ | ≤ 5.5x | 2.8x |
| EBITDA¹ / Fixed Charges¹ | > 4.0x | 9.2x |
| Secured Debt / Assets | ≤ 10% | 0% |
| Magna % by Revenue² | < 40% | 57% |

| Incremental Debt Capacity Q3 2018 | |
|--|---------------------------------------|
| <u>Net Debt / GBV</u> | <u>Incremental Debt (C\$M)</u> |
| 16% | \$ - |
| 30% | \$ 640 |
| 35% | \$ 935 |
| 40% | \$ 1,279 |

| Available Liquidity Q3 2018 | |
|------------------------------------|---------------|
| Cash & Cash Equivalents | \$ 193 |
| Unused Credit Facility | \$ 494 |
| Assets Identified For Sale | \$ 17 |
| Total Liquidity | \$ 703 |

Preserve and seek to enhance current investment grade ratings

¹ Figures based on Q3 2018 LTM data.

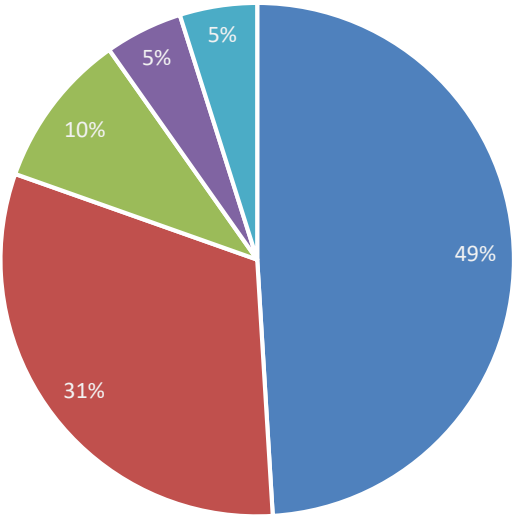
² Figures based on Annualized Q3 2018 data.

³ Moody's report dated April 12, 2018

KEY TARGET PORTFOLIO METRICS

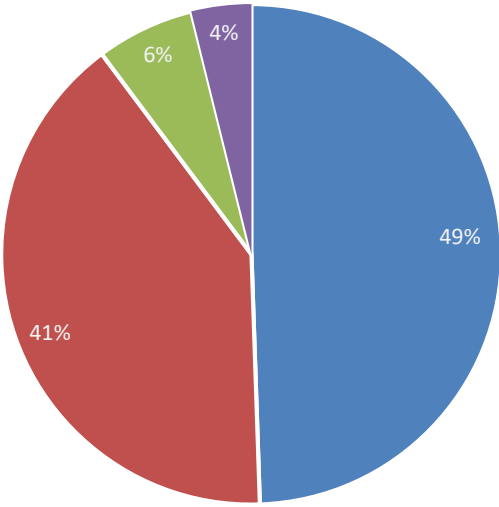
Summary of 2023 key target portfolio metrics by GLA

Target Portfolio Allocation by Asset Type



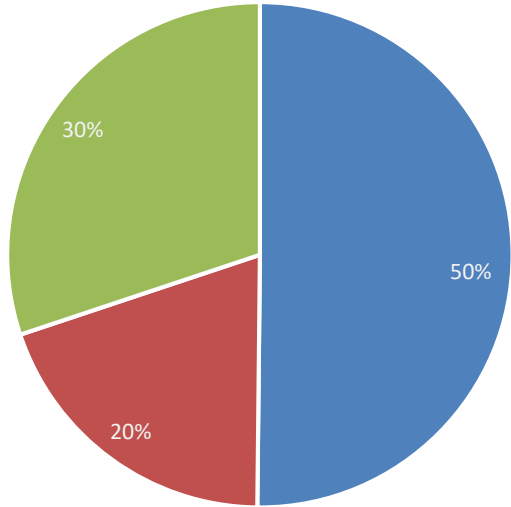
- Warehouse/DC
- Crossdock/Fulfillment
- Light Industrial
- SPP
- Flex

Target Portfolio Allocation by Market



- Tier I
- Tier II/E-Commerce Hub
- Emerging E-Commerce Hub
- Other

Target Portfolio Allocation by Geography



- USA
- Canada
- Europe

Positioning the portfolio for sustainable and superior total risk-adjusted returns