# GRANITE REIT

First Quarter Report
2022

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## BASIS OF PRESENTATION

Management's Discussion and Analysis of Results of Operations and Financial Position ("MD&A") of Granite Real Estate Investment Trust ("Granite REIT") and Granite REIT Inc. ("Granite GP") summarizes the significant factors affecting the combined operating results, financial condition, liquidity and cash flows of Granite REIT, Granite GP and their subsidiaries (collectively "Granite" or the "Trust") for the three months ended March 31, 2022. Unless otherwise noted, all amounts are in millions of Canadian dollars. This MD&A should be read in conjunction with the accompanying unaudited condensed combined financial statements for the three months ended March 31, 2022 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The MD&A was prepared as at May 11, 2022 and its contents were approved by the Board of Trustees of Granite REIT and Board of Directors of Granite GP on this date. Additional information relating to Granite, including the Annual Report and Annual Information Form ("AIF") for fiscal 2021 and dated March 9, 2022, can be obtained from the Trust's website at www.granitereit.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

In addition to using financial measures determined in accordance with IFRS, Granite also uses certain non-IFRS performance measures and non-IFRS ratios in managing its business to measure financial and operating performance as well as for capital allocation decisions and valuation purposes. Granite believes that providing these measures on a supplemental basis to the IFRS amounts is helpful to investors in assessing the overall performance of Granite's business.

The non-IFRS performance measures include net operating income before lease termination and close-out fees, straight-line rent and tenant incentive amortization ("NOI - cash basis"), same property NOI - cash basis, constant currency same property NOI, funds from operations ("FFO"), adjusted funds from operations ("AFFO"), adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA"), available liquidity, total debt and net debt. Refer to "*NON-IFRS PERFORMANCE MEASURES*" for definitions and reconciliations of non-IFRS performance measures to IFRS financial measures.

The non-IFRS ratios include FFO payout ratio, AFFO payout ratio, leverage ratio, interest coverage ratio, net leverage ratio, indebtedness ratio, unencumbered asset coverage ratio and any related per unit amounts. Refer to "*NON-IFRS RATIOS*" for definitions and reconciliations of non-IFRS ratios to IFRS financial measures.

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 provided by 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.

## FINANCIAL AND OPERATING HIGHLIGHTS

| **For the three months ended March 31,** | **2022** | **2021** |
|---|---|---|
| *(in millions, except as noted)* | | |
| **Operating highlights** | | |
| Revenue | **$108.6** | $95.9 |
| NOI | **91.2** | 81.5 |
| NOI - cash basis(1) | **90.8** | 79.8 |
| Net income attributable to stapled unitholders | **497.7** | 230.1 |
| FFO(1) | **69.4** | 57.1 |
| AFFO(1) | **65.9** | 54.7 |
| Cash flows provided from operating activities | **70.5** | 64.3 |
| Monthly distributions paid | **50.9** | 46.3 |
| FFO payout ratio(1)(2) | **73 %** | 75 % |
| AFFO payout ratio(1)(2) | **77 %** | 78 % |
| | | |
| **Per unit amounts** | | |
| Diluted FFO(1) | **$1.05** | $0.93 |
| Diluted AFFO(1) | **$1.00** | $0.89 |
| Monthly distributions paid | **$0.78** | $0.75 |
| Diluted weighted average number of units | **65.8** | 61.7 |

| As at March 31, 2022 and December 31, 2021 | 2022 | 2021 |
|---|---|---|
| **Financial highlights** | | |
| Investment properties - fair value [7] | **$8,526.8** | $7,971.2 |
| Assets held for sale[7] | **32.9** | 64.6 |
| Cash and cash equivalents | **228.5** | 402.5 |
| Total debt[3] | **2,340.4** | 2,414.0 |
| Trading price per unit (TSX: GRT.UN) | **$96.57** | $105.20 |
| **Debt metrics, ratings and outlook** | | |
| Net leverage ratio[1] | **25 %** | 25 % |
| Interest coverage ratio[1] | **7.6x** | 6.8x |
| Indebtedness ratio (total debt to adjusted EBITDA)[1] | **7.6x** | 8.1x |
| Weighted average cost of debt[4] | **1.59 %** | 1.81 % |
| Weighted average debt term-to-maturity, in years[4] | **5.3** | 5.5 |
| DBRS rating and outlook | **BBB (high) stable** | BBB (high) stable |
| Moody's rating and outlook | **Baa2 stable** | Baa2 stable |
| **Property metrics [7]** | | |
| Number of investment properties | **134** | 131 |
| Income-producing properties | **122** | 119 |
| Properties under development | **9** | 9 |
| Land held for development | **3** | 3 |
| Gross leasable area ("GLA"), square feet | **55.9** | 55.1 |
| Occupancy, by GLA | **99.7 %** | 99.7 % |
| Magna as a percentage of annualized revenue[5] | **29 %** | 29 % |
| Magna as a percentage of GLA | **22 %** | 22 % |
| Weighted average lease term in years, by GLA | **5.7** | 5.8 |
| Overall capitalization rate[6] | **4.3 %** | 4.5 % |

(1) For definitions of Granite's non-IFRS performance measures and non-IFRS ratios, refer to the sections "*NON-IFRS PERFORMANCE MEASURES*" and "*NON-IFRS RATIOS*".
(2) The FFO and AFFO payout ratios are calculated as monthly distributions, divided by FFO and AFFO, respectively, in a period.
(3) Total debt includes lease obligations recognized under IFRS 16, *Leases*.
(4) Excludes lease obligations recognized under IFRS 16, *Leases*.
(5) Annualized revenue presented is calculated as the contractual base rent for the month subsequent to the quarterly reporting period multiplied by 12 months. Annualized revenue excludes revenue from properties classified as assets held for sale.
(6) Refer to "Valuation Metrics by Asset Category" in the "*INVESTMENT PROPERTIES*" section.
(7) Assets held for sale are excluded from investment properties and related property metrics. Accordingly, one such asset that was held for sale at March 31, 2022 and three such assets that were held for sale at December 31, 2021 were excluded from investment properties and related metrics at March 31, 2022 and December 31, 2021, respectively, throughout this MD&A.

## SIGNIFICANT MATTERS

### Property Acquisitions

As at the date of this MD&A, May 11, 2022, including the three months ended March 31, 2022, Granite has acquired five income-producing industrial properties in Germany and the United States and one property under development in the United States. Property acquisitions consisted of the following:

| Acquisitions<br>*(in millions, except as noted)*<br>Property Address | Location | Sq ft(1) | Weighted Average Lease Term, in years by sq ft(1) | Date Acquired | Property Purchase Price(2) | Stabilized Yield(1) |
|---|---|---|---|---|---|---|
| **Acquired during the three months ended March 31, 2022:** | | | | | | |
| **Income-producing properties:** | | | | | | |
| Georg-Beatzel Strasse 15 | Wiesbaden, GER | 0.2 | 8.3 | February 3, 2022 | $ 62.1 | 3.4 % |
| Raiffeisenstrasse 28-32 | Korbach, GER | 0.5 | 8.2 | February 3, 2022 | 60.3 | 3.7 % |
| In der Langen Else 4 | Erfurt, GER | 0.1 | 1.9 | February 3, 2022 | 17.6 | 4.1 % |
| **Acquired between April 1 and May 11, 2022:** | | | | | | |
| **Income-producing properties:** | | | | | | |
| 10566 Gateway Point | Clayton, IN | 0.9 | 9.8 | April 14, 2022 | 121.2 | 4.2 % |
| 2128 Gateway Point | Clayton, IN | 0.4 | 10.3 | April 14, 2022 | 57.9 | 4.4 % |
| **Property under development:** | | | | | | |
| 905 Belle Lane | Bolingbrook, IL | 0.2 | N/A | May 5, 2022 | 14.5 | 3.9 % |
| | | **2.3** | | | **$ 333.6** | **4.0 %** |

(1) As at the date of acquisition except as noted in note 3 below.
(2) Purchase price does not include transaction costs associated with property acquisitions.
(3) Weighted average lease term applicable to the occupied space.

### First Quarter 2022 Acquisitions

On February 3, 2022, Granite acquired three modern distribution facilities in Germany comprising 0.8 million square feet for $140.0 million (€96.6 million). The properties, with average clear height in excess of 32 feet, are 100% leased to high credit-quality global tenants for a weighted average remaining lease term of 7.3 years and were acquired at a net in-going yield of 3.6%.

## Property Dispositions

During the three months ended March 31, 2022, Granite disposed of one income-producing property and a parcel of land for total proceeds of $34.5 million.

| **Dispositions** *(in millions, except as noted)* Property Address | Location | Sq ft | Date Disposed | Sale Price[1] | Annualized Revenue[2] |
|---|---|---|---|---|---|
| **Disposed during the three months ended March 31, 2022:** | | | | | |
| 10 Topolowa | Mirków, Poland | 0.3 | February 18, 2022 | $34.5 | $ 1.6 |
| | | **0.3** | | **$34.5** | **$ 1.6** |

(1) Sale price does not include transaction costs associated with disposition.

(2) As at the date of disposition.

## Assets Held for Sale

As at March 31, 2022, an income-producing property located in the Czech Republic was classified as an asset held for sale. The property, having a fair value of $32.9 million and annualized revenue of $2.6 million, was classified as an asset held for sale on the unaudited condensed combined balance sheet as at March 31, 2022 and was excluded from the value of investment properties. The property is also excluded from references to investment properties and related property metrics as at March 31, 2022 throughout this MD&A.

## Construction, Development and Property Commitments

Granite had the following property purchases and construction and development commitments as at March 31, 2022:

| Commitments<br>*(in millions, except as noted)*<br>Property Location | Additional sq ft | | Accruals/ Payments/ Deposits Made | | Future Commitments [1] | Total Cost | Year-One Stabilized Yield [2] |
|---|---|---|---|---|---|---|---|
| **As at March 31, 2022:** | | | | | | | |
| ***Development, construction or expansion:*** | | | | | | | |
| Redevelopment in Altbach, Germany | 0.3 | $ | 28.4 | $ | 2.1 | **$ 30.5** | 6.8 % |
| Properties under development in Houston, TX | 1.4 | | 51.2 | | 83.8 | **135.0** | 5.6 % |
| Property under development in Fort Worth, TX | 0.6 | | 26.2 | | 19.8 | **46.0** | 6.7 % |
| Property under development in Murfreesboro, TN | 0.8 | | 48.7 | | 27.2 | **75.9** | 5.3 % |
| Properties under development in Lebanon, TN | 0.5 | | 17.6 | | 48.2 | **65.8** | 5.3 % |
| Expansion of 2095 Logistics Drive, Mississauga, ON | 0.1 | | 10.8 | | 0.2 | **11.0** | 7.7 % |
| Expansion of 555 Beck Cres., Ajax, ON | – | | 0.3 | | 8.2 | **8.5** | 6.4 % |
| Expansion of 5400 E 500 S, Whitestown, IN | 0.3 | | 0.6 | | 38.5 | **39.1** | 5.5 % |
| Other construction commitments | – | | 5.8 | | 12.3 | **18.1** | – % |
| | **4.0** | **$** | **189.6** | **$** | **240.3** | **$ 429.9** | **5.8 %** |
| ***Other property commitments:*** | | | | | | | |
| Development loan/acquisition of two completed properties in Indiana | 1.0 | $ | 30.7 | $ | 74.5 | **$ 105.2** | 5.0 % |
| Acquisition of a completed property in Tilburg, NL | 0.5 | | 10.7 | | 94.2 | **104.9** | 3.2 % |
| | **5.5** | **$** | **231.0** | **$** | **409.0** | **$ 640.0** | **5.2 %** |

(1) Includes signed contracts and future budgeted expenditures not yet contracted.
(2) Yield based on total cost including land.

During the quarter, Granite made progress in advancing its various development, construction and expansion projects. In Altbach, Germany, construction of a 0.3 million square foot building is nearing substantial completion and is expected to be completed in the second quarter of 2022. At Granite's development in Fort Worth, Texas, construction is nearing substantial completion and is expected to be completed in the second quarter of 2022. The entire 0.6 million square foot building has been leased for an initial term of ten years commencing in the third quarter of 2022. At the 0.6 million square foot modern distribution facility in Whitestown, Indiana acquired in December 2021, the permitting process for the 0.3 million square foot, value-enhancing expansion commenced in the first quarter of 2022, with completion of the expansion anticipated by the fourth quarter of 2022.

Granite's other property commitments include a development loan and forward commitment to purchase two industrial properties in Indiana and the forward commitment to purchase a modern distribution centre in Tilburg, Netherlands. In Indiana, construction of two buildings totaling 1.0 million square feet is expected to be completed in the third quarter of 2022. In Tilburg, Netherlands, construction of the 0.5 million square foot building commenced and is expected to be completed in the third quarter of 2022.

### Refinancing of 2028 Cross Currency Interest Rate Swap

On February 3, 2022, Granite terminated $350.0 million of a total $500.0 million principal of the 2028 Cross Currency Interest Rate Swap, as defined herein, which exchanged Canadian dollar denominated principal and interest payments of the 2028 Debentures, as defined herein, for US dollar denominated payments at a fixed interest rate of 2.096% (see "*LIQUIDITY AND CAPITAL RESOURCES - Debt Structure*"). Simultaneously, Granite entered into a new $350.0 million cross-currency interest rate swap maturing August 30, 2028 to exchange the Canadian dollar denominated principal and interest payments of the 2028 Debentures for Euro denominated payments at a fixed interest rate of 0.536%. The restructuring of a portion of Granite's hedge relating to the 2028 Debentures will result in annual interest expense savings of approximately $5.5 million or approximately $0.083 on a per unit basis. Upon termination, Granite paid $6.6 million to settle the mark-to-market liability relating to the $350.0 million principal portion of the 2028 Cross Currency Interest Rate Swap.

### Subsequent Events

On April 14, 2022, Granite acquired two newly constructed modern distribution facilities, comprising of approximately 1.4 million square feet in the southwest submarket of Indianapolis, Indiana for $179.1 million (US$141.8 million). The properties are 100% leased to two investment grade tenants with a weighted average lease term of 10 years and were acquired at an in-going yield of 4.2%. One of the properties offers excess density which can support future expansion capabilities. Fronting on the I-70, the facilities are well located within the submarket with connectivity to five major interstate highways and are 15 miles south of the FedEx World Hub.

On May 5, 2022, Granite acquired a property under development for $14.5 million (US$11.3 million) comprising of a 0.2 million square foot built-to-suit modern distribution facility to be constructed on 13.6 acres in Bolingbrook, Illinois. Construction has commenced and the property is expected to be completed in the first quarter of 2023 at a total fixed cost, including land, of $50.1 million (US$39.0 million). A globally-recognized furniture provider will tenant the building upon completion for an initial term of 12.3 years. The facility will have modern features including cross-dock configuration, 32' clear heights, expandable parking and trailer stalls, upgraded dock equipment and sustainability features. The property is well located with visibility from the I-55 which offers connectivity between Chicago and the southern United States. The property is expected to achieve a stabilized development yield of 3.9%.

Subsequent to March 31, 2022, Granite has issued 120,300 stapled units under the ATM Program at an average stapled unit price of $98.84 for gross proceeds of $11.9 million excluding issuance costs.

### Russian Invasion of Ukraine

Granite currently holds investments and operates in Western Europe, specifically in the Netherlands, Germany and Austria. Since the commencement of the Russian invasion of Ukraine in late February 2022 and up to the date of this MD&A, the European real estate markets in which Granite operates have remained orderly and Granite has continued to achieve net asset value appreciation and stable net operating income growth while continuing to execute on its strategic initiatives.

During the first quarter of 2022 and up to the date of filing, there has not been a significant impact on Granite's operations, assets or liabilities, nor has there been any negative impact on the valuation of Granite's investment properties as a result of the war.

Although not directly impacted by the ongoing Russian/Ukraine war, Granite and its tenants are exposed to a broad range of new and expanding risks from the continuing conflict including:

- slowdown of global economic growth and more specifically in the European region;
- inflationary pressures, including energy, labour and transportation/logistics;
- higher interest rates;
- energy security in Western Europe; and
- supply chain disruptions.

A material deterioration in any of the foregoing could have a material adverse effect on Granite's tenants and their ability to continue to operate and pay rent, and impact debt and equity markets, either of which could materially impact Granite's operations and financial performance. Granite is continuing to monitor the situation in Ukraine and globally and assessing its potential impact on Granite's business.

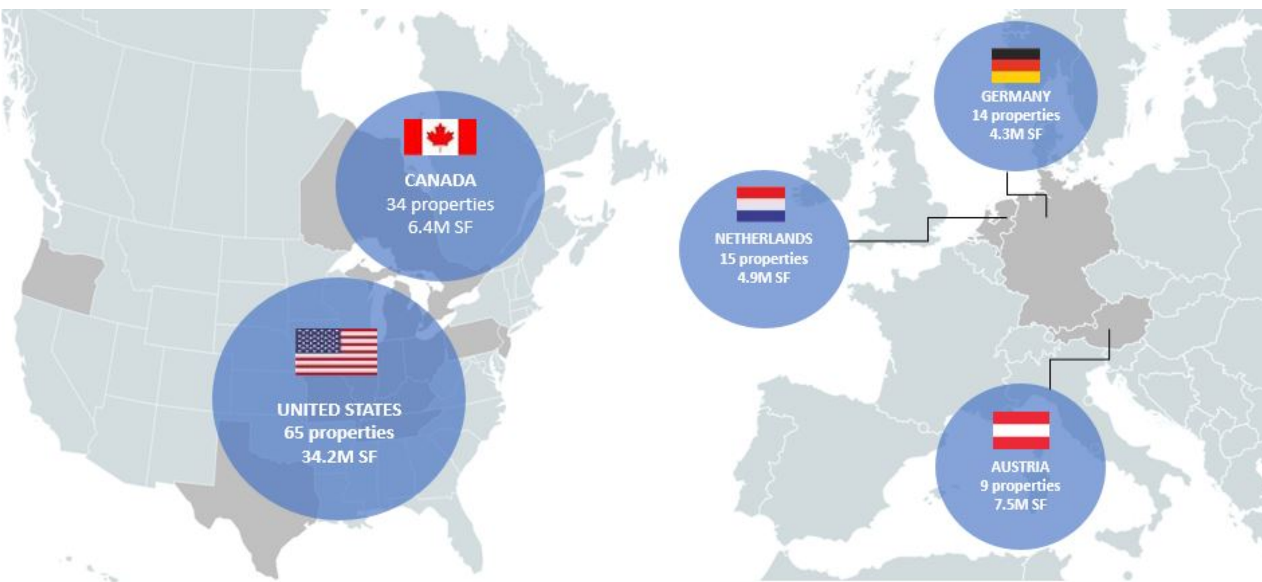
## BUSINESS OVERVIEW AND STRATEGIC OUTLOOK

**Business Overview**

Granite is a Canadian-based real estate investment trust ("REIT") engaged in the acquisition, development, ownership and management of logistics, warehouse and industrial properties in North America and Europe. As at May 11, 2022, excluding assets held for sale, Granite owns 137 investment properties in five countries having approximately 57.3 million square feet of gross leasable area. Granite has a highly-integrated team of real estate professionals with extensive experience in operations, leasing, development, investment and asset management located at its head office in Toronto, Canada and regional offices in Dallas, U.S.A; Vienna, Austria; and Amsterdam, Netherlands.

Granite's investment properties consist of income-producing properties, properties under development and land held for development (see "*INVESTMENT PROPERTIES*"). The income-producing properties consist primarily of logistics, e-commerce and distribution warehouse, light industrial and heavy industrial manufacturing properties. Lease payments are primarily denominated in three currencies: the Canadian dollar ("$"), the Euro ("€") and the US dollar ("US$"). Granite's investment properties (excluding assets held for sale) by geographic location, property count and square footage as at May 11, 2022 are summarized below:

**Investment Properties Summary**
**Five countries/137 properties/57.3 million square feet**




**Strategic Outlook**

Management continues to identify and pursue value creation and investment opportunities that management believes will generate superior long-term total returns for unitholders.

Granite's long-term strategy is to continue to build an institutional quality and globally diversified industrial real estate business; to grow and diversify its asset base through acquisitions, development, re-development and dispositions; to maintain a conservative balance sheet; and to reduce its exposure to its largest tenant, Magna International Inc. and its operating subsidiaries (collectively, "Magna") and the special purpose properties (see "*INVESTMENT PROPERTIES*").

Granite has positioned itself financially to execute on its strategic plan including to capitalize on a strong pipeline of acquisition and existing and future development opportunities within its targeted geographic footprint.

As Granite looks to the remainder of 2022, its priorities are set out below:

- Driving net asset value, FFO and AFFO per unit growth while maintaining conservative capital ratios;
- Executing on development and expansion projects in the U.S., Germany and the GTA;
- Pursuing strategic acquisition opportunities in our target markets;
- Advancing Granite's Environmental, Social, Governance and Resilience (ESG+R) program and establishing detailed targets for 2022 and beyond; and
- Disposing of select non-core assets.

## ENVIRONMENTAL, SOCIAL, GOVERNANCE, AND RESILIENCE (ESG+R)

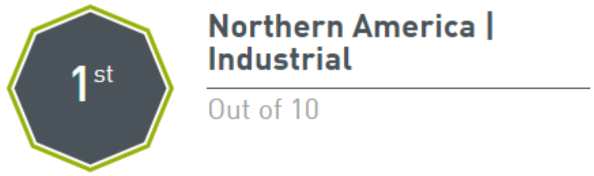
Granite recognizes the important role building owners can play in fostering the efficient use of resources and respecting our environment. As a good steward for investors, Granite seeks to practically incorporate sustainability in its actions and decision-making process, while generating returns for unitholders.

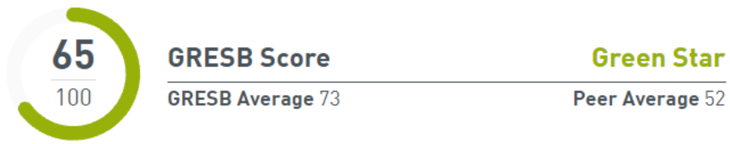
Consistent with this principle, Granite applies the following long-term ESG+R objectives in its business:

| Environmental | Social | Governance | Resilience |
|---|---|---|---|
| Promote efficiency and sustainable practices at both our properties and our corporate offices | Engage with our investors, employees, tenants, property managers, and community | Disclose our ESG+R performance as a commitment to transparency and accountability | Identify and mitigate potential climate-related risks within our portfolio |

Granite's ESG+R program is aligned with INREV[1], GRESB[2], GRI[3] and UNPRI[4]. Data provided herein has been reviewed by a third party ESG+R consultant and represents a snapshot of current performance.

**GRESB**




GRESB assesses and scores the Environmental, Social, and Governance (ESG) performance of real estate portfolios around the world and this year increased to over 1,500 participants. Granite completed its second annual GRESB Real Estate Assessment in June 2021 and is preparing to submit for the third time in June 2022.

Granite ranked 1st out of 10 in the North America Industrial GRESB public disclosure group, which evaluates the level of ESG disclosure by listed property companies and REITs. Granite also achieved 3rd, and was the sole Canadian entity, in the North American Industrial Listed GRESB peer group for Standing Investments with a score of 65.

Below is a selection of key actions and performance items of Granite's ESG+R Program:

**Environmental –** ***Actions & Performance***

- Work to reduce the amount of landlord-controlled energy, operational emissions (scope 1 and 2), and water by 25% by 2030 (or 2.5% annual reduction) at Granite's assets[5];
- Increase the energy, emissions, water and waste data coverage across Granite's portfolio to 50% of its income-producing portfolio by 2030 by collaborating with tenants, implementing green lease language, and obtaining data directly from the utility companies whenever available;
- Support the production of new renewable energy through the installation of on-site solar PV systems with the capacity to generate 5 MW of electricity by 2025[6];
- Strategically evaluate and pursue applicable green building certifications at Granite's properties and achieve 30% third-party green building certifications by floor area by 2030;

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1 European Association for Investors in Non-Listed Real Estate Vehicles.
2 Global Real Estate Sustainability Benchmarking.
3 Global Reporting Initiative.
4 United Nations' Principles for Responsible Investing.
5 Granite's emissions reduction targets are aligned with the Paris Accord goal of limiting global warming to two degrees Celsius above pre-industrial levels.
6 Onsite solar projects are expected to be installed at 10 Granite assets by 2023.

- Four BREEAM In-Use certifications in process to be certified in 2022; and
- Commit that all development projects controlled by Granite will be built to standards consistent with the scope of Granite's Green Bond Framework and certify 100% of new developments to a third-party green building certification standard (such as LEED, BREEAM, Green Globes, DGNB).

Below is a list of properties in Granite's portfolio that have achieved green building certifications:

| Property | Size (sq ft) in millions | Location | Certification Type | Level |
|---|---|---|---|---|
| 15 Commerce Pkwy. | 1.3 | West Jefferson, USA | LEED New Construction and Major Renovation | Certified |
| 100 Clyde Alexander Lane | 0.7 | Pooler, USA | LEED Core and Shell Development | Certified |
| 101 Clyde Alexander Lane | 0.3 | Pooler, USA | LEED Core and Shell Development | Certified |
| 1201 Allpoints Court | 0.5 | Plainfield, USA | Green Globes New Construction | 2 Green Globes |
| 1243 Gregory Dr. | 0.5 | Antioch, USA | LEED Core and Shell Development | Silver |
| 2100 Center Square Rd. | 0.4 | Logan Township, USA | LEED Core and Shell Development | Silver |
| 3501 North Lancaster Hutchins Rd. | 0.2 | Lancaster, USA | LEED New Construction and Major Renovation | Silver |
| 8735 South Crossroads Dr. | 0.9 | Olive Branch, USA | LEED Core and Shell Development | Certified |
| 8740 South Crossroads Dr. | 0.9 | Olive Branch, USA | LEED Core and Shell Development | Certified |
| Aquamarijnweg 2 & 4 | 0.2 | Bleiswijk, Netherlands | BREEAM New construction | Very Good |
| De Kroonstrat 1 (Phase 1), De Poosthoornstraat 2 (Phase 2) | 0.5 | Tilburg, Netherlands | BREEAM New construction | Excellent |
| Francis Baconstraat 4 | 0.1 | Ede, Netherlands | BREEAM New construction | Very Good |
| Oude Graaf 15 | 0.2 | Weert, Netherlands | BREEAM New construction | Excellent |

### Social – *Actions & Performance*

- Granite administered its 2021 Employee Engagement Survey in April 2021 to gain an understanding of employee engagement and the effectiveness of its workplace practices;
- In 2021, Granite conducted a survey of all tenants to gauge satisfaction levels and identify opportunities for improvement;
- Contribute at least $500 per income-producing property in our portfolio toward charitable donations;
- As part of Granite's due diligence process, assess 100% of potential acquisitions for ESG+R and identify areas for improvement;
- Granite established a return to office policy allowing for the safe return of its employees to the workplace while providing enhanced work from home flexibility during the work week; and
- Beehives have been installed at two assets in 2021, to promote local biodiversity and engagement with our tenants. A third beehive is planned to be added in 2022.

**Governance –** ***Actions & Performance***

- Provide leadership over Granite's ESG+R Program through the Granite ESG+R Committee;
- Provide transparency to investors by incorporating ESG+R into regular updates to unitholders and stakeholders and through formal reporting frameworks such as GRESB, Sustainability Accounting Standards Board (SASB), CDP, and GRI;
- Granite completed its inaugural CDP submission in July 2021;
- Granite's 2020 ESG Overview was released in June 2020. The 2021 Sustainability Report issued August 4, 2021 and the 2022 report is currently underway and will be following the GRI, Task Force on Climate-Related Financial Disclosures (TCFD), and SASB frameworks;
- Submit to GRESB in June 2022; and
- Monitor asset compliance with government benchmarking requirements and ESG+R-related regulations.

**Resilience –** ***Actions & Performance***

- Align Granite's resilience program with the TCFD framework;
- Assess physical and transition climate-change risks during the new acquisition due diligence process and evaluate measures to increase resiliency in our underwriting process;
- Regularly evaluate Granite for physical and transition climate-change risks and evaluate strategies to mitigate risks; and
- Use the integrated Measurabl Four Twenty Seven (427) platform to provide climate risk analytics for each asset with 1-100 risk scores in seven categories of climate related risks – sea level rise, floods, hurricanes, heat stress, water stress, wildfires, and earthquakes.

## RESULTS OF OPERATIONS

### Net Income

The following is a summary of financial information from the unaudited condensed combined statements of net income for the three months ended March 31, 2022 and 2021, respectively:

| Net Income | | | |
|---|---|---|---|
| | Three Months Ended March 31, | | |
| *(in millions, except as noted)* | **2022** | **2021** | **$ change** |
| Rental revenue | $ 108.6 | $ 95.9 | 12.7 |
| **Revenue** | **108.6** | **95.9** | **12.7** |
| Property operating costs | 17.4 | 14.4 | 3.0 |
| **Net operating income** | **91.2** | **81.5** | **9.7** |
| General and administrative expenses | 8.4 | 8.8 | (0.4) |
| Depreciation and amortization | 0.4 | 0.3 | 0.1 |
| Interest income | (0.3) | (0.8) | 0.5 |
| Interest expense and other financing costs | 10.9 | 14.8 | (3.9) |
| Foreign exchange losses (gains), net | 0.4 | (0.7) | 1.1 |
| Fair value gains on investment properties, net | (490.6) | (209.5) | (281.1) |
| Fair value (gains) losses on financial instruments, net | (4.6) | 0.3 | (4.9) |
| Loss on sale of investment properties, net | 0.4 | 0.2 | 0.2 |
| **Income before income taxes** | **566.2** | **268.1** | **298.1** |
| Income tax expense | 68.5 | 37.9 | 30.6 |
| **Net income** | **$ 497.7** | **$ 230.2** | **267.5** |
| **Net income attributable to:** | | | |
| Stapled unitholders | 497.7 | 230.1 | 267.6 |
| Non-controlling interests | – | 0.1 | (0.1) |
| | **$ 497.7** | **$ 230.2** | **267.5** |

### Foreign Currency Translation

The majority of Granite's investment properties are located in Europe and the United States and the cash flows derived from such properties are primarily denominated in Euros and US dollars. Accordingly, fluctuations in the Canadian dollar, Granite's reporting currency, relative to the Euro and US dollar will result in fluctuations in the reported values of revenues, expenses, cash flows, assets and liabilities. The most significant foreign currency exchange rates that impact Granite's business are summarized in the following table:

| | Average Exchange Rates | | | Period End Exchange Rates | | |
|---|---|---|---|---|---|---|
| | Three Months Ended March 31, | | | March 31, | December 31, | |
| | 2022 | 2021 | Change | 2022 | 2021 | Change |
| $ per €1.00 | **1.421** | 1.525 | (7%) | **1.385** | 1.440 | (4%) |
| $ per US$1.00 | **1.266** | 1.266 | –% | **1.248** | 1.266 | (1%) |

For the three months ended March 31, 2022 compared to the prior year period, the average exchange rate of the Euro relative to the Canadian dollar was lower, which on a comparative basis, decreased the Canadian dollar equivalent of revenue and expenses from Granite's European operations.

The period end exchange rates of the Euro and the US dollar relative to the Canadian dollar on March 31, 2022 were lower when compared to the December 31, 2021 exchange rates. As a result, the Canadian dollar equivalent of assets and liabilities from Granite's European and US operations were lower when compared to December 31, 2021.

On a net basis, the effect of the changes in exchange rates on Granite's operating results for the three month period ended March 31, 2022 was as follows:

**Effects of Changes in Exchange Rates on Operating Results**

| | Three Months Ended March 31, |
|---|---|
| *(in millions, except per unit information)* | 2022 vs 2021 |
| Decrease in revenue | $ (2.5) |
| Decrease in NOI - cash basis | (2.4) |
| Decrease in net income | (3.4) |
| Decrease in FFO | (1.5) |
| Decrease in AFFO | (1.6) |
| Decrease in FFO per unit | $ (0.02) |
| Decrease in AFFO per unit | $ (0.02) |

## Operating Results

### *Revenue*

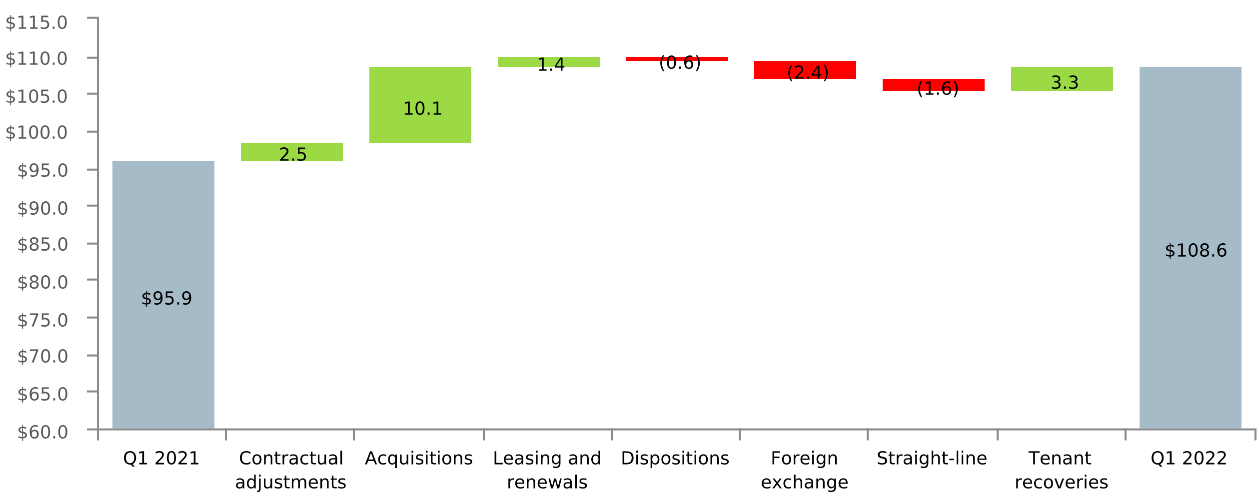
**Revenue**

| For the three months ended March 31, | 2022 | 2021 | $ change |
|---|---|---|---|
| Rental revenue and amortization[1] | **$ 91.6** | $ 82.0 | 9.6 |
| Tenant recoveries | **17.0** | 13.9 | 3.1 |
| **Revenue** | **$ 108.6** | $ 95.9 | 12.7 |

(1) Rental revenue and amortization include base rent, straight-line rent amortization and tenant incentive amortization.

Revenue for the three month period ended March 31, 2022 increased by $12.7 million to $108.6 million from $95.9 million in the prior year period. The components contributing to the change in revenue are detailed below:

**Change in Revenue**




Additional details pertaining to the components of the change in revenue are as follows:

- contractual rent adjustments included $0.8 million from consumer price index based increases and $1.7 million from fixed contractual adjustments related to rent escalations;
- the acquisitions of properties located in the United States, Canada, the Netherlands and Germany beginning in the first quarter of 2021 increased revenue by $10.1 million;
- revenue increased by $1.4 million due to renewal and re-leasing activities for properties primarily in the United States;
- the sale of properties located in Austria, the United Kingdom and Poland during 2021 and the first quarter of 2022 decreased revenue by $0.6 million;
- foreign exchange had a net $2.4 million negative impact to revenue primarily due to the relative strengthening of the Canadian dollar against the Euro; and
- straight-line rent and tenant recoveries decreased revenue by $1.6 million and increased revenue by $3.3 million, respectively.

### *Net Operating Income*

Net operating income ("NOI") in the three months ended March 31, 2022 was $91.2 million compared to $81.5 million during the three months ended March 31, 2021. NOI - cash basis excludes the impact of lease termination, close-out fees, straight-line rent and tenant incentive amortization and reflects the cash generated by the income-producing properties excluding lease termination and close-out fees on a period-over-period basis. NOI - cash basis was $90.8 million in the three months ended March 31, 2022 compared with $79.8 million in the prior year period, an increase of 13.8%.

Same property NOI - cash basis refers to the NOI - cash basis for those properties owned by Granite throughout the entire current and prior year periods under comparison. Same property NOI - cash basis excludes the impact of properties that were acquired, disposed of and classified as held for sale, or properties under development during the periods under comparison. Same property NOI - cash basis in the three months ended March 31, 2022 was $79.6 million, compared with $78.1 million in the prior year period. The changes in NOI, NOI - cash basis and same property NOI - cash basis are detailed below:

**Same Property NOI**

| | Sq ft[1] | Three Months Ended March 31, | | | |
|---|---|---|---|---|---|
| | (in millions) | 2022 | 2021 | $ change | % change |
| **Revenue** | | **$ 108.6** | $ 95.9 | 12.7 | |
| Less: Property operating costs | | **17.4** | 14.4 | 3.0 | |
| **NOI** | | **$ 91.2** | $ 81.5 | 9.7 | 11.9% |
| Add (deduct): | | | | | |
| Straight-line rent amortization | | **(1.6)** | (3.1) | 1.5 | |
| Tenant incentive amortization | | **1.2** | 1.4 | (0.2) | |
| **NOI - cash basis[3]** | 55.9 | **$ 90.8** | $ 79.8 | 11.0 | 13.8% |
| Less NOI - cash basis for: | | | | | |
| Acquisitions | 6.9 | **(10.2)** | – | (10.2) | |
| Dispositions and assets held for sale | 1.0 | **(1.0)** | (1.7) | 0.7 | |
| **Same property NOI - cash basis[3]** | 48.2 | **$ 79.6** | $ 78.1 | 1.5 | **1.9%** |
| **Constant currency same property NOI - cash basis[2][3]** | 48.2 | **$ 79.6** | $ 76.1 | 3.5 | **4.6%** |

(1) The square footage relating to the NOI – cash basis represents GLA of 55.9 million square feet as at March 31, 2022. The square footage relating to the same property NOI – cash basis represents the aforementioned GLA excluding the impact from the acquisitions, dispositions, assets held for sale and developments during the relevant period.

(2) Constant currency same property NOI - cash basis is calculated by converting the comparative same property NOI - cash basis at current foreign exchange rates.

(3) For definitions of Granite's non-IFRS performance measures and non-IFRS ratios, refer to the sections "*NON-IFRS PERFORMANCE MEASURES*" and "*NON-IFRS RATIOS*".

Property operating costs include recoverable and non-recoverable costs from tenants and consist of property taxes, utilities, insurance, repairs and maintenance, legal and other property-related expenses. Granite's employee compensation expenses are excluded from property operating costs.

Straight-line rent amortization represents the scheduled fixed rent changes or rent-free periods in leases that are recognized in revenue evenly on a straight-line basis over the term of the lease. Tenant incentive amortization mainly represents allowances provided to tenants that are recognized in revenue evenly on a straight-line basis over the term of the lease and primarily comprises the amortization associated with the cash allowance incentives paid to Magna in respect of the 10-year lease extensions exercised during the 2014 year at the Thondorf and Eurostar properties in Graz, Austria.

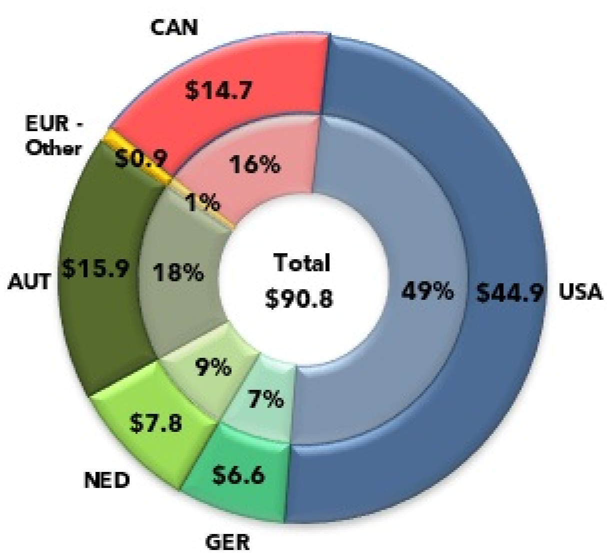
NOI - cash basis for the three months ended March 31, 2022 increased by $11.0 million to $90.8 million from $79.8 million in the prior year period, representing an increase of 13.8%. The increase in NOI - cash basis was largely a result of the increase in rental revenue as noted previously, partially offset by an increase in property operating costs primarily relating to the properties acquired in 2021 and 2022 to date.

Same property NOI - cash basis for the three months ended March 31, 2022 increased by $1.5 million (1.9%) to $79.6 million from $78.1 million, primarily due to the increase in contractual rents arising from both consumer price index and fixed rent increases, re-leasing and renewals of leases for properties primarily located in the United States, partially offset by the unfavourable foreign exchange impact from the strengthening of the Canadian dollar against the Euro. Excluding the impact of foreign exchange, same property NOI - cash basis for the three month period ended March 31, 2022 increased by $3.5 million (4.6%) from the prior year period.

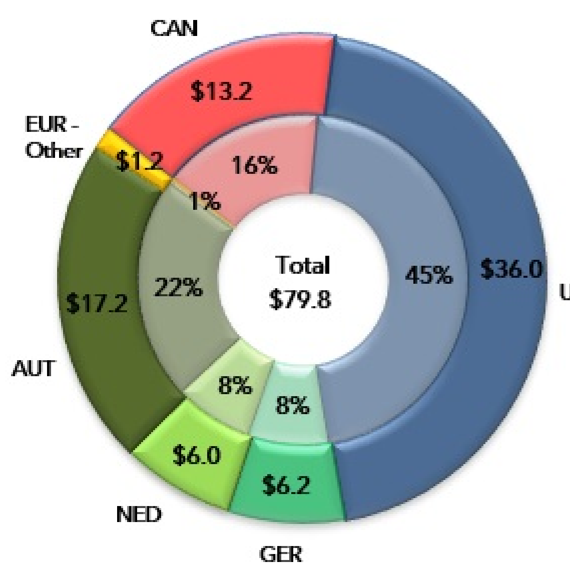
NOI - cash basis for the three month periods ended March 31, 2022 and 2021 by geography was as follows:

**NOI - Cash Basis by Geography**

**First Quarter 2022**




**First Quarter 2021**




Granite's property portfolio and NOI - cash basis are geographically diversified, which reduces the risk to Granite's operating results from any particular country's economic downturn.

Same property NOI - cash basis for the three month periods ended March 31, 2022 and 2021 by geography was as follows:

**Same Property NOI - Cash Basis by Geography**

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | **2022** | **2021** | **% change** |
| Canada | **$13.6** | $13.2 | 3.1 % |
| United States | **38.2** | 36.0 | 6.1 % |
| Austria | **15.9** | 16.7 | (5.2)% |
| Germany | **5.8** | 6.2 | (6.1)% |
| Netherlands | **6.1** | 6.0 | 2.0 % |
| **Same Property NOI - cash basis** | **$79.6** | $78.1 | 1.9 % |

Constant currency same property NOI - cash basis for the three month periods ended March 31, 2022 and 2021 by geography was as follows, which is calculated by converting the comparative same property NOI - cash basis at current foreign exchange rates:

**Constant Currency Same Property NOI - Cash Basis by Geography**

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | **2022** | **2021** | **% change** |
| Canada | **$13.6** | $13.2 | 3.1 % |
| United States | **38.2** | 36.0 | 6.1 % |
| Austria | **15.9** | 15.5 | 2.5 % |
| Germany | **5.8** | 5.8 | 0.8 % |
| Netherlands | **6.1** | 5.6 | 9.6 % |
| **Constant Currency Same Property NOI - cash basis** [1] | **$79.6** | $76.1 | 4.6 % |

(1) Constant currency same property NOI - cash basis is calculated by converting the comparative same property NOI - cash basis at current foreign exchange rates.

### *General and Administrative Expenses*

General and administrative expenses consisted of the following:

**General and Administrative Expenses**

| For the three months ended March 31, | 2022 | 2021 | $ change |
|---|---|---|---|
| Salaries and benefits | **$ 4.7** | $ 5.0 | (0.3) |
| Audit, legal and consulting | **1.0** | 0.8 | 0.2 |
| Trustee/director fees and related expenses | **0.4** | 0.4 | – |
| Executive unit-based compensation expense including distributions | **1.6** | 1.5 | 0.1 |
| Fair value remeasurement of trustee/director and executive unit-based compensation plans | **(0.8)** | (0.1) | (0.7) |
| Other public entity costs | **0.5** | 0.4 | 0.1 |
| Office rents including property taxes and common area maintenance costs | **0.1** | 0.1 | – |
| Capital tax | **0.2** | 0.1 | 0.1 |
| Information technology | **0.5** | 0.4 | 0.1 |
| Other | **0.5** | 0.2 | 0.3 |
| | **$ 8.7** | $ 8.8 | (0.1) |
| Less: capitalized general and administrative expenses | **(0.3)** | **–** | (0.3) |
| **General and administrative expenses** | **$ 8.4** | $ 8.8 | (0.4) |

General and administrative expenses were $8.4 million for the three month period ended March 31, 2022 and decreased $0.4 million in comparison to the prior year period primarily as a result of the following:

- a decrease in salaries and benefits expense primarily due to an increase to incentive compensation paid in the prior year period, partially offset by additional employees in North America and Europe;
- an increase in the fair value remeasurement recovery associated with the trustee/director and executive unit-based compensation plans resulting from a larger decrease in the market price of the Trust's stapled units in the current year period relative to the prior year period; and
- an increase in capitalized general and administrative expenses resulting from salaries and wages related to an increase in development activity in the current year period, partially offset by;
- an increase in audit, legal and consulting expenses primarily due to consulting costs incurred in the current year period associated with ESG+R initiatives undertaken by Granite.

### *Interest Income*

Interest income for the three month period ended March 31, 2022 decreased $0.5 million to $0.3 million from $0.8 million in the prior year period due to lower invested cash balances on hand.

### *Interest Expense and Other Financing Costs*

Interest expense and other financing costs for the three month period ended March 31, 2022 decreased $3.9 million to $10.9 million from $14.8 million in the prior year period. The decrease was primarily due to a $4.0 million early redemption premium for the 2021 Debentures recorded in the first quarter of 2021, partially offset by higher interest costs resulting from the issuance of the 2028 Debentures in August 2021.

As at March 31, 2022, Granite's weighted average cost of interest-bearing debt was 1.59% (March 31, 2021 - 1.74%) and the weighted average debt term-to-maturity was 5.3 years (March 31, 2021 - 6.0 years).

### *Foreign Exchange Gains and Losses, Net*

Granite recognized net foreign exchange losses of $0.4 million and net foreign exchange gains of $0.7 million in the three months ended March 31, 2022 and 2021, respectively. The $1.1 million increase in net foreign exchange losses is primarily due to the remeasurement of certain monetary assets and liabilities of the Trust that are denominated in US dollars and Euros as a result of the strengthening of the Canadian dollar against the US dollar and Euro and the increase in foreign exchange gains from the settlement of foreign exchange collar contracts in the prior year period.

### *Fair Value Gains and Losses on Investment Properties, Net*

Net fair value gains on investment properties were $490.6 million and $209.5 million in the three months ended March 31, 2022 and 2021, respectively. In the three months ended March 31, 2022, net fair value gains of $490.6 million were primarily attributable to favourable changes in fair market rent assumptions as well as compression in discount and terminal capitalization rates for properties located in the Greater Toronto Area in Ontario, Canada (the "GTA") and across the United States and Europe.

Net fair value gains on investment properties in the three months ended March 31, 2021 of $209.5 million were primarily attributable to favourable changes in fair market rent assumptions as well as compression in discount and terminal capitalization rates for properties located in the GTA and across the United States as well as for certain of the Trust's modern warehouse properties in Europe.

### *Fair Value Gains and Losses on Financial Instruments, Net*

The fair value gains on financial instruments for the three month period ended March 31, 2022 and the fair value losses on financial instruments for the three month period ended March 31, 2021 were $4.6 million and $0.3 million, respectively. The fair value gains on financial instruments for the three month period ended March 31, 2022 are related to the fair value movements of the 2024 Cross Currency Interest Rate Swap. The fair value losses on financial instruments for the three months ended March 31, 2021 are related to the fair value change of interest rate component of the 2024 Cross Currency Interest Rate Swap and the fair value change of the 2021 Cross Currency Interest Rate Swap, partially offset by the fair value gains on foreign exchange collar contracts. These derivatives were not designated in a hedging relationship and fair value changes are therefore recorded in the statements of net income.

### *Loss on Sale of Investment Properties, Net*

The loss on sale of investment properties for the three month period ended March 31, 2022 was $0.4 million and is primarily related to broker commissions and legal advisory costs associated with the disposition of the property in Mirków, Poland on February 18, 2022. The loss on sale of investment properties for the three months ended March 31, 2021 was $0.2 million and is primarily related to broker commissions and legal and advisory costs associated with the disposition of the property in Redditch, United Kingdom on January 28, 2021.

### *Income Tax Expense*

Income tax expense is comprised of the following:

**Income Tax Expense**

| **For the three months ended March 31,** | **2022** | **2021** | **$ change** |
|---|---|---|---|
| Foreign operations | **$ 1.6** | $ 1.8 | (0.2) |
| Other | **0.4** | 0.2 | 0.2 |
| Current tax expense | **2.0** | 2.0 | – |
| Deferred tax expense | **66.5** | 35.9 | 30.6 |
| **Income tax expense** | **$ 68.5** | $ 37.9 | 30.6 |

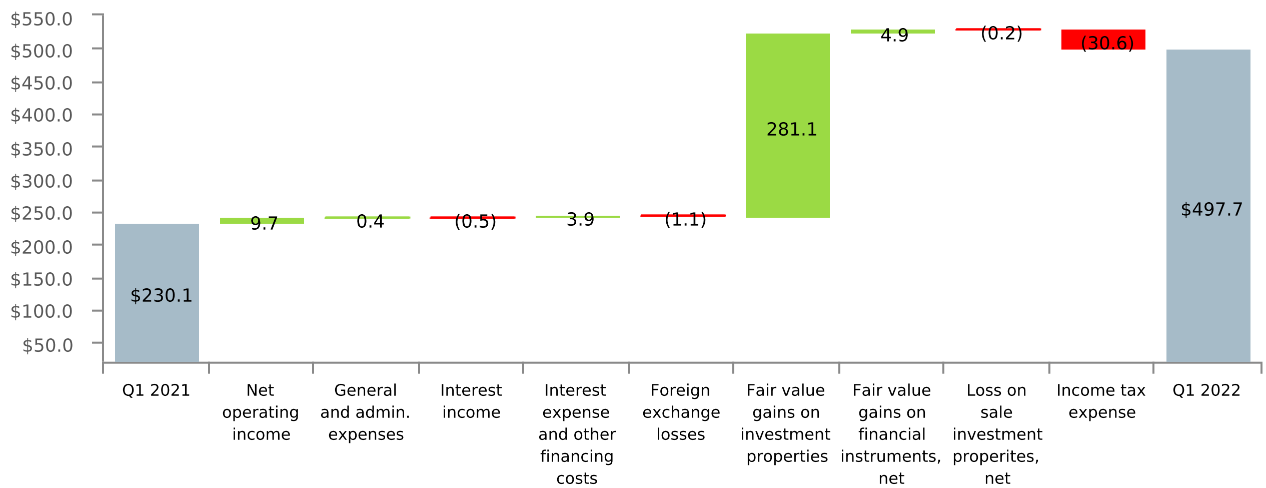
For the three months ended March 31, 2022, current tax expense remained the same compared to the prior year period primarily due to the offsetting of a release of a reserve in Germany in 2021 against the effect of the strengthening of the Canadian dollar on Euro denominated tax expense as compared to the prior year period.

The increase in deferred tax expense for the three months ended March 31, 2022 compared to the prior year period was primarily due to an increase in fair value gains on investment properties in jurisdictions in which deferred taxes are recorded, offset by a reduction in the deferred tax rate of Austria substantively enacted in Q1 2022.

### *Net Income Attributable to Stapled Unitholders*

For the three month period ended March 31, 2022, net income attributable to stapled unitholders was $497.7 million compared to $230.1 million in the prior year period. The increase in net income attributable to stapled unitholders was primarily due to a $281.1 million increase in fair value gains on investment properties and a $9.7 million increase in net operating income, partially offset by a $30.6 million increase in income tax expense. The period-over-period variance is further summarized below:

**Change in Net Income Attributable to Stapled Unitholders**



### *Funds From Operations and Adjusted Funds From Operations*

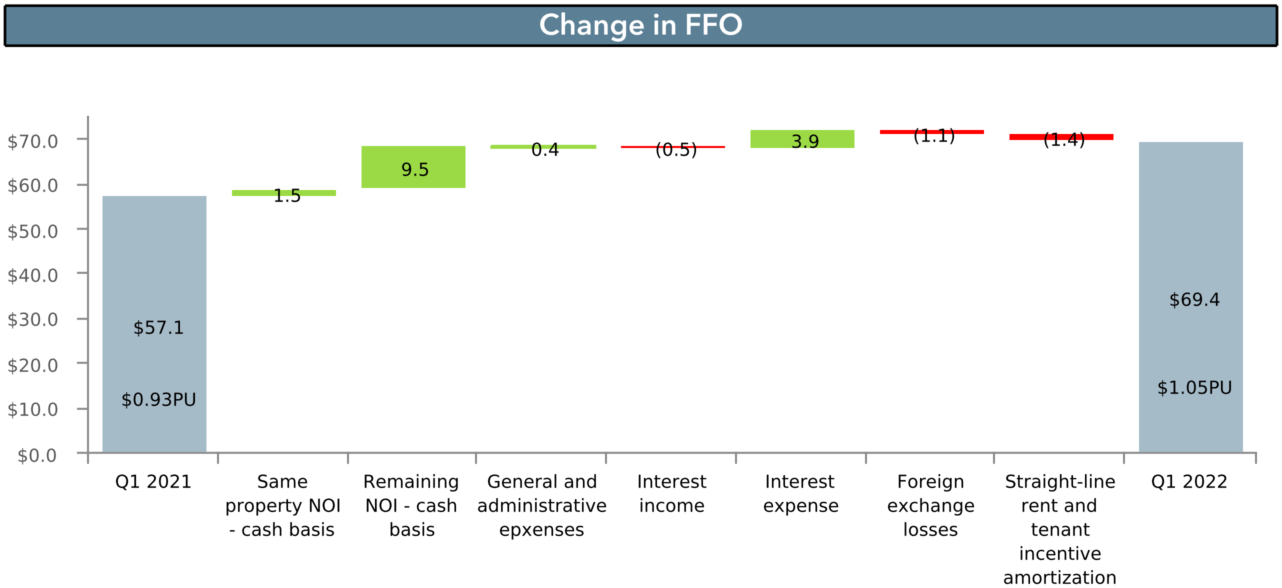
The reconciliation of net income attributable to stapled unitholders to FFO and AFFO for the three months ended March 31, 2022 and 2021, respectively, is presented below:

**FFO and AFFO Reconciliation**

| **For the three months ended March 31,** | | **2022** | **2021** |
|---|---|---|---|
| *(in millions, except per unit information)* | | | |
| **Net income attributable to stapled unitholders** | | **$ 497.7** | $ 230.1 |
| Add (deduct): | | | |
| Fair value gains on investment properties, net | | **(490.6)** | (209.5) |
| Fair value (gains) losses on financial instruments | | **(4.6)** | 0.3 |
| Loss on sale of investment properties | | **0.4** | 0.2 |
| Deferred income tax expense | | **66.5** | 35.9 |
| Non-controlling interests relating to the above | | **–** | 0.1 |
| **FFO** | **[A]** | **$ 69.4** | $ 57.1 |
| Add (deduct): | | | |
| Maintenance or improvement capital expenditures incurred | | **(1.1)** | (0.5) |
| Leasing costs | | **(2.0)** | – |
| Tenant allowances | | **–** | (0.1) |
| Tenant incentive amortization | | **1.2** | 1.3 |
| Straight-line rent amortization | | **(1.6)** | (3.1) |
| **AFFO** | **[B]** | **$ 65.9** | $ 54.7 |
| **Per unit amounts:** | | | |
| Basic FFO per stapled unit | **[A]/[C]** | **$ 1.06** | $ 0.93 |
| Diluted FFO per stapled unit | **[A]/[D]** | **$ 1.05** | $ 0.93 |
| Basic and diluted AFFO per stapled unit | **[B]/[C] and [B]/[D]** | **$ 1.00** | $ 0.89 |
| **Basic weighted average number of stapled units** | **[C]** | **65.7** | 61.7 |
| **Diluted weighted average number of stapled units** | **[D]** | **65.8** | 61.7 |

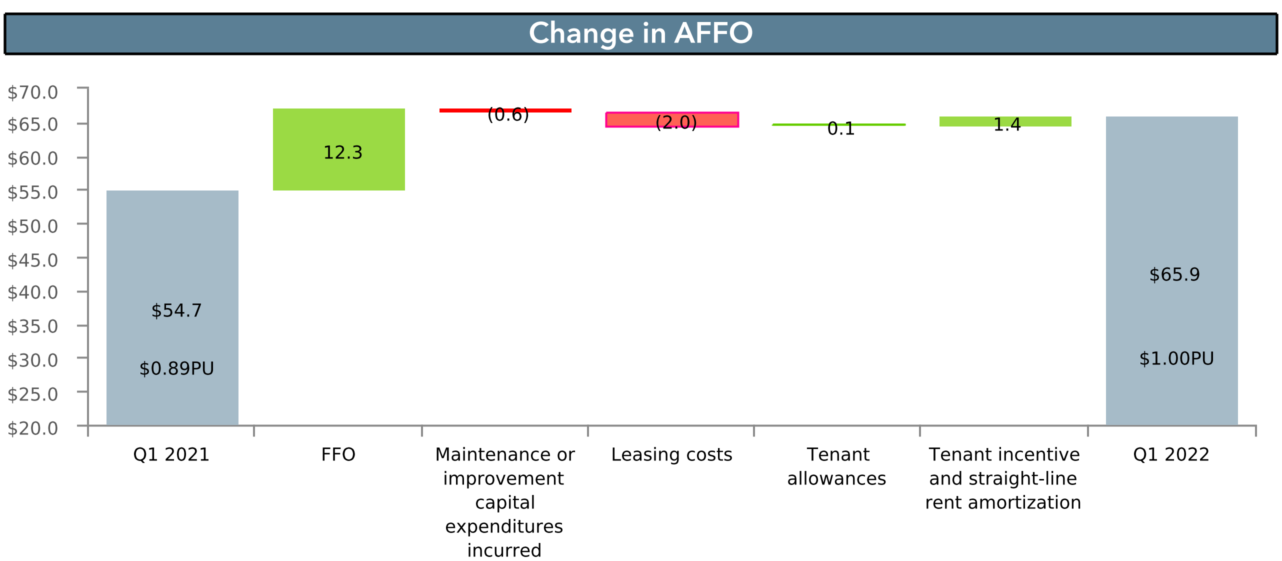
### *Funds From Operations*

FFO for the three month period ended March 31, 2022 was $69.4 million ($1.05 per unit) compared to $57.1 million ($0.93 per unit) in the prior year period. The changes in the FFO components are summarized below:




Included in FFO for the three months ended March 31, 2021 are $4.0 million of early redemption premium related to the 2021 Debentures and $0.5 million of accelerated amortization of original financing costs related to the refinancing of Granite's credit facility. Excluding these refinancing costs, FFO would have been $61.6 million ($1.00 per unit).

AFFO for the three month period ended March 31, 2022 was $65.9 million ($1.00 per unit) compared to $54.7 million ($0.89 per unit) in the prior year period. The $11.2 million increase and $0.11 per unit increase in AFFO components are summarized below:




Additional details pertaining to the components of the change in AFFO are as follows:

- the $12.3 million increase in FFO, as noted previously; and

- a $1.4 million increase in AFFO from a decrease in tenant incentive and straight-line rent amortization primarily due to lower free-rent offered in the first quarter of 2022 as compared to the first quarter of 2021, partially offset by;
- a $2.0 million decrease in AFFO from an increase in leasing costs, primarily related to a lease renewal in the United States; and
- a $0.6 million decrease in AFFO from higher maintenance or improvement capital expenditures incurred in the current year period relating to maintenance capital projects primarily in the United States and the Netherlands.

Excluding the aforementioned refinancing costs of $4.5 million recognized in the three month period ended March 31, 2021, AFFO would have been $59.2 million ($0.96 per unit).

## INVESTMENT PROPERTIES

Granite's investment properties consist of income-producing properties, properties under development and land held for development. Substantially all of the income-producing properties are for industrial use and can be categorized as (i) distribution/e-commerce, (ii) industrial/warehouse, (iii) flex/office or (iv) special purpose properties designed and built with specialized features and leased primarily to Magna.

The attributes of the income-producing properties are versatile and are based on the needs of the tenant such that an industrial property used by a certain tenant for light or heavy manufacturing can be used by another tenant for other industrial uses after some retrofitting if necessary. Accordingly, the investment property portfolio is substantially for industrial use and, as such, Granite determined that its asset class comprises industrial properties for purposes of financial reporting. The fair value of the industrial properties, as noted below, is based upon the current tenanting, existing use and attributes of such properties.

Properties under development are comprised of (i) a 89.0 acre greenfield site in Houston, Texas for which construction is underway on three modern industrial buildings (two speculative and one pre-leased) totaling 1.4 million square feet and are expected to be completed between the second quarter of 2022 and first quarter of 2023, (ii) a 13.0 acre site in Altbach, Germany where construction of a 0.3 million square foot distribution/light industrial facility is underway and is expected to be completed in the second quarter of 2022, (iii) a 36.0 acre site in Fort Worth, Texas where vertical construction of a 0.6 million square foot, 36' clear height, state-of-the-art distribution/e-commerce facility with completion expected in the second quarter of 2022, (iv) a 51.0 acre greenfield site in Murfreesboro, Tennessee, where vertical construction of a 0.8 million square foot modern distribution facility is underway with an expected completion date in the fourth quarter of 2022 and (v) a 39.0 acre site in Lebanon, Tennessee, where construction of three modern industrial buildings totaling 0.5 million square feet is expected to be completed in the fourth quarter of 2022.

Land held for development comprises the remaining 101.0 acres of land in Houston, Texas held for the future development accommodating buildings ranging from 0.3 million to 1.3 million square feet of which 1.4 million square feet is underway as noted above, for a total of up to a 2.7 million square feet, 12.9 acres of development land in West Jefferson, Ohio and a 92.2 acre parcel of land in Brantford, Ontario, for the development of a multi-phased business park comprising a total of approximately 1.7 million square feet of modern distribution and logistics space.

Summary attributes of the investment properties as at March 31, 2022 and December 31, 2021 are as follows:

## Investment Properties Summary

| As at March 31, 2022 and December 31, 2021 | 2022 | 2021 |
|---|---|---|
| *(in millions, except as noted)* | | |
| **Investment properties - fair value** | **$8,526.8** | $7,971.2 |
| Income-producing properties | **8,220.8** | 7,727.4 |
| Properties under development | **217.7** | 162.8 |
| Land held for development | **88.3** | 81.0 |
| Overall capitalization rate[1] | **4.30 %** | 4.53 % |
| **Number of investment properties** | **134** | 131 |
| Income-producing properties | **122** | 119 |
| Properties under development | **9** | 9 |
| Land held for development | **3** | 3 |
| **Property metrics** | | |
| GLA, square feet | **55.9** | 55.1 |
| Occupancy, by GLA | **99.7 %** | 99.7 % |
| Weighted average lease term in years, by square footage | **5.7** | 5.8 |
| Total number of tenants | **127** | 123 |
| Magna as a percentage of annualized revenue[2] | **29 %** | 29 % |
| Magna as a percentage of GLA | **22 %** | 22 % |

(1) Overall capitalization rate pertains only to income-producing properties.
(2) Annualized revenue presented is calculated as the contractual base rent for the month subsequent to the quarterly reporting period multiplied by 12 months. Annualized revenue excludes revenue from properties classified as assets held for sale.

## Assets Held for Sale[1]

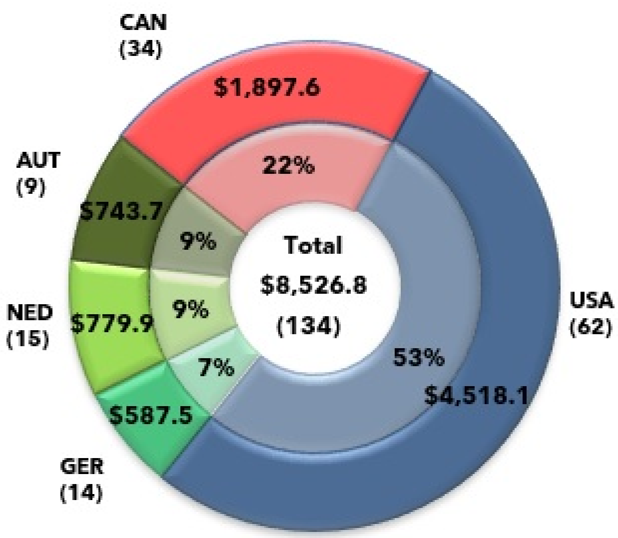
| As at March 31, 2022 and December 31, 2021 | 2022 | 2021 |
|---|---|---|
| *(in millions, except as noted)* | | |
| **Assets held for sale** | | |
| Fair value | **$32.9** | $64.6 |
| Number of properties | **1** | 3 |
| GLA, square feet | **0.3** | 0.6 |
| Magna as a percentage of GLA | **1 %** | 1 % |
| Annualized revenue | **$2.6** | **$4.4** |

(1) Assets held for sale are excluded from investment properties and related property metrics. Accordingly, one such asset that was held for sale as at March 31, 2022 and three such assets that were held for sale as at December 31, 2021 were excluded from investment properties and related property metrics as at March 31, 2022 and December 31, 2021, respectively, throughout this MD&A.

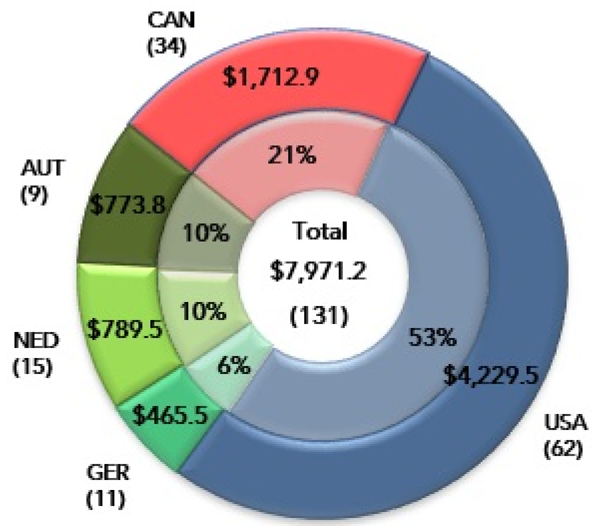
Granite has a high-quality global portfolio of large-scale properties strategically located in Canada, the United States and Europe. The fair value of the investment properties by country as at March 31, 2022 and December 31, 2021 was as follows:

## Fair Value of Investment Properties by Geography[1]

**March 31, 2022**




**December 31, 2021**




(1) Number of properties denoted in parentheses.

The change in the fair value of investment properties by geography during the three months ended March 31, 2022 was as follows:

## Change in Fair Value of Investment Properties by Geography

| | January 1, 2022 | Acquisitions | Capital and leasing expenditures | Developments and expansion | Other | Fair value gains | Foreign Exchange | March 31, 2022 |
|---|---|---|---|---|---|---|---|---|
| **Income-Producing Properties** | | | | | | | | |
| Canada | $ 1,648.7 | $ – | $ – | $ 1.7 | $ 0.4 | $ 175.0 | $ – | $ 1,825.8 |
| USA | 4,089.7 | – | 2.8 | 0.6 | 1.2 | 288.5 | (60.2) | 4,322.6 |
| Austria | 773.8 | – | – | – | (1.1) | 0.5 | (29.5) | 743.7 |
| Germany | 425.7 | 148.9 | 0.1 | – | – | (3.2) | (22.7) | 548.8 |
| Netherlands | 789.5 | – | 0.2 | – | – | 19.6 | (29.4) | 779.9 |
| | 7,727.4 | 148.9 | 3.1 | 2.3 | 0.5 | 480.4 | (141.8) | 8,220.8 |
| **Properties Under Development** | | | | | | | | |
| USA | 123.0 | – | – | 58.5 | – | – | (2.5) | 179.0 |
| Germany | 39.8 | – | – | 0.4 | – | – | (1.5) | 38.7 |
| | 162.8 | – | – | 58.9 | – | – | (4.0) | 217.7 |
| **Land Held for Development** | | | | | | | | |
| Canada | 64.2 | – | – | 0.7 | – | 6.9 | – | 71.8 |
| USA | 16.8 | – | – | – | – | – | (0.3) | 16.5 |
| | 81.0 | – | – | 0.7 | – | 6.9 | (0.3) | 88.3 |
| **Total** | $ 7,971.2 | $ 148.9 | $ 3.1 | $ 61.9 | $ 0.5 | $ 487.3 | $ (146.1) | $ 8,526.8 |

During the three months ended March 31, 2022, the fair value of investment properties increased by $555.6 million primarily due to:

- net fair value gains of $487.3 million which were attributable to various factors including fair market rent increases as well as compression in discount and terminal capitalization rates for properties located in the GTA and across the United States and Europe;
- the acquisitions of three income-producing properties in Germany for $140.0 million, excluding associated transaction costs (see "*SIGNIFICANT MATTERS - Property Acquisitions*"); and
- additions of $61.9 million primarily relating to expansion projects at two properties in Canada and one property in the United States, a property under development in Altbach, Germany and eight properties under development in the United States (see "*SIGNIFICANT MATTERS - Construction, Development and Property Commitments*"), partially offset by;
- foreign exchange losses of $146.1 million resulting from the relative strengthening of the Canadian dollar against the US dollar and the Euro.

Fair values were primarily determined by discounting the expected future cash flows, generally over a term of 10 years, plus a terminal value based on the application of a capitalization rate to estimated year 11 cash flows. Granite measures its investment properties using valuations prepared by management. Granite does not measure its investment properties based on valuations prepared by external appraisers but uses such external appraisals as data points, together with other external market information accumulated by management, in arriving at its own conclusions on values. Management uses valuation assumptions such as discount rates, terminal capitalization rates and market rental rates applied in external appraisals or sourced from valuation experts; however, the Trust also uses its historical renewal experience with tenants, its direct knowledge of the specialized nature of Granite's portfolio and tenant profile and its knowledge of the actual condition of the properties in making business judgments about lease renewal probabilities, renewal rents and capital expenditures. There has been no change in the valuation methodology used during the three months ended March 31, 2022. The key valuation metrics for Granite's investment properties including the discount and terminal capitalization rates by jurisdiction are summarized in note 4 to the unaudited condensed combined financial statements for the three months ended March 31, 2022. In addition, valuation metrics for Granite's income-producing properties by asset category and region as at March 31, 2022 and December 31, 2021 were as follows:

**Valuation Metrics by Asset Category**

| | **Distribution/ E-Commerce** | | **Industrial/ Warehouse** | | **Special purpose properties** | | **Flex/ Office** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| **As at March 31, 2022 and December 31, 2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| Overall capitalization rate(1)(2) | **3.91%** | 4.11% | **3.86%** | 4.20% | **6.76%** | 6.81% | **4.72%** | 5.00% | **4.30%** | 4.53% |
| Terminal capitalization rate(1) | **4.57%** | 4.73% | **4.88%** | 4.95% | **6.22%** | 6.37% | **6.07%** | 6.23% | **4.87%** | 5.03% |
| Discount rate(1) | **5.17%** | 5.30% | **5.62%** | 5.70% | **7.22%** | 7.29% | **6.66%** | 6.83% | **5.54%** | 5.67% |

## Valuation Metrics by Region

| As at March 31, 2022 | Canada | USA | Austria | Germany | Nether-lands | Total |
|---|---|---|---|---|---|---|
| Income-producing property fair value | **$1,825.8** | **$4,322.6** | **$743.7** | **$548.8** | **$779.9** | **$8,220.8** |
| Overall capitalization rate [(1)(2)] | **3.22%** | **4.10%** | **8.03%** | **5.13%** | **3.84%** | **4.30%** |

| As at December 31, 2021 | Canada | USA | Austria | Germany | Nether-lands | Total |
|---|---|---|---|---|---|---|
| Income-producing property fair value | $1,648.7 | $4,089.7 | $773.8 | $425.7 | $789.5 | $7,727.4 |
| Overall capitalization rate [(1)(2)] | 3.51% | 4.30% | 7.98% | 5.60% | 3.87% | 4.53% |

(1) Weighted based on income-producing property fair value.
(2) Overall capitalization rate is calculated as stabilized net operating income (property revenue less property expenses) divided by the fair value of the property.

A sensitivity analysis of the fair value of income-producing properties to changes in the overall capitalization rate, terminal capitalization rate and discount rate at March 31, 2022 is presented below:

## Sensitivity Analysis of Fair Value of Income-Producing Properties

| Rate sensitivity | Overall capitalization rate | Terminal capitalization rate | Discount rate |
|---|---|---|---|
| +50 bps | 7,287.3 | 7,688.5 | 7,898.4 |
| +25 bps | 7,723.5 | 7,940.4 | 8,057.3 |
| **Base rate** | **$8,220.8** | **$8,220.8** | **$8,220.8** |
| -25 bps | 8,794.7 | 8,532.7 | 8,387.1 |
| -50 bps | 9,467.1 | 8,884.4 | 8,558.1 |

### Capital Expenditures and Leasing Costs

Capital expenditures relate to sustaining the existing earnings capacity of the property portfolio. Capital expenditures can include expansion or development expenditures and maintenance or improvement expenditures. Expansion or development capital expenditures are discretionary in nature and are incurred to generate new revenue streams and/or increase the productivity of a property. Maintenance or improvement capital expenditures relate to sustaining the existing earnings capacity of a property. Leasing costs include direct leasing costs and lease incentives. Direct leasing costs include broker commissions incurred in negotiating and arranging tenant leases. Lease incentives include the cost of leasehold improvements to tenant spaces and/or cash allowances provided to tenants for leasehold improvement costs.

Included in total capital expenditure and leasing cost additions to investment properties are items which relate to the completion or lease up of recently acquired or developed properties. Such items are excluded from Granite's calculation of AFFO. A reconciliation of total capital and leasing cost additions to investment properties to those included in AFFO for the three month periods ended March 31, 2022 and 2021 is below:

**Maintenance Capital Expenditures and Leasing Costs**

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| **Additions to investment properties:** | | |
| Leasing costs | **$ 2.0** | $ – |
| Tenant improvements [1] | **–** | 0.2 |
| Maintenance capital expenditures | **1.1** | 0.1 |
| Other capital expenditures | **2.3** | 0.4 |
| | **$ 5.4** | $ 0.7 |
| **Less:** | | |
| Leasing costs and tenant improvements related to acquisition activities | **–** | (0.1) |
| Leasing costs and tenant improvements related to development activities | **–** | – |
| Capital expenditures related to expansions | **(2.3)** | (0.1) |
| Capital expenditures related to property acquisitions | **–** | 0.1 |
| **Capital expenditures and leasing costs included in AFFO** | **$ 3.1** | $ 0.6 |

(1) Tenant improvements include tenant allowances and landlord's work.

The capital expenditures and leasing costs incurred by quarter for the trailing eight quarters were as follows:

**Capital Expenditures and Leasing Costs - Trailing Eight Quarters**

| | | Q1'22 | Q4'21 | Q3'21 | Q2'21 | Q1'21 | Q4'20 | Q3'20 | Q2'20 |
|---|---|---|---|---|---|---|---|---|---|
| Total capital expenditures incurred | | $3.4 | $9.9 | $14.3 | $3.2 | $0.5 | $13.3 | $2.2 | $6.2 |
| Total leasing costs and tenant improvements incurred | | 2.0 | 2.9 | 5.8 | 0.3 | 0.2 | 2.1 | 1.2 | 2.0 |
| **Total incurred** | **[A]** | **$5.4** | **$12.8** | **$20.1** | **$3.5** | **$0.7** | **$15.4** | **$3.4** | **$8.2** |
| Less: Capital expenditures, leasing costs and tenant improvements related to acquisitions and developments | | (2.3) | (5.8) | (13.7) | (1.8) | (0.1) | (13.1) | (2.6) | (6.1) |
| **Capital expenditures and leasing costs included in AFFO** | **[B]** | **$3.1** | **$7.0** | **$6.4** | **$1.7** | **$0.6** | **$2.3** | **$0.8** | **$2.1** |
| GLA, square feet | **[C]** | 55.9 | 55.1 | 53.3 | 51.3 | 50.4 | 49.5 | 45.4 | 44.3 |
| **$ total incurred per square feet** | **[A]/[C]** | **$0.10** | **$0.23** | **$0.38** | **$0.07** | **$0.01** | **$0.31** | **$0.07** | **$0.19** |
| **$ capital expenditures and leasing costs included in AFFO per square feet** | **[B]/[C]** | **$0.06** | **$0.13** | **$0.12** | **$0.03** | **$0.01** | **$0.05** | **$0.02** | **$0.05** |

### Development and Expansion Projects

The attributes of Granite's properties under development and expansion projects as at March 31, 2022 were as follows:

| Development and Expansion Projects | | | | | | |
|---|---|---|---|---|---|---|
| | Land acreage (in acres) | Expected sq ft of construction (in millions) | Target/ actual start date of construction | Target completion date | Actual construction costs as at March 31, 2022 | Expected total construction cost[1] |
| **As at March 31, 2022** | | | | | | |
| ***Properties under development*** | | | | | | |
| Houston, TX (Phase I and II) | 89.3 | 1.4 | Q4 2019 | Q1 2023 | $51.2 | $135.0 |
| Fort Worth, TX | 36.4 | 0.6 | Q2 2021 | Q2 2022 | 26.2 | 46.0 |
| Altbach, Germany | 12.8 | 0.3 | Q1 2021 | Q2 2022 | 28.4 | 30.5 |
| Murfreesboro, TN | 50.8 | 0.8 | Q3 2021 | Q4 2022 | 48.7 | 75.9 |
| Highway 109, Lebanon, TN | 38.8 | 0.5 | Q3 2021 | Q4 2022 | 17.6 | 65.8 |
| ***Expansion projects*** | | | | | | |
| 2095 Logistics Drive, Mississauga, ON | 9.5 | 0.1 | Q4 2019 | Q2 2022 | 10.8 | 11.0 |
| 555 Beck Cres., Ajax, ON | 7.6 | – | Q2 2022 | Q3 2023 | 0.3 | 8.5 |
| 5400 E 500 S, Whitestown, IN | 59.3 | 0.3 | Q1 2022 | Q4 2022 | 0.6 | 39.1 |
| | **304.5** | **4.0** | | | **$183.8** | **$411.8** |

(1) Construction cost excludes cost of land.

At Granite's site in Houston, Texas, construction commenced during the fourth quarter of 2021. The pre-leased 688,000 square foot, 40' clear height, modern distribution building is being constructed as the second phase of the multi-phase development, in addition to the initial phase one of 669,000 square feet currently under construction. The build-to-suit project is estimated to be completed in the second quarter of 2022, while phase one is expected to be completed in the first quarter of 2023.

At Granite's site in Fort Worth, Texas, construction of the 605,000 square foot, 36' clear height, state-of-the-art distribution/e-commerce facility is expected to be completed in the second quarter of 2022. During the first quarter of 2022, Granite executed a 10.3 year lease for the entire building to a leading North American glassware provider.

At Granite's site in Altbach, Germany, construction of the approximate 290,000 square feet, 38' clear height speculative distribution/light industrial facility is scheduled to be completed in the second quarter of 2022.

At Granite's site in Murfreesboro, Tennessee, construction commenced during the third quarter of 2021. This speculative 844,000 square foot, 40' clear height, state-of-the-art distribution/e-commerce facility is expected to be completed in the fourth quarter of 2022.

At Granite's site in Lebanon, Tennessee, construction commenced during the third quarter of 2021. These three modern industrial buildings totaling approximately 509,000 square feet, with 32' clear heights, are expected to be completed in the fourth quarter of 2022.

At Granite's property at 2095 Logistics Drive, Mississauga, ON, construction of the approximately 60,000 square foot temperature controlled expansion is expected to be completed by the second quarter of 2022.

Granite continues to advance site planning for the speculative expansion of 555 Beck Crescent in Ajax, ON. Construction of the approximately 49,000 square foot, 32' clear height expansion is expected to commence in the second quarter of 2022, with completion anticipated by the third quarter of 2023.

Construction of the approximate 300,000 square foot, value-enhancing expansion of Granite's approximate 600,000 square foot distribution facility in Whitestown, Indiana commenced in the first quarter of 2022. Upon completion of the building expansion, which is expected in the fourth quarter of 2022, the lease for the approximate 0.9 million square foot facility will be extended for a ten year term, representing a stabilized yield of 4.4%.

**Leasing Profile**

***Magna, Granite's Largest Tenant***

At March 31, 2022, Magna International Inc. or one of its operating subsidiaries was the tenant at 29 (December 31, 2021 - 29) of Granite's income-producing properties and comprised 29% (December 31, 2021 - 29%) of Granite's annualized revenue and 22% (December 31, 2021 - 22%) of Granite's GLA.

According to its public disclosures, Magna International Inc. has a credit rating of A3 with a stable outlook by Moody's Investor Service, Inc. ("Moody's"), A(low) credit rating with a stable outlook by DBRS and A- credit rating with a stable outlook by Standard & Poor's. Magna is a global mobility technology company with complete vehicle engineering and contract manufacturing expertise. Magna's product capabilities include body, chassis, exteriors, seating, powertrain, active driver assistance, electronics, mechatronics, mirrors, lighting and roof systems.

Granite's relationship with Magna is an arm's length landlord and tenant relationship governed by the terms of Granite's leases. Granite's properties are generally leased to operating subsidiaries of Magna International Inc. and are not guaranteed by the parent company; however, Magna International Inc. is the tenant under certain of Granite's leases. The terms of the lease arrangements with Magna generally provide for the following:

- the obligation of Magna to pay for costs of occupancy, including operating costs, property taxes and maintenance and repair costs;
- rent escalations based on either fixed-rate steps or inflation;
- renewal options tied to market rental rates or inflation;
- environmental indemnities from the tenant; and
- a right of first refusal in favour of Magna on the sale of a property.

Renewal terms, rates and conditions are typically set out in Granite's leases with Magna and form the basis for tenancies that continue beyond the expiries of the initial lease terms.

According to its public disclosure, Magna's success is primarily dependent upon the levels of North American, European and Chinese car and light truck production by Magna's customers. Granite expects Magna to continuously seek to optimize its global manufacturing footprint and consequently, Magna may or may not renew leases for facilities currently under lease at their expiries.

### *Other Tenants*

In addition to Magna, at March 31, 2022, Granite had 126 other tenants from various industries that in aggregate comprised 71% of the Trust's annualized revenue. Each of these tenants accounted for less than 6% of the Trust's annualized revenue as at March 31, 2022.

Granite's top 10 tenants by annualized revenue at March 31, 2022 are summarized in the table below:

**Top 10 Tenants Summary**

| Tenant | Annualized Revenue % | GLA % | WALT (years) | Credit Rating[1][2] |
|---|---|---|---|---|
| Magna | 29 % | 22 % | 4.1 | A- |
| Amazon | 5 % | 4 % | 16.9 | AA |
| True Value Company | 2 % | 2 % | 18.9 | NR |
| ADESA | 2 % | – % | 7.6 | NR |
| Restoration Hardware | 2 % | 2 % | 6.1 | Ba2 |
| Light Mobility Solutions GmbH | 2 % | 1 % | 1.7 | NR |
| Ingram Micro | 2 % | 2 % | 2.8 | BB- |
| Hanon Systems | 2 % | 1 % | 7.4 | AA |
| Spreetail FTP | 2 % | 2 % | 4.6 | NR |
| Cornerstone Brands | 2 % | 2 % | 2.5 | B+ |
| **Top 10 Tenants** | **50 %** | **38 %** | **6.3** | |

(1) Credit rating is quoted on the Standard & Poor's rating scale or equivalent where publicly available. NR refers to Not Rated.
(2) The credit rating indicated may, in some instances, apply to an affiliated company of Granite's tenant which may not be the guarantor of the lease.

## *Lease Expiration*

As at March 31, 2022, Granite's portfolio had a weighted average lease term by square footage of 5.7 years (December 31, 2021 - 5.8 years) with lease expiries by GLA (in thousands of square feet) and any lease renewals committed adjusted accordingly, lease count and annualized revenue (calculated as the contractual base rent for the month subsequent to the quarterly reporting period multiplied by 12 months, in millions) as set out in the table below:

**Lease Maturity Summary**

| | | | | Vacancies | 2022 | | 2023 | | 2024 | | 2025 | | 2026 | | 2027 | | 2028 and Beyond | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Country** | **Total GLA** | **Total Lease Count** | **Total Annualized Revenue $** | **Sq Ft** | **Sq Ft** | **Annualized Revenue $** | **Sq Ft** | **Annualized Revenue $** | **Sq Ft** | **Annualized Revenue $** | **Sq Ft** | **Annualized Revenue $** | **Sq Ft** | **Annualized Revenue $** | **Sq Ft** | **Annualized Revenue $** | **Sq Ft** | **Annualized Revenue $** |
| Canada | 6,429 | 33 | 58.6 | – | 488 | 4.0 | 380 | 2.4 | 642 | 5.5 | 1,450 | 11.1 | 574 | 5.7 | 253 | 2.4 | 2,642 | 27.5 |
| **Canada-committed** | – | – | – | – | (276) | (2.2) | – | – | – | – | – | – | – | – | 276 | 2.2 | – | – |
| **Canada - net** | **6,429** | **33** | **58.6** | **–** | **212** | **1.8** | **380** | **2.4** | **642** | **5.5** | **1,450** | **11.1** | **574** | **5.7** | **529** | **4.6** | **2,642** | **27.5** |
| United States | 32,798 | 75 | 177.1 | 90 | 4,394 | 18.5 | 6,253 | 29.5 | 3,130 | 16.4 | 1,340 | 6.7 | 3,058 | 15.9 | 1,407 | 6.1 | 13,126 | 84.0 |
| **United States-committed** | – | – | – | – | (2,892) | (9.4) | (202) | (1.5) | 346 | 1.7 | 251 | 1.3 | – | – | 301 | 1.4 | 2,196 | 6.5 |
| **United States - net** | **32,798** | **75** | **177.1** | **90** | **1,502** | **9.1** | **6,051** | **28.0** | **3,476** | **18.1** | **1,591** | **8.0** | **3,058** | **15.9** | **1,708** | **7.5** | **15,322** | **90.5** |
| Austria | 7,472 | 9 | 57.7 | – | 802 | 9.7 | 125 | 1.2 | 5,349 | 35.4 | – | – | 389 | 2.8 | – | – | 807 | 8.6 |
| **Austria-committed** | – | – | – | – | (802) | (9.7) | – | – | – | – | – | – | – | – | 802 | 9.7 | – | – |
| **Austria-net** | **7,472** | **9** | **57.7** | **–** | **–** | **–** | **125** | **1.2** | **5,349** | **35.4** | **–** | **–** | **389** | **2.8** | **802** | **9.7** | **807** | **8.6** |
| Germany | 4,340 | 15 | 29.0 | – | 283 | 2.1 | 2,308 | 15.8 | 308 | 2.1 | 195 | 1.5 | 303 | 1.6 | – | – | 943 | 5.9 |
| **Germany-committed** | – | – | – | – | (283) | (2.1) | – | – | – | – | – | – | – | – | 283 | 2.1 | – | – |
| **Germany-net** | **4,340** | **15** | **29.0** | **–** | **–** | **–** | **2,308** | **15.8** | **308** | **2.1** | **195** | **1.5** | **303** | **1.6** | **283** | **2.1** | **943** | **5.9** |
| Netherlands | 4,871 | 37 | 32.4 | 52 | 22 | 0.2 | 367 | 3.0 | 68 | 0.9 | 630 | 4.6 | 355 | 1.5 | 1,125 | 7.0 | 2,252 | 15.2 |
| **Netherlands - committed** | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| **Netherlands - net** | **4,871** | **37** | **32.4** | **52** | **22** | **0.2** | **367** | **3.0** | **68** | **0.9** | **630** | **4.6** | **355** | **1.5** | **1,125** | **7.0** | **2,252** | **15.2** |
| **Total** | 55,910 | 169 | 354.8 | 142 | 5,989 | 34.5 | 9,433 | 51.9 | 9,497 | 60.3 | 3,615 | 23.9 | 4,679 | 27.5 | 2,785 | 15.5 | 19,770 | 141.2 |
| **Total-committed** | – | – | – | – | (4,253) | (23.4) | (202) | (1.5) | 346 | 1.7 | 251 | 1.3 | – | – | 1,662 | 15.4 | 2,196 | 6.5 |
| **As at March 31, 2022** | **55,910** | **169** | **354.8** | **142** | **1,736** | **11.1** | **9,231** | **50.4** | **9,843** | **62.0** | **3,866** | **25.2** | **4,679** | **27.5** | **4,447** | **30.9** | **21,966** | **147.7** |
| **% of portfolio as at March 31, 2022:** | | | | | | | | | | | | | | | | | | |
| *** by sq ft (in %)** | **100.0** | | | **0.3** | **3.1** | | **16.5** | | **17.6** | | **6.8** | | **8.4** | | **8.0** | | **39.3** | |
| *** by Annualized Revenue (in %)** | | | **100.0** | | | **3.1** | | **14.2** | | **17.5** | | **7.1** | | **7.8** | | **8.7** | | **41.6** |

### *Occupancy Roll Forward*

The table below provide a summary of occupancy changes during the three months ended March 31, 2022.

**Occupancy Roll Forward for Q1 2022**

| | Three Months Ended March 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| *(in thousands, sq ft, except as noted)* | **Canada** | **USA** | **Austria** | **Germany** | **Netherlands** | **Total** |
| **Total portfolio size, Jan 1, 2022** | **6,429** | **32,798** | **7,472** | **3,504** | **4,871** | **55,074** |
| **Vacancy, Jan 1, 2022** | – | (90) | – | – | (53) | **(143)** |
| **Occupancy, Jan 1, 2022** | **6,429** | **32,708** | **7,472** | **3,504** | **4,818** | **54,931** |
| **Occupancy %, Jan 1, 2022** | **100.0%** | **99.7%** | **100.0%** | **100.0%** | **98.9%** | **99.7%** |
| **Acquired occupancy, net** | – | – | – | 836 | – | **836** |
| **Expiries** | – | (1,302) | – | (283) | (28) | **(1,613)** |
| **Renewals** | – | 1,302 | – | 283 | 28 | **1,613** |
| **New Leases** | – | – | – | – | 1 | **1** |
| **Occupancy, March 31, 2022** | **6,429** | **32,708** | **7,472** | **4,340** | **4,819** | **55,768** |
| **Total portfolio size, March 31, 2022** | **6,429** | **32,798** | **7,472** | **4,340** | **4,871** | **55,910** |
| **Occupancy %, March 31, 2022** | **100.0%** | **99.7%** | **100.0%** | **100.0%** | **98.9%** | **99.7%** |

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

Granite has various sources of available liquidity including cash, cash equivalents and the unused portion of its unsecured credit facility that aggregated to $1,226.0 million as at March 31, 2022 compared to $1,400.5 million at December 31, 2021, as summarized below:

**Sources of Available Liquidity**

| **As at March 31, 2022 and December 31, 2021** | **2022** | **2021** |
|---|---|---|
| Cash and cash equivalents | **$ 228.5** | $ 402.5 |
| Unused portion of credit facility | **997.5** | 998.0 |
| **Available liquidity** [1] | **$ 1,226.0** | $ 1,400.5 |
| **Additional sources of liquidity:** | | |
| Assets held for sale[2] | **$ 32.9** | $ 64.6 |
| Unencumbered assets[3] | **$ 7,921.5** | $ 7,940.2 |

(1) Represents a non-IFRS performance measure. For definitions of Granite's non-IFRS performance measures, refer to the section *"NON-IFRS PERFORMANCE MEASURES"*.
(2) One income-producing property located in the Czech Republic was classified as asset held for sale on the unaudited condensed combined financial statements at March 31, 2022.
(3) Unencumbered assets represent the carrying value of investment properties (excluding any assets held for sale) that are not encumbered by secured debt. Granite can seek to obtain secured financing against its unencumbered assets subject to certain restrictions and financial covenant limitations in its credit facility, term loan agreements and trust indentures.

The decrease in liquidity from December 31, 2021 to March 31, 2022 is primarily due to the acquisitions of three income-producing properties in Germany for $148.9 million and additions to properties under development primarily in the United States and Germany totaling $47.3 million, partially offset by the net proceeds of $34.1 million received from the disposition of an income-producing property and a piece of land held for development located in Poland. Granite intends to use its available liquidity to fund completed and potential acquisitions of properties, to repay debt and to finance or refinance expenditures associated with Eligible Green Projects (as described in the Granite Green Bond Framework, which is available on Granite's website), for commitments under existing development projects and for general trust purposes.

Management believes that the Trust's cash resources, cash flow from operations and available third-party borrowings will be sufficient to finance its operations and capital expenditures program over the next year as well as to pay distributions. Granite expects to fund its ongoing operations and future growth through the use of (i) existing cash and cash equivalents, (ii) cash flows from operating activities, (iii) cash flows from asset sales, (iv) short-term financing available from the credit facility, (v) the issuance of unsecured debentures or equity, subject to market conditions and/or, if necessary, (vi) financing that may be obtained on its unencumbered assets.

### Cash Flow Components

Components of the Trust's cash flows were as follows:

**Cash Flow Components Summary**

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | **2022** | **2021** | **$ change** |
| **Cash and cash equivalents, beginning of period** | **$ 402.5** | $ 831.3 | (428.8) |
| Cash provided by operating activities | **70.5** | 64.3 | 6.2 |
| Cash used in investing activities | **(198.9)** | (88.6) | (110.3) |
| Cash used in financing activities | **(44.1)** | (322.1) | 278.0 |
| Effect of exchange rate changes on cash and cash equivalents | **(1.5)** | (4.2) | 2.6 |
| **Cash and cash equivalents, end of period** | **$ 228.5** | $ 480.7 | (252.2) |

#### *Operating Activities*

During the three month period ended March 31, 2022, operating activities generated cash of $70.5 million compared to $64.3 million in the prior year period. The increase of $6.2 million was due to various factors as noted in the "*RESULTS OF OPERATIONS*" section including, among others, the following:

- an increase in net operating income of $9.7 million, partially offset by;
- a decrease of $1.5 million from cash provided by working capital changes primarily due to a decrease in accounts payables, partially offset by an increase in deferred revenue and a decrease in accounts receivables due to the timing of payments and receipts;
- an increase of $1.2 million in interest paid resulting from the $500.0 million 2028 Debentures issued in August 2021, partially offset by the redemption of the 2021 Debentures in January 2021; and
- an increase of  $0.4 million in income taxes paid.

### *Investing Activities*

Investing activities for the three month period ended March 31, 2022 used cash of $198.9 million and primarily related to the following:

- the acquisitions of three income-producing properties in Germany and the settlement of other acquisition related liabilities for $161.3 million (see "*SIGNIFICANT MATTERS - Property Acquisitions*");
- additions to income-producing properties paid of $5.7 million primarily attributable to ongoing maintenance and expansion capital in Canada and the United States;
- additions to properties under development paid of $47.3 million, primarily attributable to Granite's ongoing development projects in the United States and Germany;
- acquisition deposits paid of $3.8 million consisting of advance payments for a pending acquisition in the United States; and
- loan advances made of $11.0 million to the developer of two industrial properties being constructed in Indiana, partially offset by;
- net proceeds of $34.1 million received from the dispositions of an income-producing property and a piece of land held for development in Poland (see *"SIGNIFICANT MATTERS - Dispositions"*).

Investing activities for the three month period ended March 31, 2021 used cash of $88.6 million and primarily related to the following:

- the acquisition of an income-producing property in the United States for $85.9 million including acquisition costs of $0.4 million, partially offset by;
- net proceeds of $10.4 million received from the disposition of an income-producing property in the United Kingdom; and
- additions to properties under development of $8.3 million, primarily attributable to Granite's development in Altbach, Germany.

### *Financing Activities*

Cash used by financing activities for the three month period ended March 31, 2022 of $44.1 million largely comprised $50.9 million of monthly distribution payments and the settlement of the 2028 Cross-Currency Interest Rate Swap of $6.6 million, partially offset by $12.1 million of proceeds received from the secured construction loan relating to a development project in the United States and $1.5 million of net proceeds received from the issuance of stapled units under the At-The-Market Program.

Cash used by financing activities for the three month period ended March 31, 2021 of $322.1 million largely comprised $254.0 million relating to the redemption of the 2021 Debentures, including early prepayment premium and settlement of the related 2021 Cross-Currency Interest Rate Swap of $18.8 million, financing fees paid for the renewal of Granite's credit facility of $2.9 million and $46.3 million of monthly distribution payments.

## Debt Structure

Granite's debt structure and key debt metrics as at March 31, 2022 and December 31, 2021 were as follows:

**Summary Debt Structure and Debt Metrics**

| As at March 31, 2022 and December 31, 2021 | | 2022 | 2021 |
|---|---|---|---|
| Unsecured debt, net | | $ 2,422.3 | $ 2,425.1 |
| Cross currency interest rate swaps, net (4) | | (126.1) | (44.1) |
| Lease obligations | | 31.5 | 32.2 |
| **Total unsecured debt** | [A] | $ 2,327.7 | $ 2,413.2 |
| Secured debt | | 12.7 | 0.8 |
| **Total debt** (1)(4) | [B] | $ 2,340.4 | $ 2,414.0 |
| Less: cash and cash equivalents | | 228.5 | 402.5 |
| **Net debt**(1)(4) | [C] | $ 2,111.9 | $ 2,011.5 |
| **Investment properties** | [D] | $ 8,526.8 | $ 7,971.2 |
| **Unencumbered assets**(5) | [E] | $ 7,921.5 | $ 7,940.2 |
| **Trailing 12-month adjusted EBITDA**(1) | [F] | $ 308.3 | $ 299.4 |
| Interest expense | | $ 43.3 | $ 47.2 |
| Interest income | | (2.6) | (3.1) |
| **Trailing 12-month interest expense, net** | [G] | $ 40.7 | $ 44.1 |
| **Debt metrics** | | | |
| Leverage ratio(2) | [B]/[D] | 27 % | 30 % |
| Net leverage ratio(2) | [C]/[D] | 25 % | 25 % |
| Interest coverage ratio(2) | [F]/[G] | 7.6x | 6.8x |
| Unencumbered asset coverage ratio(2) | [E]/[A] | 3.4x | 3.3x |
| Indebtedness ratio(2) | [B]/[F] | 7.6x | 8.1x |
| Weighted average cost of debt(3) | | 1.59 % | 1.81 % |
| Weighted average debt term-to-maturity, in years(3) | | 5.3 | 5.5 |
| **Ratings and outlook** | | | |
| DBRS | | BBB (high) stable | BBB (high) stable |
| Moody's | | Baa2 stable | Baa2 stable |

(1) Represents a non-IFRS measure. For definitions of Granite's non-IFRS measures, refer to the section *"NON-IFRS PERFORMANCE MEASURES"*.
(2) Represents a non-IFRS ratio. For definitions of Granite's non-IFRS ratios, refer to the section *"NON-IFRS RATIOS"*.
(3) Excludes lease obligations noted above.
(4) Balance is net of the cross currency interest rate swap asset.
(5) Unencumbered assets represent the carrying value of investment properties (excluding any assets held for sale) that are not encumbered by secured debt. Granite can seek to obtain secured financing against its unencumbered assets subject to certain restrictions and financial covenant limitations in its credit facility, term loan agreements and trust indentures.

### *Unsecured Debt and Cross Currency Interest Rate Swaps*

## 2028 Debentures and Cross Currency Interest Rate Swap

On August 30, 2021, Granite REIT Holdings Limited Partnership ("Granite LP") issued $500.0 million aggregate principal amount of 2.194% Series 6 senior debentures due August 30, 2028 (the “2028 Debentures”). Interest on the 2028 Debentures is payable semi-annually in arrears on February 28 and August 30 of each year. At March 31, 2022, all of the 2028 Debentures remained outstanding and the balance, net of deferred financing costs, was $497.5 million.

On August 30, 2021, Granite LP entered into a cross currency interest rate swap (the “2028 Cross Currency Interest Rate Swap”) to exchange the 2.194% semi-annual interest payments from the 2028 Debentures for US dollar denominated interest payments at a 2.096% fixed interest rate. In addition, under the terms of the 2028 Cross Currency Interest Rate Swap, Granite LP will pay principal proceeds of US$397.0 million in exchange for which it will receive $500.0 million on August 28, 2028. On February 3, 2022, Granite terminated $350.0 million of a total $500.0 million principal of the 2028 Cross Currency Interest Rate Swap and simultaneously entered into a new $350.0 million cross-currency interest rate swap maturing August 30, 2028 to exchange the Canadian dollar denominated principal and interest payments of the 2028 Debentures for Euro denominated payments at a fixed interest rate of 0.536%. As at March 31, 2022, the fair value of the 2028 Cross Currency Interest Rate Swap was a net financial asset of  $10.2 million.

**2030 Debentures and Cross Currency Interest Rate Swap**

On December 18, 2020, Granite LP issued $500.0 million aggregate principal amount of 2.378% Series 5 senior debentures due December 18, 2030 (the "2030 Debentures"). Interest on the 2030 Debentures is payable semi-annually in arrears on June 18 and December 18 of each year. At March 31, 2022, all of the 2030 Debentures remained outstanding and the balance, net of deferred financing costs, was $497.4 million.

On December 18, 2020, Granite LP entered into a cross currency interest rate swap (the “2030 Cross Currency Interest Rate Swap”) to exchange the 2.378% semi-annual interest payments from the 2030 Debentures for Euro denominated interest payments at a 1.045% fixed interest rate. In addition, under the terms of the 2030 Cross Currency Interest Rate Swap, Granite LP will pay principal proceeds of €319.4 million in exchange for which it will receive $500.0 million on December 18, 2030. As at March 31, 2022, the fair value of the 2030 Cross Currency Interest Rate Swap was a net financial asset of $38.8 million.

**2027 Debentures and Cross Currency Interest Rate Swap**

On June 4, 2020, Granite LP issued $500.0 million aggregate principal amount of 3.062% Series 4 senior debentures due June 4, 2027 (the "2027 Debentures"). Interest on the 2027 Debentures is payable semi-annually in arrears on June 4 and December 4 of each year. At March 31, 2022, all of the 2027 Debentures remained outstanding and the balance, net of deferred financing costs, was $497.7 million.

On June 4, 2020, Granite LP entered into a cross currency interest rate swap (the “2027 Cross Currency Interest Rate Swap”) to exchange the $500.0 million proceeds and the 3.062% semi-annual interest payments from the 2027 Debentures for US$370.3 million and US dollar denominated interest payments at a 2.964% fixed interest rate. In addition, under the terms of the 2030 Cross Currency Interest Rate Swap, Granite LP will pay principal proceeds of US$370.3 million in exchange for which it will receive $500.0 million on June 4, 2027. As at March 31, 2022, the fair value of the 2027 Cross Currency Interest Rate Swap was a net financial asset of $33.8 million.

### 2026 Term Loan and Cross Currency Interest Rate Swap

On December 12, 2018, Granite LP entered into and fully drew down a $300.0 million senior unsecured non-revolving term facility that originally matured on December 12, 2025. On November 27, 2019, Granite refinanced the $300.0 million term facility and extended the maturity date one year to December 11, 2026 (the “2026 Term Loan”). The 2026 Term Loan is fully prepayable without penalty. Any amount repaid may not be re-borrowed. Interest on drawn amounts is calculated based on the Canadian Dollar Offered Rate (“CDOR”) plus an applicable margin determined by reference to the external credit rating of Granite LP and is payable monthly in advance. At March 31, 2022, the full $300.0 million remained outstanding and the balance, net of deferred financing costs and debt modification losses, was $299.6 million.

On December 12, 2018, Granite LP entered into a cross currency interest rate swap (the “2026 Cross Currency Interest Rate Swap”) to exchange the CDOR plus margin interest payments from the term loan that originally matured in 2025 for Euro denominated payments at a 2.202% fixed interest rate. As a result of the term loan extension on November 27, 2019, the previously existing cross currency interest rate swap was settled for $6.8 million and a new cross currency interest rate swap was entered into. The 2026 Cross Currency Interest Rate Swap exchanges the CDOR plus margin monthly interest payments from the 2026 Term Loan for Euro denominated payments at a 1.355% fixed interest rate. In addition, under the terms of the swap, Granite LP will pay principal proceeds of €205.5 million in exchange for which it will receive $300.0 million on December 11, 2026. As at March 31, 2022, the fair value of the 2026 Cross Currency Interest Rate Swap was a net financial asset of $29.3 million.

### 2024 Term Loan and Cross Currency Interest Rate Swap

On December 19, 2018, Granite LP entered into and fully drew down a US$185.0 million senior unsecured non-revolving term facility that originally matured on December 19, 2022. On October 10, 2019, Granite refinanced the US$185.0 million term facility and extended the maturity date two years to December 19, 2024 (the “2024 Term Loan”). The 2024 Term Loan is fully prepayable without penalty. Any amount repaid may not be re-borrowed. Interest on drawn amounts is calculated based on LIBOR plus an applicable margin determined by reference to the external credit rating of Granite LP and is payable monthly in arrears. At March 31, 2022, the full US$185.0 million remained outstanding and the balance, net of deferred financing costs and debt modification losses, was $230.6 million.

On December 19, 2018, Granite LP entered into a cross currency interest rate swap (the “2024 Cross Currency Interest Rate Swap”) to exchange the LIBOR plus margin interest payments from the term loan that originally matured in 2022 for Euro denominated payments at a 1.225% fixed interest rate. On September 24, 2019, in conjunction with the term loan refinancing, Granite LP entered into a new cross currency interest rate swap (the “2024 Cross Currency Interest Rate Swap”). The 2024 Cross Currency Interest Rate Swap exchanges the LIBOR plus margin monthly interest payments from the 2024 Term Loan for Euro denominated payments at a 0.522% fixed interest rate. In addition, under the terms of the 2024 Cross Currency Interest Rate Swap, Granite LP will pay principal proceeds of €168.2 million in exchange for which it will receive US$185.0 million on December 19, 2024. As at March 31, 2022, the fair value of the 2024 Cross Currency Interest Rate Swap was a net financial asset of $6.3 million.

### 2023 Debentures and Cross Currency Interest Rate Swap

On December 20, 2016, Granite LP issued $400.0 million aggregate principal amount of 3.873% Series 3 senior debentures due November 30, 2023 (the "2023 Debentures"). Interest on the 2023 Debentures is payable semi-annually in arrears on May 30 and November 30 of each year. At March 31, 2022, all of the 2023 Debentures remained outstanding and the balance, net of deferred financing costs, was $399.5 million.

On December 20, 2016, Granite LP entered into a cross currency interest rate swap (the "2023 Cross Currency Interest Rate Swap") to exchange the 3.873% interest payments from the 2023 Debentures for Euro denominated payments at a 2.43% fixed interest rate. Under the terms of the 2023 Cross Currency Interest Rate Swap, Granite LP will pay principal proceeds of €281.1 million in exchange for which it will receive $400.0 million on November 30, 2023. As at March 31, 2022, the fair value of the 2023 Cross Currency Interest Rate Swap was a net financial asset of $7.7 million.

The 2023 Debentures, the 2027 Debentures, the 2030 Debentures, the 2028 Debentures, the 2024 Term Loan and the 2026 Term Loan rank pari passu with all of the Trust's other existing and future senior unsecured indebtedness and are guaranteed by Granite REIT and Granite GP. The fair values of the cross currency interest rate swaps are dependent upon a number of assumptions including the Euro exchange rate against the Canadian or US dollars, the US dollar exchange rate against the Canadian dollar and the Euro, and Canadian and US government benchmark interest rates.

### *Credit Facility*

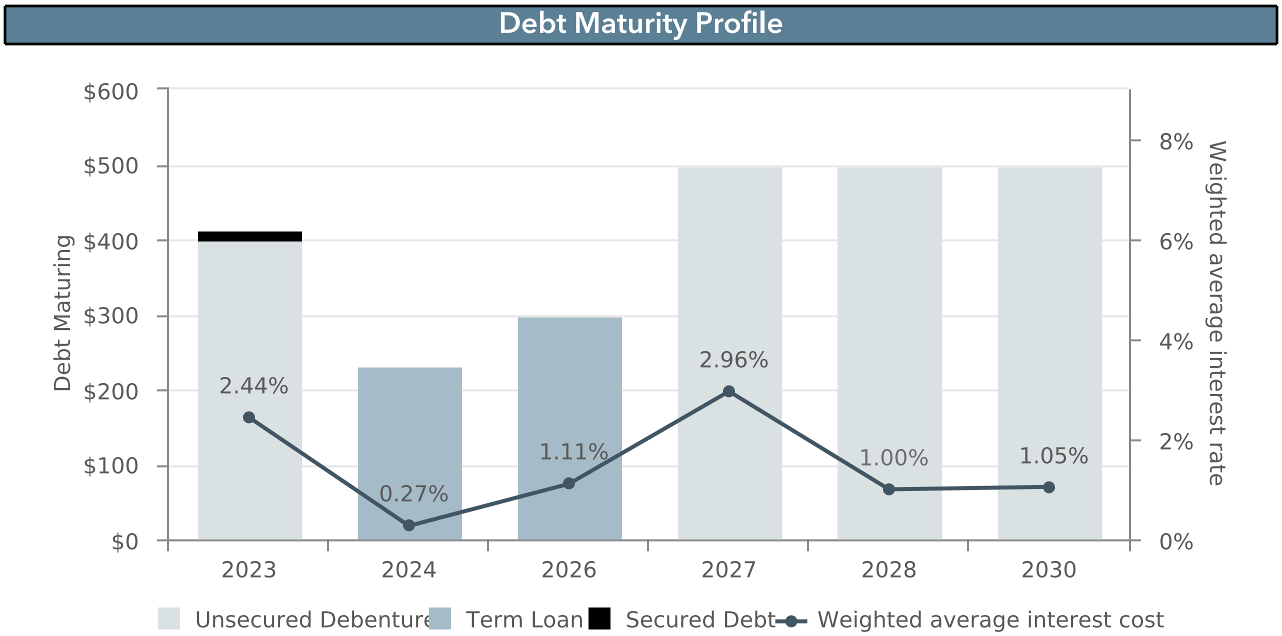
The Trust has an unsecured revolving credit facility with a limit of $1.0 billion, maturing on March 31, 2026. Draws on the credit facility are available by way of Canadian dollar, US dollar or Euro denominated loans or Canadian dollar or US dollar denominated letters of credit. The credit facility provides Granite the ability to increase the amount of the commitment by an additional aggregate principal amount of up to $500.0 million with consent of the participating lenders. As at March 31, 2022, the Trust had no amounts drawn from the credit facility and $2.5 million in letters of credit issued against the facility.

### *Secured Debt*

On December 17, 2021, Granite entered into a secured construction loan relating to Phase II of its development project in Houston, Texas. The loan has a maximum draw amount of $56.1 million (US$44.3 million) and is secured by the property under construction and related land. The loan matures on December 17, 2023 and bears interest at the US prime rate minus 90 basis points. Granite also has the option to extend the maturity date to December 17, 2024, subject to certain terms and conditions. As at March 31, 2022, the balance of the loan is $12.7 million (US$10.2 million).

### *Debt Maturity Profile*

As at March 31, 2022, Granite's debt maturity profile and future repayments are as outlined below:




| % of Debt Maturing | 16% | 9% | 12% | 21% | 21% | 21% |
|---|---|---|---|---|---|---|

### Debt Metrics and Financial Covenants

Granite uses the debt metrics noted above to assess its borrowing capacity and the ability to meet its current and future financing obligations. At March 31, 2022, there were no significant changes in the debt ratios other than the decrease in the leverage ratio as a result of the increase in the Trust's investment properties as a result of fair value increases. The debt ratios remain relatively favourable and provide financial flexibility for future growth.

Granite's unsecured debentures, term loans, secured debt and credit facility agreements contain financial and non-financial covenants that include maintaining certain leverage and debt service ratios. As at March 31, 2022, Granite was in compliance with all of these covenants.

### Credit Ratings

On March 30, 2022, DBRS confirmed Granite LP's Issuer Rating and credit rating on the 2023 Debentures, 2027 Debentures, 2028 Debentures and 2030 Debentures as BBB(high) with stable trends. On April 8, 2022, Moody's confirmed the Baa2 rating on the 2023 Debentures, 2027 Debentures, 2028 Debentures and 2030 Debentures with a stable outlook. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. A rating accorded to any security is not a recommendation to buy, sell or hold such securities and may be subject to revision or withdrawal at any time by the rating organization which granted such rating.

## Unitholders' Equity

### *Outstanding Stapled Units*

As at May 11, 2022, the Trust had 65,869,209 stapled units issued and outstanding.

As at May 11, 2022, the Trust had 53,378 restricted stapled units (representing the right to receive 53,378 stapled units) and 74,172 performance stapled units (representing the right to receive a maximum of 148,344 stapled units) outstanding under the Trust's Executive Deferred Stapled Unit Plan. The Executive Deferred Stapled Unit Plan is designed to provide equity-based compensation to employees of Granite who are, by the nature of their position or job, in a position to contribute to the success of Granite.

### *Distributions*

Granite REIT's monthly distribution to unitholders is currently $0.2583 per stapled unit. For 2022, based on its current monthly rate, Granite expects to make total annual distributions of $3.10 per stapled unit. Total distributions declared to stapled unitholders in the three months ended March 31, 2022 and 2021 were $50.9 million or $0.7750 per stapled unit and $46.3 million or $0.7500 per stapled unit, respectively.

The distributions declared in April 2022 in the amount of $17.0 million or $0.2583 per stapled unit will be paid on May 16, 2022.

Pursuant to the requirement of National Policy 41-201, *Income Trusts and Other Indirect Offerings* ("NP 41-201"), the following table outlines the differences between cash flow from operating activities and cash distributions as well as the differences between net income and cash distributions, in accordance with the guidelines under NP 41-201.

**Cash Flows from Operating Activities in Excess of Distributions Paid and Payable**

| **For the three months ended March 31,** | **2022** | 2021 |
|---|---|---|
| Net income | **$ 497.7** | $ 230.2 |
| Cash flows provided by operating activities | **70.5** | 64.3 |
| Monthly cash distributions paid and payable | **(50.9)** | (46.3) |
| **Cash flows from operating activities in excess of distributions paid and payable** | **$ 19.6** | $ 18.0 |

Monthly distributions for the three month periods ended March 31, 2022 and 2021 were funded with cash flows from operating activities.

Net income prepared in accordance with IFRS recognizes revenue and expenses at time intervals that do not necessarily match the receipt or payment of cash. Therefore, when establishing cash distributions to unitholders, consideration is given to factors such as FFO, AFFO, cash generated from and required for operating activities and forward-looking cash flow information, including forecasts and budgets. Management does not expect current or potential future commitments to replace or maintain its investment properties to adversely affect cash distributions.

### *Normal Course Issuer Bid*

On May 19, 2021, Granite announced the acceptance by the Toronto Stock Exchange ("TSX") of Granite's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB"). Pursuant to the NCIB, Granite proposes to purchase through the facilities of the TSX and any alternative trading system in Canada, from time to time and if considered advisable, up to an aggregate of 6,154,057 of Granite's issued and outstanding stapled units. The NCIB commenced on May 21, 2021 and will conclude on the earlier of the date on which purchases under the bid have been completed and May 20, 2022. Pursuant to the policies of the TSX, daily purchases made by Granite through the TSX may not exceed 46,074 stapled units, subject to certain exceptions. Granite had entered into an automatic securities purchase plan with a broker in order to facilitate repurchases of the stapled units under the NCIB during specified blackout periods. Pursuant to a previous notice of intention to conduct a NCIB, Granite received approval from the TSX to purchase stapled units for the period May 21, 2020 to May 20, 2021.

During the three month periods ended March 31, 2022 and March 31, 2021, there were no stapled unit repurchases under the NCIB.

### *At-The-Market Equity Distribution Program*

On November 3, 2021, Granite filed a prospectus supplement to the short form base shelf prospectus of Granite REIT and Granite GP dated October 1, 2021 establishing an equity at-the-market equity distribution program (the "ATM Program"), in each of the provinces and territories of Canada, that allows it to issue and sell, at its discretion, up to $250.0 million of stapled units to the public, from time to time. Stapled units sold under the ATM Program will be sold at the prevailing market prices at the time of sale when issued, directly through the facilities of the Toronto Stock Exchange or any other recognized marketplace upon which the stapled units are listed or quoted or where the stapled units are traded in Canada.

During the three months ended March 31, 2022, Granite issued 15,800 stapled units under the ATM Program at an average stapled unit price of $98.22 for gross proceeds of $1.5 million, and incurred issuance costs of less than $0.1 million, for net proceeds of $1.5 million. Subsequent to March 31, 2022, Granite issued 120,300 stapled units under the ATM Program at an average stapled unit price of $98.84 for gross proceeds of $11.9 million excluding issuance costs.

## COMMITMENTS, CONTRACTUAL OBLIGATIONS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

The Trust is subject to various legal proceedings and claims that arise in the ordinary course of business. Management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or liquidity of the Trust. However, actual outcomes may differ from management's expectations.

Off-balance sheet arrangements consist of outstanding letters of credit to support certain contractual obligations, property purchase commitments, construction and development project commitments and certain operating agreements. As at March 31, 2022, the Trust had $2.5 million in letters of credit outstanding. Additionally, as at March 31, 2022, the Trust's contractual commitments totaled $409.0 million comprised of construction and development projects of $240.3 million and the committed acquisitions of two properties in Indiana and a property in the Netherlands upon completion totaling $168.7 million. Granite expects to fund these commitments over the next year through the use of cash on hand, cash from operations and/or Granite's credit facility.

For further discussion of commitments, contractual obligations, contingencies and off-balance sheet arrangements, refer to notes 11 and 19 to the unaudited condensed combined financial statements for the three months ended March 31, 2022.

## NON-IFRS PERFORMANCE MEASURES

The following non-IFRS performance measures are important measures used by management in evaluating the Trust's underlying operating performance and debt management. These non-IFRS performance measures are not defined by IFRS and do not have standard meanings. The Trust's method of calculating non-IFRS performance measures may differ from other issuers' methods and, accordingly, the Trust's non-IFRS performance measures may not be comparable with similar measures presented by other issuers.

**Funds from operations**

FFO is a non-IFRS performance measure that is widely used by the real estate industry in evaluating the operating performance of real estate entities. Granite calculates FFO as net income attributable to stapled unitholders excluding fair value gains (losses) on investment properties and financial instruments, gains (losses) on sale of investment properties including the associated current income tax,  deferred income taxes and certain other items, net of 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") guidelines on Funds From Operations & Adjusted Funds From Operations for IFRS dated January 2022 ("REALPAC Guidelines"). Granite considers FFO to be a meaningful supplemental measure that can be used to determine the Trust's ability to service debt, fund capital expenditures and provide distributions to stapled unitholders. FFO is reconciled to net income, which is the most directly comparable IFRS measure (see "*RESULTS OF OPERATIONS - Funds From Operations and Adjusted Funds From Operations*" for the reconciliation of FFO to net income for the periods presented). FFO should not be construed as an alternative to net income or cash flow generated from operating activities determined in accordance with IFRS.

**Adjusted funds from operations**

AFFO is a non-IFRS performance measure that is widely used by the real estate industry in evaluating the recurring economic earnings performance of real estate entities after considering certain costs associated with sustaining such earnings. Granite calculates AFFO as net income attributable to stapled unitholders including all adjustments used to calculate FFO and further adjusts for actual maintenance capital expenditures that are required to sustain Granite's productive capacity, leasing costs such as leasing commissions and tenant allowances incurred and non-cash straight-line rent and tenant incentive amortization, net of non-controlling interests in such items. The Trust's determination of AFFO follows the definition prescribed by REALPAC's Guidelines. Granite considers AFFO to be a meaningful supplemental measure that can be used to determine the Trust's ability to service debt, fund expansion capital expenditures, fund property development and provide distributions to stapled unitholders after considering costs associated with sustaining operating earnings. AFFO is also reconciled to net income, which is the most directly comparable IFRS measure (see "*RESULTS OF OPERATIONS - Funds From Operations and Adjusted Funds From Operations*" for the reconciliation of AFFO to net income for the periods presented). AFFO should not be construed as an alternative to net income or cash flow generated from operating activities determined in accordance with IFRS.

**Net operating income - cash basis**

Granite uses NOI on a cash basis, which adjusts NOI to exclude lease termination and close-out fees, and the non-cash impact from straight-line rent and tenant incentive amortization recognized during the period (see "*RESULTS OF OPERATIONS - Net Operating Income*" for the reconciliation of NOI - cash basis to NOI for the periods presented). NOI - cash basis is a commonly used measure by the real estate industry and Granite believes it is a useful supplementary measure of the income generated by and operating performance of income-producing properties in addition to the most comparable IFRS measure, which Granite believes is NOI. NOI - cash basis is also a key input in Granite's determination of the fair value of its investment property portfolio.

**Same property net operating income - cash basis**

Same property NOI - cash basis refers to the NOI - cash basis for those properties owned by Granite throughout the entire current and prior year periods under comparison. Same property NOI - cash basis excludes properties that were acquired, disposed of, classified as properties under or held for development or assets held for sale during the periods under comparison (see "*RESULTS OF OPERATIONS - Net Operating Income*" for a reconciliation of same property NOI - cash basis to NOI - cash basis and to NOI for the periods presented). Granite believes that same property NOI - cash basis is a useful supplementary measure in understanding period-over-period organic changes in NOI - cash basis from the same stock of properties owned.

### Constant currency same property NOI

Constant currency same property NOI is a non-GAAP measure used by management in evaluating the performance of properties owned by Granite throughout the entire current and prior year periods on a constant currency basis. It is calculated by taking same property NOI (as defined herein) and excluding the impact of foreign currency translation by converting the same property NOI denominated in foreign currency in the respective periods at the current period average exchange rates (see "*RESULTS OF OPERATIONS - Net Operating Income*" for a reconciliation of constant currency same property NOI to same property NOI - cash basis for the periods presented).

### Adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA")

Adjusted EBITDA is calculated as net income before lease termination and close-out fees, interest expense, interest income, income tax expense, depreciation and amortization expense, fair value gains (losses) on investment properties and financial instruments, other expense relating to real estate transfer tax and loss on the sale of investment properties. Adjusted EBITDA, calculated on a 12-month trailing basis ("trailing 12-month adjusted EBITDA"), represents an operating cash flow measure that Granite uses in calculating the interest coverage ratio and indebtedness ratio noted below. Adjusted EBITDA is also defined in Granite's debt agreements and used in calculating the Trust's debt covenants.

**Adjusted EBITDA Reconciliation**

| For the 12-months ended March 31, 2022 and December 31, 2021 | 2022 | 2021 |
|---|---|---|
| **Net income** | **$ 1,577.7** | $ 1,310.3 |
| Add (deduct): | | |
| Interest expense and other financing costs | **43.3** | 47.2 |
| Interest income | **(2.6)** | (3.1) |
| Income tax expense | **271.2** | 240.6 |
| Depreciation and amortization | **1.4** | 1.3 |
| Fair value gains on investment properties, net | **(1,580.0)** | (1,298.9) |
| Fair value (gains) losses on financial instruments | **(3.7)** | 1.2 |
| Loss on sale of investment properties | **1.0** | 0.8 |
| **Adjusted EBITDA** | **$ 308.3** | $ 299.4 |

### Available Liquidity

Available liquidity is a non-IFRS performance measure defined as the sum of cash and cash equivalents and the unused portion of the credit facility. Granite believes that available liquidity is a useful measure to investors in determining the Trust's resources available as at period-end to meet its ongoing obligations and future commitments (see "*LIQUIDITY AND CAPITAL RESOURCES - Liquidity*").

**Total Debt and Net Debt**

Total debt is a non-IFRS performance measure calculated as the sum of all current and non-current debt, the net mark to market fair value of cross-currency interest rate swaps and lease obligations as per the consolidated financial statements. Net debt subtracts cash and cash equivalents from total debt. Granite believes that it is useful to include the cross-currency interest rate swaps and lease obligations for the purposes of monitoring the Trust's debt levels (see "*LIQUIDITY AND CAPITAL RESOURCES - Debt Structure*").

## NON-IFRS RATIOS

The following non-IFRS ratios are important measures used by management in evaluating the Trust's underlying operating performance and debt management. These non-IFRS ratios are not defined by IFRS and do not have standard meanings. The Trust's method of calculating non-IFRS ratios may differ from other issuers' methods and, accordingly, the Trust's non-IFRS ratios may not be comparable with similar measures presented by other issuers.

**FFO and AFFO payout ratios**

The FFO and AFFO payout ratios are calculated as monthly distributions, which exclude special distributions, declared to unitholders divided by FFO and AFFO (non-IFRS performance measures), respectively, in a period. FFO payout ratio and AFFO payout ratio may exclude revenues or expenses incurred during a period that can be a source of variance between periods. The FFO payout ratio and AFFO payout ratio are supplemental measures widely used by investors in evaluating the sustainability of the Trust's monthly distributions to stapled unitholders.

**FFO and AFFO Payout Ratios**

| For the three months ended March 31, | | 2022 | 2021 |
|---|---|---|---|
| *(in millions, except as noted)* | | | |
| **Monthly distributions declared to unitholders** | [A] | **$50.9** | $46.3 |
| FFO | | **69.4** | 57.1 |
| Add (deduct): | | | |
| Early redemption premium related to 2021 Debentures | | – | 4.0 |
| Accelerated amortization of credit facility deferred finance fees | | – | 0.5 |
| **FFO adjusted for the above** | [B] | **$69.4** | $61.6 |
| AFFO | | **65.9** | 54.7 |
| Add (deduct): | | | |
| Early redemption premium related to 2021 Debentures | | – | 4.0 |
| Accelerated amortization of credit facility deferred finance fees | | – | 0.5 |
| **AFFO adjusted for the above** | [C] | **$65.9** | $59.2 |
| **FFO payout ratio** | [A]/[B] | **73%** | 75% |
| **AFFO payout ratio** | [A]/[C] | **77%** | 78% |

### Interest coverage ratio

The interest coverage ratio is calculated on a 12-month trailing basis using Adjusted EBITDA (a non-IFRS performance measure) divided by net interest expense. Granite believes the interest coverage ratio is useful in evaluating the Trust's ability to meet its interest expense obligations (see "*LIQUIDITY AND CAPITAL RESOURCES - Debt Structure*").

### Indebtedness ratio

The indebtedness ratio is calculated as total debt (a non-IFRS performance measure) divided by Adjusted EBITDA (a non-IFRS performance measure) and Granite believes it is useful in evaluating the Trust's ability to repay outstanding debt using its operating cash flows (see "*LIQUIDITY AND CAPITAL RESOURCES - Debt Structure*").

### Leverage and net leverage ratios

The leverage ratio is calculated as total debt (a non-IFRS performance measure) divided by the fair value of investment properties (excluding assets held for sale) while the net leverage ratio subtracts cash and cash equivalents from total debt. The leverage ratio and net leverage ratio are supplemental measures that Granite believes are useful in evaluating the Trust's degree of financial leverage, borrowing capacity and the relative strength of its balance sheet (see "*LIQUIDITY AND CAPITAL RESOURCES - Debt Structure*").

### Unencumbered asset coverage ratio

The unencumbered asset coverage ratio is calculated as the carrying value of investment properties (excluding assets held for sale) that are not encumbered by secured debt divided by the carrying value of total unsecured debt and is a supplemental measure that Granite believes is useful in evaluating the Trust's degree of asset coverage provided by its unencumbered investment properties to total unsecured debt (see "*LIQUIDITY AND CAPITAL RESOURCES - Debt Structure*").

## SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to apply judgment and make estimates that affect the amounts reported and disclosed in the combined financial statements. Management bases estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances, the results of which form the basis for making judgments about the values of assets and liabilities. On an ongoing basis, management evaluates its estimates. However, actual results could differ from those estimates.
The Trust's significant accounting policies that involve the most judgment and estimates are as follows:

### Judgments

#### *Leases*

The Trust's policy for revenue recognition is described in note 2(l) of the audited combined financial statements for the year ended December 31, 2021. The Trust makes judgments in determining whether certain leases are operating or finance leases, in particular tenant leases with long contractual terms or leases where the property is a large square-footage and/or architecturally specialized. The Trust also makes judgments in determining the lease term for some lease contracts in which it is a lessee that include renewal or termination options. The assessment of whether the Trust is reasonably certain to exercise such options impacts the lease term which, in turn, significantly affects the amount of lease obligations and right-of-use assets recognized.

### *Investment properties*

The Trust's policy relating to investment properties is described in note 2(d) of the audited combined financial statements for the year ended December 31, 2021. In applying this policy, judgment is used in determining whether certain costs incurred for tenant improvements are additions to the carrying amount of the property or represent incentives, identifying the point at which practical completion of properties under development occurs and determining borrowing costs to be capitalized to the carrying value of properties under development. Judgment is also applied in determining the use, extent and frequency of independent appraisals.

### *Income taxes*

The Trust applies judgment in determining whether it will continue to qualify as a REIT for both Canadian and United States tax purposes for the foreseeable future. However, should it at some point no longer qualify, the Trust would be subject to income tax which could materially affect future distributions to unitholders and would also be required to recognize additional current and/or deferred income taxes.

## Estimates and Assumptions

### *Valuation of investment properties*

The fair value of investment properties is determined by management using primarily the discounted cash flow method in which the income and expenses are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate. The Trust obtains, from time to time, appraisals from independent qualified real estate valuation experts. However, the Trust does not measure its investment properties based on these appraisals but uses them as data points, together with other external market information accumulated by management, in arriving at its own conclusions on values. Management uses valuation assumptions such as discount rates, terminal capitalization rates and market rental rates applied in external appraisals or sourced from valuation experts; however, the Trust also uses its historical renewal experience with tenants, its direct knowledge of the specialized nature of certain of Granite's portfolio and tenant profile and its knowledge of the actual condition of the properties in making business judgments about lease renewal probabilities, renewal rents and capital expenditures. There has been no change in the valuation methodology used during the three months ended March 31, 2022. The critical assumptions relating to the Trust's estimates of fair values of investment properties include the receipt of contractual rents, contractual renewal terms, expected future market rental rates, discount rates that reflect current market uncertainties, capitalization rates and recent investment property prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially. Refer to the "*INVESTMENT PROPERTIES*" section and note 4 of the unaudited condensed combined financial statements for the three months ended March 31, 2022 for further information on the estimates and assumptions made by management in connection with the fair values of investment properties.

### *Fair value of financial instruments*

Where the fair value of financial assets or liabilities recorded on the balance sheet or disclosed in the notes cannot be derived from active markets, it is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible but, where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as credit risk and volatility. Changes in assumptions about these factors could materially affect the reported fair value of financial instruments.

### *Income taxes*

The Trust operates in a number of countries and is subject to the income tax laws and related tax treaties in each of its operating jurisdictions. These laws and treaties can be subject to different interpretations by relevant taxation authorities. Significant judgment is required in the estimation of Granite's income tax expense, interpretation and application of the relevant tax laws and treaties and the provision for any exposure that may arise from tax positions that are under audit by relevant taxation authorities.

The recognition and measurement of deferred tax assets or liabilities is dependent on management's estimate of future taxable profits and income tax rates that are expected to be in effect in the period the asset is realized or the liability is settled. Any changes in management's estimates can result in changes in deferred tax assets or liabilities as reported in the combined balance sheets and also the deferred income tax expense in the combined statements of net income.

## NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

**Future Accounting Policy Changes**

As at March 31, 2022, there are no new accounting standards issued but not yet applicable to the unaudited condensed combined financial statements.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the first quarter of 2022, there were no changes in the Trust's internal controls over financial reporting that had materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

## RISKS AND UNCERTAINTIES

Investing in the Trust's stapled units involves a high degree of risk. There are a number of risk factors that could have a material adverse effect on Granite's business, financial condition, operating results and prospects. These risks and uncertainties are discussed in Granite's AIF filed with securities regulators in Canada and available online at www.sedar.com and Annual Report on Form 40-F filed with the SEC and available online on EDGAR at www.sec.gov, each in respect of the year ended December 31, 2021 and remain substantially unchanged in respect of the three month period ended March 31, 2022.

## QUARTERLY FINANCIAL DATA (UNAUDITED)

| *(in millions, except as noted)* | Q1'22 | Q4'21 | Q3'21 | Q2'21 | Q1'21 | Q4'20 | Q3'20 | Q2'20 |
|---|---|---|---|---|---|---|---|---|
| *Operating highlights*[3] | | | | | | | | |
| Revenue | **$ 108.6** | $ 105.3 | $ 98.3 | $ 94.0 | $ 95.9 | $ 93.2 | $ 87.9 | $ 81.0 |
| NOI - cash basis[1] | **$ 90.8** | $ 85.7 | $ 83.6 | $ 79.9 | $ 79.8 | $ 76.3 | $ 74.5 | $ 71.0 |
| Fair value gain on investment properties, net | **$ 490.6** | $ 349.1 | $ 432.2 | $ 308.0 | $ 209.5 | $ 140.8 | $ 62.1 | $ 34.5 |
| Net income attributable to stapled unitholders | **$ 497.7** | $ 341.3 | $ 421.8 | $ 317.0 | $ 230.2 | $ 167.6 | $ 105.2 | $ 75.7 |
| Cash provided by operating activities | **$ 70.5** | $ 53.7 | $ 79.5 | $ 64.7 | $ 64.3 | $ 60.3 | $ 69.0 | $ 65.2 |
| FFO[1] | **$ 69.4** | $ 66.8 | $ 65.2 | $ 62.2 | $ 57.1 | $ 59.6 | $ 55.5 | $ 53.5 |
| AFFO[1] | **$ 65.9** | $ 59.2 | $ 61.2 | $ 60.1 | $ 54.7 | $ 56.1 | $ 52.7 | $ 51.3 |
| FFO payout ratio[2] | **73%** | 75% | 76% | 76% | 75% | 74% | 76% | 75% |
| AFFO payout ratio[2] | **77%** | 84% | 81% | 79% | 78% | 79% | 80% | 78% |
| *Per unit amounts* | | | | | | | | |
| Diluted FFO[1] | **$ 1.05** | $ 1.02 | $ 0.99 | $ 0.99 | $ 0.93 | $ 1.00 | $ 0.96 | $ 0.97 |
| Diluted AFFO[1] | **$ 1.00** | $ 0.90 | $ 0.93 | $ 0.96 | $ 0.89 | $ 0.94 | $ 0.91 | $ 0.93 |
| Monthly distributions paid | **$ 0.78** | $ 0.75 | $ 0.75 | $ 0.75 | $ 0.75 | $ 0.73 | $ 0.73 | $ 0.73 |
| Diluted weighted average number of units | **65.8** | 65.8 | 65.8 | 62.8 | 61.7 | 59.5 | 57.9 | 54.9 |
| *Financial highlights* | | | | | | | | |
| Investment properties[4] | **$ 8,526.8** | $7,971.2 | $7,286.3 | $6,396.6 | $6,003.7 | $5,855.6 | $5,338.9 | $5,097.3 |
| Assets held for sale | **$ 32.9** | $ 64.6 | $ 43.2 | $ – | $ – | $ – | $ – | $ – |
| Cash and cash equivalents | **$ 228.5** | $ 402.5 | $ 779.0 | $ 678.1 | $ 480.7 | $ 831.3 | $ 539.7 | $ 617.2 |
| Total debt[1] | **$ 2,340.4** | $2,414.0 | $2,449.2 | $1,936.0 | $1,959.5 | $2,297.5 | $1,814.8 | $1,800.5 |
| Total capital expenditures incurred | **$ 3.4** | $ 9.9 | $ 14.3 | $ 3.2 | $ 0.5 | $ 13.3 | $ 2.2 | $ 6.2 |
| Total leasing costs and tenant improvements incurred | **$ 2.0** | $ 2.9 | $ 5.8 | $ 0.3 | $ 0.2 | $ 2.1 | $ 1.2 | $ 2.0 |
| *Property metrics*[4] | | | | | | | | |
| Number of income-producing properties | **122** | 119 | 114 | 110 | 108 | 108 | 102 | 94 |
| GLA, square feet | **55.9** | 55.1 | 53.3 | 51.3 | 50.4 | 49.5 | 45.4 | 44.3 |
| Occupancy, by GLA | **99.7%** | 99.7% | 99.2% | 99.3% | 99.1% | 99.6% | 98.9% | 99.1% |
| Weighted average lease term, years | 5.7 | 5.8 | 5.8 | 6.0 | 6.1 | 6.3 | 5.9 | 6.1 |

(1) For definitions of Granite's non-IFRS measures, refer to the section "*NON-IFRS PERFORMANCE MEASURES*".
(2) For definitions of Granite's non-IFRS ratios, refer to the section "*NON-IFRS RATIOS*".
(3) The quarterly financial data reflects fluctuations in revenue, FFO, AFFO, investment properties and total debt primarily from the timing of leasing and development activities, property sales, acquisitions and foreign exchange. Investment properties also fluctuate from the effect of measuring properties at fair value under IFRS. Net income attributable to unitholders primarily fluctuates from fair value gains/losses on investment properties.
(4) Excludes properties held for sale which are classified as assets held for sale on the combined balance sheet as at the respective quarter-end.

The following table reconciles revenue, as determined in accordance with IFRS, to net operating income - cash basis for the periods ended as indicated. Refer to the sections "*Results of Operations*" and "*NON-IFRS Performance Measures*", for further details.

| *(in millions)* | Q1'22 | Q4'21 | Q3'21 | Q2'21 | Q1'21 | Q4'20 | Q3'20 | Q2'20 |
|---|---|---|---|---|---|---|---|---|
| Revenue | **$ 108.6** | $ 105.3 | $ 98.3 | $ 94.0 | $ 95.9 | $ 93.2 | $ 87.9 | $ 81.0 |
| Less: Property operating costs | **17.4** | 19.0 | 13.8 | 13.7 | 14.4 | 15.7 | 11.4 | 9.8 |
| NOI | **91.2** | 86.3 | 84.5 | 80.3 | 81.5 | 77.5 | 76.5 | 71.2 |
| Add (deduct): | | | | | | | | |
| Straight-line rent amortization | **(1.6)** | (1.8) | (2.2) | (1.7) | (3.1) | (2.5) | (3.3) | (1.5) |
| Tenant incentive amortization | **1.2** | 1.2 | 1.3 | 1.3 | 1.4 | 1.3 | 1.3 | 1.3 |
| NOI - cash basis | **$ 90.8** | $ 85.7 | $ 83.6 | $ 79.9 | $ 79.8 | $ 76.3 | $ 74.5 | $ 71.0 |

The following table reconciles net income attributable to stapled unitholders, as determined in accordance with IFRS, to FFO and AFFO for the periods ended as indicated. Refer to the sections "*Results of Operations*" and "*NON-IFRS Performance Measures*", for further details.

| *(in millions, except as noted)* | **Q1'22** | Q4'21 | Q3'21 | Q2'21 | Q1'21 | Q4'20 | Q3'20 | Q2'20 |
|---|---|---|---|---|---|---|---|---|
| **Net income attributable to stapled unitholders** | **$ 497.7** | $ 341.2 | $ 421.8 | $ 316.9 | $ 230.1 | $ 167.6 | $ 105.2 | $ 75.7 |
| **Add (deduct):** | | | | | | | | |
| **Fair value gains on investment properties, net** | **(490.6)** | (349.1) | (432.2) | (308.0) | (209.5) | (140.8) | (62.1) | (34.5) |
| **Fair value (gains) losses on financial instruments** | **(4.6)** | (0.6) | 1.3 | 0.2 | 0.3 | (1.3) | (1.0) | 3.9 |
| **Loss on sale of investment properties** | **0.4** | 0.2 | – | 0.4 | 0.2 | 0.7 | 0.2 | – |
| **Current income tax expense associated with the sale of investment properties** | **–** | 2.8 | – | 2.3 | – | 0.7 | – | – |
| **Deferred income tax expense** | **66.5** | 69.9 | 73.4 | 49.8 | 35.9 | 32.4 | 12.3 | 7.4 |
| **Fair value remeasurement expense relating to the Executive Deferred Stapled Unit Plan** | **–** | 2.3 | 0.9 | 0.6 | – | 0.3 | 0.9 | 1.0 |
| **Non-controlling interests relating to the above** | **–** | 0.1 | – | – | 0.1 | – | – | – |
| **FFO** | **$ 69.4** | $ 66.8 | $ 65.2 | $ 62.2 | $ 57.1 | $ 59.6 | $ 55.5 | $ 53.5 |
| **Add (deduct):** | | | | | | | | |
| **Maintenance or improvement capital expenditures incurred** | **(1.1)** | (6.7) | (0.8) | (1.4) | (0.5) | (0.4) | (0.2) | (1.9) |
| **Leasing costs** | **(2.0)** | – | (2.3) | (0.2) | – | (0.7) | – | (0.1) |
| **Tenant allowances** | **–** | (0.3) | – | (0.1) | (0.1) | (1.2) | (0.6) | – |
| **Tenant incentive amortization** | **1.2** | 1.2 | 1.3 | 1.3 | 1.3 | 1.3 | 1.4 | 1.3 |
| **Straight-line rent amortization** | **(1.6)** | (1.8) | (2.2) | (1.7) | (3.1) | (2.5) | (3.4) | (1.5) |
| **AFFO** | **$ 65.9** | $ 59.2 | $ 61.2 | $ 60.1 | $ 54.7 | $ 56.1 | $ 52.7 | $ 51.3 |

The following table reconciles total debt for the periods ended as indicated. Refer to the sections "*Unitholders' Equity*" and "*NON-IFRS Performance Measures*", for further details.

| *(in millions)* | **Q1'22** | Q4'21 | Q3'21 | Q2'21 | Q1'21 | Q4'20 | Q3'20 | Q2'20 |
|---|---|---|---|---|---|---|---|---|
| **Unsecured debt, net** | **$ 2,422.3** | $2,425.1 | $2,424.9 | $1,922.4 | $1,925.2 | $2,178.1 | $1,691.3 | $1,696.4 |
| **Cross currency interest rate swaps, net** | **(126.1)** | (44.1) | (8.3) | (19.3) | 1.4 | 85.6 | 89.5 | 70.3 |
| **Lease obligations** | **31.5** | 32.2 | 32.6 | 32.9 | 32.9 | 33.8 | 34.0 | 33.8 |
| **Total unsecured debt** | **2,327.7** | 2,413.2 | 2,449.2 | 1,936.0 | 1,959.5 | 2,297.5 | 1,814.8 | 1,800.5 |
| **Secured debt** | **12.7** | 0.8 | – | – | – | – | – | – |
| **Total debt** | **$ 2,340.4** | $2,414.0 | $2,449.2 | $1,936.0 | $1,959.5 | $2,297.5 | $1,814.8 | $1,800.5 |

## FORWARD-LOOKING STATEMENTS

This MD&A 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, capital structure, cost of capital, tenant base, tax consequences, economic performance or expectations, or the assumptions underlying any of the foregoing. Words such as "outlook", "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 also be no assurance that Granite's expectations regarding various matters, including the following, will be realized in a timely manner, with the expected impact or at all: the effectiveness of measures intended to mitigate such impact, and Granite's ability to deliver cash flow stability and growth and create long-term value for unitholders; Granite's ability to implement its ESG+R program and related targets and goals; the expansion and diversification of Granite's real estate portfolio and the reduction in Granite's exposure to Magna and the special purpose properties; Granite's ability to accelerate growth and to grow its net asset value and FFO and AFFO per unit; Granite's ability to find and integrate satisfactory acquisition, joint venture and development opportunities and to strategically deploy the proceeds from recently sold properties and financing initiatives; Granite's sale from time to time of stapled units under its ATM Program; Granite's intended use of the net proceeds of its equity and debenture offerings to fund potential acquisitions and for the other purposes described previously; the potential for expansion and rental growth at the properties in Mississauga and Ajax, Ontario and Whitestown, Indiana and the enhancement to the yields of such properties from such potential expansion and rental growth; the construction on and development yield of the site in Houston, Texas; the expected development and construction of an e-commerce and logistics warehouse on land in Fort Worth, Texas; the construction of the distribution/light industrial facility on the 13-acre site in Altbach, Germany; the construction of a modern distribution facility on the 50.8 acre site in Murfreesboro, Tennessee; the development of three modern distribution facilities in Lebanon, Tennessee, and the yield from the development; the development of a multi-phased business park on the 92.2 acre site in Brantford, Ontario, and the potential yield from the project; the timing of payment of associated unpaid construction costs and holdbacks; Granite's ability to dispose of any non-core assets on satisfactory terms; Granite's ability to meet its target occupancy goals; Granite's ability to secure sustainability or other certifications for any of its properties; the impact of the refinancing of the term loans on Granite's returns and cash flow; and the amount of any distributions and distribution increase. 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. Forward-looking statements and forward-looking information 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 REIT's mutual fund trust status under the Income Tax Act (Canada) or the effective tax rate in other jurisdictions in which Granite operates; the risks related to Russia's 2022 invasion of Ukraine that may adversely impact Granite's operations and financial performance; economic, market and competitive conditions and other risks that may adversely affect Granite's ability to expand and diversify its real estate portfolio and dispose of any non-core assets on satisfactory terms; and the risks set forth in the "Risk Factors" section in Granite's AIF for 2021 dated March 9, 2022, 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, 2021 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 MD&A to reflect subsequent information, events or circumstances or otherwise.

GRANITE REIT

# Condensed Combined Financial Statements of Granite Real Estate Investment Trust and Granite REIT Inc.

For the three months ended March 31, 2022 and 2021

## Condensed Combined Balance Sheets

*(Canadian dollars in thousands)*
*(Unaudited)*

| As at | Note | March 31, 2022 | December 31, 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets:** | | | |
| Investment properties | 4 | $ **8,526,809** | $ 7,971,158 |
| Acquisition deposits | 19 | **22,307** | 26,053 |
| Deferred tax assets | | **4,447** | 4,452 |
| Fixed assets, net | | **2,244** | 2,486 |
| Cross currency interest rate swaps | 8(b) | **126,099** | 62,768 |
| Loan receivable | 7 | **–** | 10,471 |
| Other assets | 6 | **2,620** | 2,780 |
| | | **8,684,526** | 8,080,168 |
| **Current assets:** | | | |
| Assets held for sale | 5 | **32,894** | 64,612 |
| Loan receivable | 7 | **21,458** | – |
| Accounts receivable | | **12,831** | 10,771 |
| Income taxes receivable | | **1,367** | 1,437 |
| Prepaid expenses and other | | **11,037** | 7,196 |
| Cash and cash equivalents | 16(d) | **228,452** | 402,513 |
| **Total assets** | | $ **8,992,565** | $ 8,566,697 |
| **LIABILITIES AND EQUITY** | | | |
| **Non-current liabilities:** | | | |
| Unsecured debt, net | 8(a) | $ **2,422,288** | $ 2,425,089 |
| Cross currency interest rate swaps | 8(b) | **–** | 18,624 |
| Secured debt | 9 | **12,704** | 763 |
| Long-term portion of lease obligations | 10 | **31,150** | 31,645 |
| Deferred tax liabilities | | **656,428** | 604,667 |
| | | **3,122,570** | 3,080,788 |
| **Current liabilities:** | | | |
| Deferred revenue | 11 | **17,963** | 12,099 |
| Accounts payable and accrued liabilities | 11 | **100,808** | 113,244 |
| Distributions payable | 12 | **16,983** | 16,969 |
| Short-term portion of lease obligations | 10 | **396** | 505 |
| Income taxes payable | | **21,114** | 21,558 |
| **Total liabilities** | | **3,279,834** | 3,245,163 |
| **Equity:** | | | |
| Stapled unitholders' equity | 13 | **5,709,119** | 5,318,653 |
| Non-controlling interests | | **3,612** | 2,881 |
| **Total equity** | | **5,712,731** | 5,321,534 |
| **Total liabilities and equity** | | $ **8,992,565** | $ 8,566,697 |

*Commitments and contingencies (note 19)*
*See accompanying notes*

## Condensed Combined Statements of Net Income

*(Canadian dollars in thousands)*
*(Unaudited)*

| | Note | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|---|
| Rental revenue | 14(a) | **$108,591** | $ 95,942 |
| Property operating costs | 14(b) | **17,407** | 14,396 |
| **Net operating income** | | **91,184** | 81,546 |
| General and administrative expenses | 14(c) | **8,418** | 8,821 |
| Depreciation and amortization | | **370** | 331 |
| Interest income | | **(288)** | (816) |
| Interest expense and other financing costs | 14(d) | **10,905** | 14,794 |
| Foreign exchange losses (gains), net | | **383** | (718) |
| Fair value gains on investment properties, net | 4,5 | **(490,622)** | (209,516) |
| Fair value (gains) losses on financial instruments, net | 14(e) | **(4,605)** | 339 |
| Loss on sale of investment properties | 5 | **408** | 155 |
| **Income before income taxes** | | **566,215** | 268,156 |
| Income tax expense | 15 | **68,476** | 37,880 |
| **Net income** | | **$497,739** | $ 230,276 |
| **Net income attributable to:** | | | |
| Stapled unitholders | | **$497,737** | $ 230,133 |
| Non-controlling interests | | **2** | 143 |
| | | **$497,739** | $ 230,276 |

*See accompanying notes*

## Condensed Combined Statements of Comprehensive Income

*(Canadian dollars in thousands)*
*(Unaudited)*

| | Note | Three Months Ended March 31, 2022 | 2021 |
|---|---|---|---|
| **Net income** | | **$497,739** | $ 230,276 |
| **Other comprehensive (loss) income:** | | | |
| Foreign currency translation adjustment[1] | | **(131,577)** | (129,962) |
| Unrealized gain on net investment hedges, includes income taxes of nil[1] | 8(b) | **69,907** | 66,967 |
| **Total other comprehensive loss** | | **(61,670)** | (62,995) |
| **Comprehensive income** | | **$436,069** | $ 167,281 |

(1) Items that may be reclassified subsequently to net income if a foreign subsidiary is disposed of or hedges are terminated or no longer assessed as effective.

| | | 2022 | 2021 |
|---|---|---|---|
| **Comprehensive income (loss) attributable to:** | | | |
| Stapled unitholders | | **$436,116** | $ 167,207 |
| Non-controlling interests | | **(47)** | 74 |
| | | **$436,069** | $ 167,281 |

*See accompanying notes*

# Condensed Combined Statements of Unitholders' Equity

*(Canadian dollars in thousands)*
*(Unaudited)*

| **Three Months Ended March 31, 2022** | **Number of units (000s)** | **Stapled units** | **Contributed surplus** | **Retained earnings** | **Accumulated other comprehensive income** | **Stapled unitholders' equity** | **Non-controlling interests** | **Equity** |
|---|---|---|---|---|---|---|---|---|
| **As at January 1, 2022** | **65,694** | **$3,444,418** | **$ 53,326** | **$1,748,958** | **$ 71,951** | **$5,318,653** | **$ 2,881** | **$5,321,534** |
| Net income | – | – | – | 497,737 | – | 497,737 | 2 | 497,739 |
| Other comprehensive loss | – | – | – | – | (61,621) | (61,621) | (49) | (61,670) |
| Distributions (note 12) | – | – | – | (50,920) | – | (50,920) | – | (50,920) |
| Contributions from non-controlling interests | – | – | – | – | – | – | 778 | 778 |
| Units issued under the stapled unit plan (note 13(a)) | 39 | 3,760 | – | – | – | 3,760 | – | 3,760 |
| Stapled units issued, net of issuance costs (note 13(c)) | 16 | 1,510 | – | – | – | 1,510 | – | 1,510 |
| **As at March 31, 2022** | **65,749** | **$3,449,688** | **$ 53,326** | **$2,195,775** | **$ 10,330** | **$5,709,119** | **$ 3,612** | **$5,712,731** |

| **Three Months Ended March 31, 2021** | **Number of units (000s)** | **Stapled units** | **Contributed surplus** | **Retained earnings** | **Accumulated other comprehensive income** | **Stapled unitholders' equity** | **Non-controlling interests** | **Equity** |
|---|---|---|---|---|---|---|---|---|
| **As at January 1, 2021** | **61,688** | **$3,139,194** | **$ 53,326** | **$ 631,649** | **$ 95,900** | **$3,920,069** | **$ 2,135** | **$3,922,204** |
| Net income | – | – | – | 230,133 | – | 230,133 | 143 | 230,276 |
| Other comprehensive loss | – | – | – | – | (62,926) | (62,926) | (69) | (62,995) |
| Distributions (note 12) | – | – | – | (46,270) | – | (46,270) | – | (46,270) |
| Contributions from non-controlling interests | – | – | – | – | – | – | 8 | 8 |
| Units issued under the stapled unit plan (note 13(a)) | 17 | 1,317 | – | – | – | 1,317 | – | 1,317 |
| **As at March 31, 2021** | **61,705** | **$3,140,511** | **$ 53,326** | **$ 815,512** | **$ 32,974** | **$4,042,323** | **$ 2,217** | **$4,044,540** |

*See accompanying notes*

## Condensed Combined Statements of Cash Flows

*(Canadian dollars in thousands)*
*(Unaudited)*

| | Note | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Net income** | | **$ 497,739** | $ 230,276 |
| Items not involving operating cash flows | **16(a)** | **(426,597)** | (167,899) |
| Current income tax expense | **15(a)** | **1,977** | 2,002 |
| Income taxes paid | | **(1,325)** | (968) |
| Interest expense | | **10,640** | 10,097 |
| Interest paid | | **(7,010)** | (5,809) |
| Changes in working capital balances | **16(b)** | **(4,920)** | (3,394) |
| **Cash provided by operating activities** | | **70,504** | 64,305 |
| **INVESTING ACTIVITIES** | | | |
| Investment properties: | | | |
| Property acquisitions | **3** | **(161,310)** | (85,913) |
| Proceeds from disposals, net | **4, 5** | **34,078** | 10,395 |
| Leasing costs paid | | **(1,973)** | (490) |
| Tenant allowances paid | | **(18)** | (157) |
| Additions to income-producing properties | | **(5,742)** | (4,112) |
| Additions to properties under development | | **(47,316)** | (8,309) |
| Construction funds (in) released from escrow | | **(1,753)** | 28 |
| Loan receivable advances | **7** | **(10,986)** | – |
| Acquisition deposits paid | | **(3,759)** | – |
| Fixed asset additions | | **(123)** | (24) |
| **Cash used in investing activities** | | **(198,902)** | (88,582) |
| **FINANCING ACTIVITIES** | | | |
| Monthly distributions paid | | **(50,907)** | (46,263) |
| Proceeds from secured debt | **9** | **12,090** | – |
| Repayment of lease obligations | **10** | **(217)** | (182) |
| Repayment of unsecured debt, including early redemption premium | **8(a)** | **–** | (253,963) |
| Settlement of cross currency interest rate swap | **8(a), 8(b)** | **(6,563)** | (18,787) |
| Financing costs paid | | **–** | (2,914) |
| Proceeds from stapled unit offerings, net of issuance costs | **13(c)** | **1,510** | – |
| **Cash used in financing activities** | | **(44,087)** | (322,109) |
| **Effect of exchange rate changes on cash and cash equivalents** | | **(1,576)** | (4,183) |
| **Net decrease in cash and cash equivalents during the period** | | **(174,061)** | (350,569) |
| Cash and cash equivalents, beginning of period | | **402,513** | 831,280 |
| **Cash and cash equivalents, end of period** | | **$ 228,452** | $ 480,711 |

*See accompanying notes*

# Notes to Condensed Combined Financial Statements

*(All amounts in thousands of Canadian dollars unless otherwise noted)*
*(Unaudited)*

## 1. NATURE AND DESCRIPTION OF THE TRUST

Effective January 3, 2013, Granite Real Estate Inc. ("Granite Co.") completed its conversion from a corporate structure to a stapled unit real estate investment trust ("REIT") structure. All of the common shares of Granite Co. were exchanged, on a one-for-one basis, for stapled units, each of which consists of one unit of Granite Real Estate Investment Trust ("Granite REIT") and one common share of Granite REIT Inc. ("Granite GP"). Granite REIT is an unincorporated, open-ended, limited purpose trust established under and governed by the laws of the province of Ontario and created pursuant to a Declaration of Trust dated September 28, 2012 and as subsequently amended on January 3, 2013 and December 20, 2017. Granite GP was incorporated on September 28, 2012 under the *Business Corporations Act* (British Columbia). Granite REIT, Granite GP and their subsidiaries (together "Granite" or the "Trust") are carrying on the business previously conducted by Granite Co.

The stapled units trade on the Toronto Stock Exchange and on the New York Stock Exchange. The principal office of Granite REIT is 77 King Street West, Suite 4010, P.O. Box 159, Toronto-Dominion Centre, Toronto, Ontario, M5K 1H1, Canada. The registered office of Granite GP is Suite 2600, Three Bentall Centre, 595 Burrard Street, P.O. Box 49314, Vancouver, British Columbia, V7X 1L3, Canada.

The Trust is a Canadian-based REIT engaged in the acquisition, development, ownership and management of logistics, warehouse and industrial properties in North America and Europe.

These condensed combined financial statements were approved by the Board of Trustees of Granite REIT and Board of Directors of Granite GP on May 11, 2022.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Presentation and Statement of Compliance

The condensed combined financial statements for the three month period ended March 31, 2022 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These interim condensed combined financial statements do not include all the information and disclosures required in the annual financial statements, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the Trust's annual financial statements as at and for the year ended December 31, 2021.

### (b) Combined Financial Statements and Basis of Consolidation

As a result of the REIT conversion described in note 1, the Trust does not have a single parent; however, each unit of Granite REIT and each share of Granite GP trade as a single stapled unit and accordingly, Granite REIT and Granite GP have identical ownership. Therefore, these financial statements have been prepared on a combined basis whereby the assets, liabilities and results of Granite GP and Granite REIT have been combined. The combined financial statements include the subsidiaries of Granite GP and Granite REIT. Subsidiaries are fully consolidated by Granite GP or Granite REIT from the date of acquisition, being the date on which control is obtained. The subsidiaries continue to be consolidated until the date that such control ceases. Control exists when Granite GP or Granite REIT have power, exposure or rights to variable returns and the ability to use their power over the entity to affect the amount of returns it generates.

All intercompany balances, income and expenses and unrealized gains and losses resulting from intercompany transactions are eliminated.

### (c) Accounting policies

The condensed combined financial statements have been prepared using the same accounting policies as were used for the Trust's annual combined financial statements and the notes thereto for the year ended December 31, 2021.

### (d) Future Accounting Policy Changes

As at March 31, 2022, there are no new accounting standards issued but not yet applicable to the condensed combined financial statements.

## 3. ACQUISITIONS

During the three month periods ended March 31, 2022 and 2021, Granite made the following property acquisitions:

**Acquisitions During The Three Months Ended March 31, 2022**

| Property | Location | Date acquired | Property purchase price | Transaction costs | Total acquisition cost |
|---|---|---|---|---|---|
| **Income-producing properties:** | | | | | |
| Georg-Beatzel Straße 15 .... | Wiesbaden, Germany | February 3, 2022 | $ **62,033** | $ **3,919** | $ **65,952** |
| Raiffeisenstraße 28-32 ....... | Korbach, Germany | February 3, 2022 | **60,295** | **3,819** | **64,114** |
| In der Langen Else 4 ......... | Erfurt, Germany | February 3, 2022 | **17,636** | **1,225** | **18,861** |
| | | | $ **139,964** | $ **8,963** | $ **148,927** |

**Acquisition During The Three Months Ended March 31, 2021**

| Property | Location | Date acquired | Property purchase price | Transaction costs | Total acquisition cost |
|---|---|---|---|---|---|
| **Income-producing property:** | | | | | |
| 3090 Highway 42 (1) ......... | Locust Grove, GA | March 12, 2021 | $ 85,512 | $ 401 | $ 85,913 |

(1) The Trust acquired the leasehold interest in the property which resulted in the recognition of a right-of-use asset, including transaction costs, of $85,913. The Trust will acquire freehold title to the property on December 1, 2028.

During the three month period ended March 31, 2022, transaction costs of $9.0 million (2021 – $0.4 million), which included land transfer taxes, and legal and advisory costs, were first capitalized to the cost of the respective properties and then subsequently expensed to net fair value gains on investment properties on the condensed combined statements of net income as a result of measuring the properties at fair value.

## 4. INVESTMENT PROPERTIES

| As at | | March 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| Income-producing properties | $ | **8,220,785** | $ | 7,727,368 |
| Properties under development | | **217,697** | | 162,817 |
| Land held for development | | **88,327** | | 80,973 |
| | $ | **8,526,809** | $ | 7,971,158 |

Changes in investment properties are shown in the following table:

| | Three months ended March 31, 2022 | | | Year Ended December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | **Income-producing properties** | **Properties under development** | **Land held for development** | **Income-producing properties** | **Properties under development** | **Land held for development** |
| Balance, beginning of period | **$7,727,368** | **$ 162,817** | **$ 80,973** | $ 5,786,338 | $ 31,488 | $ 37,757 |
| Maintenance or improvements | **1,054** | **–** | **–** | 10,897 | – | – |
| Leasing costs | **1,993** | **–** | **–** | 2,456 | 3,298 | – |
| Tenant allowances | **14** | **–** | **–** | 3,439 | – | – |
| Developments or expansions | **2,297** | **58,907** | **671** | 8,726 | 88,729 | 1,906 |
| Acquisitions (note 3) | **148,927** | **–** | **–** | 857,939 | 24,093 | 63,692 |
| Costs to complete acquired property | **–** | **–** | **–** | 8,344 | – | – |
| Disposals | **–** | **–** | **–** | (36,793) | – | – |
| Transfer to properties under development | **–** | **–** | **–** | – | 16,812 | (16,812) |
| Amortization of straight-line rent | **1,545** | **–** | **–** | 8,889 | – | – |
| Amortization of tenant allowances | **(1,154)** | **–** | **–** | (5,105) | – | – |
| Other changes | **168** | **–** | **–** | 350 | – | – |
| Fair value gains (losses), net | **480,357** | **–** | **6,915** | 1,300,499 | (280) | (1,354) |
| Foreign currency translation, net | **(141,784)** | **(4,027)** | **(232)** | (157,468) | (1,323) | (747) |
| Classified as assets held for sale (note 5) | **–** | **–** | **–** | (61,143) | – | (3,469) |
| Balance, end of period | **$8,220,785** | **$ 217,697** | **$ 88,327** | $ 7,727,368 | $ 162,817 | $ 80,973 |

The Trust determines the fair value of an income-producing property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions and lease renewals at the applicable balance sheet dates, less future cash outflows in respect of such leases. Fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years, plus a terminal value based on the application of a capitalization rate to estimated year 11 cash flows. The fair values of properties under development are measured using a discounted cash flow model, net of costs to complete, as of the balance sheet date. The Trust measures its investment properties using valuations prepared by management. The Trust does not measure its investment properties based on valuations prepared by external appraisers but uses such external appraisals as data points, together with other external market information accumulated by management, in arriving at its own conclusions on values. Management uses valuation assumptions such as discount rates, terminal capitalization rates and market rental rates applied in external appraisals or sourced from valuation experts; however, the Trust also uses its historical renewal experience with tenants, its direct knowledge of the specialized nature of certain of Granite's portfolio and tenant profile and its knowledge of the actual condition of the properties in making business judgments about lease renewal probabilities, renewal rents and capital expenditures. There has been no change in the valuation methodology during the period.

Included in investment properties is $36.7 million (December 31, 2021 — $35.7 million) of net straight-line rent receivables arising from the recognition of rental revenue on a straight-line basis over the lease term.

Details about contractual obligations to purchase, construct and develop properties can be found in the commitments and contingencies note (note 19).

Valuations are most sensitive to changes in discount rates and terminal capitalization rates. The key valuation metrics for income-producing properties by country are set out below:

| **As at** | **March 31, 2022[(1)]** | | | **December 31, 2021[(1)]** | | |
|---|---|---|---|---|---|---|
| | **Weighted average[(2)]** | **Maximum** | **Minimum** | **Weighted average[(2)]** | **Maximum** | **Minimum** |
| **Canada** | | | | | | |
| Discount rate | **5.08 %** | **6.25 %** | **4.50 %** | 5.14 % | 6.50 % | 4.50 % |
| Terminal capitalization rate | **4.42 %** | **5.50 %** | **3.75 %** | 4.54 % | 5.75 % | 4.00 % |
| **United States** | | | | | | |
| Discount rate | **5.42 %** | **9.25 %** | **4.75 %** | 5.54 % | 9.25 % | 4.75 % |
| Terminal capitalization rate | **4.64 %** | **8.50 %** | **3.65 %** | 4.79 % | 8.50 % | 3.75 % |
| **Germany** | | | | | | |
| Discount rate | **5.89 %** | **9.75 %** | **4.25 %** | 6.48 % | 9.75 % | 4.90 % |
| Terminal capitalization rate | **5.00 %** | **8.75 %** | **3.90 %** | 5.38 % | 8.75 % | 3.90 % |
| **Austria** | | | | | | |
| Discount rate | **8.27 %** | **9.50 %** | **7.90 %** | 8.28 % | 9.50 % | 7.90 % |
| Terminal capitalization rate | **7.16 %** | **7.65 %** | **6.65 %** | 7.16 % | 7.65 % | 6.65 % |
| **Netherlands** | | | | | | |
| Discount rate | **4.39 %** | **6.15 %** | **3.55 %** | 4.44 % | 6.25 % | 3.60 % |
| Terminal capitalization rate | **4.88 %** | **7.30 %** | **3.80 %** | 4.94 % | 7.40 % | 3.80 % |
| **Total** | | | | | | |
| Discount rate | **5.54 %** | **9.75 %** | **3.55 %** | 5.67 % | 9.75 % | 3.60 % |
| Terminal capitalization rate | **4.87 %** | **8.75 %** | **3.65 %** | 5.03 % | 8.75 % | 3.75 % |

(1) Excludes assets held for sale (note 5).
(2) Weighted based on income-producing property fair value.

## 5. ASSETS HELD FOR SALE AND DISPOSITIONS

### Assets Held for Sale

At March 31, 2022, one income-producing property located in the Czech Republic having a fair value of $32.9 million is classified as assets held for sale. At December 31, 2021, two income-producing properties and one piece of land located in the Czech Republic and Poland having a total fair value of $64.6 million were classified as assets held for sale.

### Dispositions

During the three month period ended March 31, 2022, Granite disposed of one income-producing property and one piece of land located in Poland. The details of the disposed property and land are as follows:

| Property | Location | Date disposed | | Sale price |
|---|---|---|---|---|
| 10 Topolowa | Mirków, Poland | February 18, 2022 | **$** | **34,486** |

During the three month period ended March 31, 2021, Granite disposed of one income-producing property located in the United Kingdom for gross proceeds of $10.6 million.

During the three month period ended March 31, 2022, Granite incurred $0.4 million (2021 — $0.2 million) of broker commissions and legal and advisory costs associated with the disposals which are included in loss on sale of investment properties on the condensed combined statements of net income.

The following table summarizes the fair value changes in properties classified as assets held for sale:

| | | **Three Months Ended March 31, 2022** | | **Year Ended December 31, 2021** |
|---|---|---|---|---|
| Balance, beginning of period | **$** | **64,612** | $ | – |
| Fair value gains | | **3,350** | | – |
| Foreign currency translation, net | | **(582)** | | – |
| Disposals | | **(34,486)** | | – |
| Classified as assets held for sale | | **–** | | 64,612 |
| **Balance, end of period** | **$** | **32,894** | $ | 64,612 |

## 6. OTHER ASSETS

| **As at** | | **March 31, 2022** | | **December 31, 2021** |
|---|---|---|---|---|
| Deferred financing costs associated with the revolving credit facility | **$** | **2,326** | $ | 2,472 |
| Long-term receivables | | **294** | | 308 |
| | **$** | **2,620** | $ | 2,780 |

## 7. LOAN RECEIVABLE

During the three month period ended March 31, 2022, Granite advanced $11.0 million (US$8.9 million) (2021 — nil) by means of a loan to the developer of two industrial properties being constructed in Indiana, United States. As at March 31, 2022, the loan balance is $21.5 million (US$17.2 million). As at December 31, 2021, the loan balance was $10.5 million (US$8.3 million) and was included in non-current assets on the condensed combined balance sheet. The loan has a maximum draw amount of $68.7 million (US$55.0 million). The loan, due upon completion of the development which is expected to be completed in the next 12 months, is secured by the properties under construction and related land.

## 8. UNSECURED DEBT AND CROSS CURRENCY INTEREST RATE SWAPS

### (a) Unsecured Debentures and Term Loans, Net

| As at | | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|---|
| | Maturity Date | Amortized Cost[1] | Principal issued and outstanding | Amortized Cost[1] | Principal issued and outstanding |
| 2023 Debentures | November 30, 2023 | **$ 399,466** | **$ 400,000** | $ 399,387 | $ 400,000 |
| 2027 Debentures | June 4, 2027 | **497,726** | **500,000** | 497,618 | 500,000 |
| 2028 Debentures | August 30, 2028 | **497,515** | **500,000** | 497,420 | 500,000 |
| 2030 Debentures | December 18, 2030 | **497,391** | **500,000** | 497,317 | 500,000 |
| 2024 Term Loan | December 19, 2024 | **230,563** | **230,926** | 233,740 | 234,136 |
| 2026 Term Loan | December 11, 2026 | **299,627** | **300,000** | 299,607 | 300,000 |
| | | **$ 2,422,288** | **$ 2,430,926** | $ 2,425,089 | $ 2,434,136 |

(1) The amounts outstanding are net of deferred financing costs and, in the case of the term loans, debt modification losses. The deferred financing costs and debt modification losses are amortized using the effective interest method and are recorded in interest expense.

On January 4, 2021, the Trust redeemed in full the outstanding $250.0 million aggregate principal amount of the 2021 Debentures. Upon redemption in 2021, Granite incurred early redemption premium of $4.0 million, which had been recorded in interest expense and other financing costs in the condensed combined statement of net income (note 14(d)). In conjunction with the redemption, the 2021 Cross Currency Interest Rate Swap was terminated on January 4, 2021, and the related mark to market liability of $18.8 million was settled.

### (b) Cross Currency Interest Rate Swaps

| As at | | March 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| **Financial assets at fair value** | | | | |
| 2023 Cross Currency Interest Rate Swap | **$** | **7,736** | $ | – |
| 2027 Cross Currency Interest Rate Swap | | **33,808** | | 28,752 |
| 2028 Cross Currency Interest Rate Swap | | **10,159** | | – |
| 2030 Cross Currency Interest Rate Swap | | **38,808** | | 26,172 |
| 2024 Cross Currency Interest Rate Swap | | **6,273** | | – |
| 2026 Cross Currency Interest Rate Swap | | **29,315** | | 7,844 |
| | **$** | **126,099** | $ | 62,768 |
| **Financial liabilities at fair value** | | | | |
| 2023 Cross Currency Interest Rate Swap | **$** | **–** | $ | 6,551 |
| 2028 Cross Currency Interest Rate Swap | | **–** | | 7,017 |
| 2024 Cross Currency Interest Rate Swap | | **–** | | 5,056 |
| | **$** | **–** | $ | 18,624 |

On December 20, 2016, Granite REIT Holdings Limited Partnership ("Granite LP"), a wholly-owned subsidiary of Granite, entered into a cross currency interest rate swap (the "2023 Cross Currency Interest Rate Swap") to exchange the 3.873% semi-annual interest payments from the 2023 Debentures for Euro denominated payments at a 2.43% fixed interest rate. In addition, under the terms of the swap, Granite LP will pay principal proceeds of €281.1 million in exchange for which it will receive $400.0 million on November 30, 2023.

On September 24, 2019, in conjunction with a refinancing, Granite LP entered into a new cross currency interest rate swap (the "2024 Cross Currency Interest Rate Swap") to exchange the LIBOR plus margin monthly interest payments from the 2024 Term Loan for Euro denominated payments at a 0.522% fixed interest rate. In addition, under the terms of the 2024 Cross Currency Interest Rate Swap, Granite LP will pay principal proceeds of €168.2 million in exchange for which it will receive US$185.0 million on December 19, 2024.

On November 27, 2019, also in conjunction with a refinancing, Granite LP entered into a new cross currency interest rate swap (the "2026 Cross Currency Interest Rate Swap") to exchange the CDOR plus margin monthly interest payments from the 2026 Term Loan for Euro denominated payments at a 1.355% fixed interest rate. In addition, under the terms of the swap, Granite LP will pay principal proceeds of €205.5 million in exchange for which it will receive $300.0 million on December 11, 2026.

On June 4, 2020, Granite LP entered into a cross currency interest rate swap (the "2027 Cross Currency Interest Rate Swap") to exchange the $500.0 million proceeds and the 3.062% semi-annual interest payments from the 2027 Debentures for US$370.3 million and US dollar denominated interest payments at a 2.964% fixed interest rate. In addition, under the terms of the swap, Granite LP will pay principal proceeds of US$370.3 million in exchange for which it will receive $500.0 million on June 4, 2027.

On December 18, 2020, Granite LP entered into a cross currency interest rate swap (the "2030 Cross Currency Interest Rate Swap") to exchange the 2.378% semi-annual interest payments from the 2030 Debentures for Euro denominated interest payments at a 1.045% fixed interest rate. In addition, under the terms of the swap, Granite LP will pay principal proceeds of €319.4 million in exchange for which it will receive $500.0 million on December 18, 2030.

On August 30, 2021, Granite LP entered into a cross currency interest rate swap (the "2028 Cross Currency Interest Rate Swap") to exchange the $500.0 million proceeds and the 2.194% semi-annual interest payments from the 2028 Debentures for US$397.0 million and US dollar denominated interest payments at a 2.096% fixed interest rate. In addition, under the terms of the swap, Granite LP will pay principal proceeds of US$397.0 million in exchange for which it will receive $500.0 million on August 30, 2028. On February 3, 2022, Granite terminated $350.0 million of a total $500.0 million principal of the 2028 Cross Currency Interest Rate Swap and simultaneously entered into a new $350.0 million cross-currency interest rate swap maturing August 30, 2028 to exchange the Canadian dollar denominated principal and interest payments of the 2028 Debentures for Euro denominated payments at a fixed interest rate of 0.536%. Upon termination, Granite paid $6.6 million to settle the mark-to-market liability relating to the $350.0 million principal portion of the 2028 Cross Currency Interest Rate Swap.

The cross currency interest rate swaps are designated as net investment hedges of the Trust's investments in foreign operations. The effectiveness of the hedges is assessed quarterly. Gains and losses associated with the effective portion of the hedges are recognized in other comprehensive income. For the three month period ended March 31, 2022, the Trust has assessed the net investment hedge associated with each cross currency interest rate swap, except for a portion of the 2024 Cross Currency Interest Rate Swap, to be effective.

On December 18, 2020, as a result of the designation of the 2030 Cross Currency Interest Rate Swap, the Trust de-designated the 2021 Cross Currency Interest Rate Swap. Since the Trust did not employ hedge accounting for the 2021 Cross Currency Interest Rate Swap from the period January 1 to January 3, 2021, a fair value loss of $0.7 million was recognized in fair value losses on financial instruments, net (note 14(e)) in the condensed combined statement of net income.

With the refinancing of the 2024 Term Loan in 2019, the Trust has assessed only the foreign exchange movements associated with the fair value change of the 2024 Cross Currency Interest Rate Swap to be effective. Accordingly, the change in fair value relating to foreign exchange movements on the 2024 Cross Currency Interest Rate Swap is recorded in other comprehensive income. For the three month period ended March 31, 2022, since there is no effective hedge for the interest and other movements associated with the fair value change of the 2024 Cross Currency Interest Rate Swap, a fair value gain of $4.6 million is recognized in fair value gains on financial instruments, net (note 14(e)) in the condensed combined statement of net income.

The Trust has elected to record the differences resulting from the lower interest rates associated with the cross currency interest rate swaps in the condensed combined statements of net income.

## 9. SECURED DEBT

On December 17, 2021, Granite entered into a secured construction loan relating to a development project in Texas, United States. The loan has a maximum draw amount of $55.3 million (US$44.3 million) and is secured by the property under construction and related land. The loan matures on December 17, 2023 and bears interest at the US prime rate minus 90 basis points. Granite also has the option to extend the maturity date to December 17, 2024, subject to certain terms and conditions. As at March 31, 2022, the balance of the loan is $12.7 million (US$10.2 million) (December 31, 2021 – $0.8 million (US$0.6 million)).

## 10. LEASE OBLIGATIONS

As at March 31, 2022, the Trust had leases for the use of office space, office and other equipment, and ground leases for the land upon which four income-producing properties in Europe and Canada are situated. The Trust recognized these leases as right-of-use assets and recorded related lease liability obligations.

Future minimum lease payments relating to the right-of-use assets as at March 31, 2022 in aggregate for the next five years and thereafter are as follows:

| | |
|---|---|
| Remainder of 2022 | $ **342** |
| 2023 | **323** |
| 2024 | **283** |
| 2025 | **251** |
| 2026 | **224** |
| 2027 and thereafter | **30,123** |
| | **$ 31,546** |

During the three month period ended March 31, 2022, the Trust recognized $0.4 million (2021 – $0.5 million) of interest expense related to lease obligations (note 14(d)).

## 11. CURRENT LIABILITIES

### Deferred Revenue

Deferred revenue relates to prepaid and unearned revenue received from tenants and fluctuates with the timing of rental receipts.

### Bank Indebtedness

The Trust has available an unsecured revolving credit facility with a limit of $1.0 billion, maturing March 31, 2026. Draws on the credit facility are available by way of Canadian dollar, US dollar or Euro denominated loans or Canadian dollar or US dollar denominated letters of credit. The credit facility provides Granite the ability to increase the amount of the commitment by an additional aggregate principal amount of up to $500.0 million with the consent of the participating lenders. As at March 31, 2022, the Trust had no amounts drawn (December 31, 2021 – nil) from the credit facility and $2.5 million (December 31, 2021 – $1.7 million) in letters of credit issued against the facility.

**Accounts Payable and Accrued Liabilities**

| As at | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Accounts payable | **$ 2,722** | $ 5,400 |
| Commodity tax payable | **10,878** | 8,385 |
| Tenant security deposits | **6,783** | 6,822 |
| Employee unit-based compensation | **6,338** | 11,525 |
| Trustee/director unit-based compensation | **8,554** | 8,935 |
| Accrued salaries, incentives and benefits | **2,621** | 5,875 |
| Accrued interest payable | **15,166** | 7,235 |
| Accrued construction costs | **32,415** | 24,399 |
| Accrued professional fees | **1,667** | 1,641 |
| Acquisition related liabilities | **86** | 19,579 |
| Accrued property operating costs | **7,182** | 5,768 |
| Other tenant related liabilities | **5,325** | 5,511 |
| Other accrued liabilities | **1,071** | 2,169 |
| | **$ 100,808** | $ 113,244 |

## 12. DISTRIBUTIONS TO STAPLED UNITHOLDERS

Total distributions declared to stapled unitholders in the three month period ended March 31, 2022 were $50.9 million (2021 — $46.3 million) or 77.5 cents per stapled unit (2021 — 75.0 cents per stapled unit).

Distributions payable at March 31, 2022 of $17.0 million (25.8 cents per stapled unit), representing the March 2022 monthly distribution, were paid on April 14, 2022. Distributions payable at December 31, 2021 of $17.0 million were paid on January 14, 2022 and represented the December 2021 monthly distribution.

Subsequent to March 31, 2022, the distributions declared in April 2022 in the amount of $17.0 million or 25.8 cents per stapled unit will be paid on May 16, 2022.

## 13. STAPLED UNITHOLDERS' EQUITY

### (a) Unit-Based Compensation

**Incentive Stock Option Plan**

The Incentive Stock Option Plan allows for the grant of stock options or stock appreciation rights to directors, officers, employees and consultants. As at March 31, 2022 and December 31, 2021, there were no options outstanding under this plan.

### Director/Trustee Deferred Share Unit Plan

The Trust has two Non-Employee Director Share-Based Compensation Plans (the "DSPs") which provide for a deferral of up to 100% of each non-employee director's total annual remuneration, at specified levels elected by each director. A reconciliation of the changes in the notional deferred share units ("DSUs") outstanding is presented below:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Number (000s)** | **Weighted Average Grant Date Fair Value** | **Number (000s)** | **Weighted Average Grant Date Fair Value** |
| DSUs outstanding, January 1 | **85** | **$ 58.50** | 67 | $ 52.93 |
| Granted | **4** | **100.97** | 5 | 77.99 |
| **DSUs outstanding, March 31** | **89** | **$ 60.27** | 72 | $ 54.79 |

### Executive Deferred Stapled Unit Plan

The Executive Stapled Unit Plan (the "Restricted Stapled Unit Plan") of the Trust provides for the issuance of Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") and is designed to provide equity-based compensation in the form of stapled units to executives and other employees (the "Participants"). A reconciliation of the changes in notional stapled units outstanding under the Restricted Stapled Unit Plan is presented below:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Number (000s)** | **Weighted Average Grant Date Fair Value** | **Number (000s)** | **Weighted Average Grant Date Fair Value** |
| RSUs and PSUs outstanding, January 1 | **128** | **$ 67.19** | 128 | $ 59.83 |
| New grants and distributions (1) | **53** | **121.64** | 47 | 78.18 |
| PSUs added by performance factor | **27** | **96.22** | – | – |
| Settled in cash | **(42)** | **68.03** | (13) | 60.09 |
| Settled in stapled units | **(39)** | **68.03** | (17) | 60.09 |
| **RSUs and PSUs outstanding, March 31 (2)** | **127** | **$ 95.36** | 145 | $ 65.44 |

(1) Includes 29.6 RSUs and 22.0 PSUs granted during the three month period ended March 31, 2022 (2021 – 18.7 RSUs and 25.0 PSUs).

(2) Total restricted stapled units outstanding at March 31, 2022 include a total of 53.2 RSUs and 73.9 PSUs granted (2021 – 68.9 RSUs and 76.1 PSUs).

The fair value of the outstanding RSUs was $2.8 million at March 31, 2022 and is based on the market price of the Trust's stapled unit. The fair value is adjusted for changes in the market price of the Trust's stapled unit and recorded as a liability in the employee unit-based compensation payables (note 11).

The fair value of the outstanding PSUs was $3.5 million at March 31, 2022 and is recorded as a liability in the employee unit-based compensation payables (note 11). The fair value is calculated using the Monte-Carlo simulation model based on the assumptions below as well as a market adjustment factor based on the total unitholder return of the Trust's stapled units relative to the S&P/TSX Capped REIT Index.

| | |
|---|---|
| Grant date | January 1, 2022, January 1, 2021 and January 1, 2020 |
| PSUs granted | 70,821 |
| Weighted average term to expiry | 1.2 years |
| Average volatility rate | 23.3 % |
| Weighted average risk free interest rate | 2.0 % |

The Trust's unit-based compensation expense (recovery) recognized in general and administrative expenses was:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| DSUs for trustees/directors[1] | **$ (396)** | $ 263 |
| Restricted Stapled Unit Plan for executives and employees | **1,630** | 1,500 |
| **Unit-based compensation expense** | **$ 1,234** | $ 1,763 |
| **Fair value remeasurement recovery included in the above:** | | |
| DSUs for trustees/directors | **$ (767)** | $ (110) |
| Restricted Stapled Unit Plan for executives and employees | **(12)** | (3) |
| **Total fair value remeasurement recovery** | **$ (779)** | $ (113) |

(1) In respect of fees mandated and elected to be taken as DSUs.

### (b) Normal Course Issuer Bid

On May 19, 2021, Granite announced the acceptance by the Toronto Stock Exchange ("TSX") of Granite's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB"). Pursuant to the NCIB, Granite proposes to purchase through the facilities of the TSX and any alternative trading system in Canada, from time to time and if considered advisable, up to an aggregate of 6,154,057 of Granite's issued and outstanding stapled units. The NCIB commenced on May 21, 2021 and will conclude on the earlier of the date on which purchases under the bid have been completed and May 20, 2022. Pursuant to the policies of the TSX, daily purchases made by Granite through the TSX may not exceed 46,074 stapled units, subject to certain exceptions. Granite had entered into an automatic securities purchase plan with a broker in order to facilitate repurchases of the stapled units under the NCIB during specified blackout periods. Pursuant to a previous notice of intention to conduct a NCIB, Granite received approval from the TSX to purchase stapled units for the period May 21, 2020 to May 20, 2021.

During the three month periods ended March 31, 2022 and March 31, 2021, there were no stapled unit repurchases under the NCIB.

### (c) At-The-Market Equity Distribution Program

On November 3, 2021, Granite filed a prospectus supplement to the Shelf Prospectus of Granite REIT and Granite GP establishing an equity at-the-market equity distribution program (the "ATM Program"), in each of the provinces and territories of Canada, that allows it to issue and sell, at its discretion, up to $250.0 million of stapled units to the public, from time to time. Stapled units sold under the ATM Program will be sold at the prevailing market prices at the time of sale when issued, directly through the facilities of the Toronto Stock Exchange or any other recognized marketplace upon which the stapled units are listed or quoted or where the stapled units are traded in Canada.

During the three month period ended March 31, 2022, Granite issued 15,800 stapled units under the ATM Program at an average stapled unit price of $98.22 for gross proceeds of $1.5 million, and incurred issuance costs of less than $0.1 million, for net proceeds of $1.5 million. The issuance costs were recorded as a reduction to stapled unitholders' equity.

### (d) Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of the following:

| As at March 31, | 2022 | 2021 |
|---|---|---|
| Foreign currency translation (losses) gains on investments in subsidiaries, net of related hedging activities and non-controlling interests[1] | $ (74,520) | $ 61,652 |
| Fair value gains (losses) on derivatives designated as net investment hedges | 84,850 | (28,678) |
| | $ 10,330 | $ 32,974 |

(1) Includes foreign currency translation gains and losses from non-derivative financial instruments designated as net investment hedges.

## 14. RENTAL REVENUE, RECOVERIES, COSTS AND EXPENSES

(a) Rental revenue consists of:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Base rent | $ 91,175 | $ 80,293 |
| Straight-line rent amortization | 1,545 | 3,110 |
| Tenant incentive amortization | (1,154) | (1,314) |
| Property tax recoveries | 10,621 | 8,208 |
| Property insurance recoveries | 1,120 | 754 |
| Operating cost recoveries | 5,284 | 4,891 |
| | $ 108,591 | $ 95,942 |

(b) Property operating costs consist of:

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| **Non-recoverable from tenants:** | | |
| Property taxes and utilities | **$ 188** | $ 141 |
| Property insurance | **165** | 82 |
| Repairs and maintenance | **90** | 63 |
| Property management fees | **61** | 102 |
| Professional fees | **8** | 78 |
| Environmental and appraisals | **78** | 66 |
| Other | **124** | 76 |
| | **$ 714** | $ 608 |
| **Recoverable from tenants:** | | |
| Property taxes and utilities | **$ 11,636** | $ 9,188 |
| Property insurance | **1,253** | 906 |
| Repairs and maintenance | **2,901** | 2,943 |
| Property management fees | **865** | 678 |
| Other | **38** | 73 |
| | **$ 16,693** | $ 13,788 |
| **Property operating costs** | **$ 17,407** | $ 14,396 |

(c) General and administrative expenses consist of:

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Salaries, incentives and benefits | **$ 4,704** | $ 4,976 |
| Audit, legal and consulting | **957** | 777 |
| Trustee/director fees including distributions, revaluations and expenses (1) | **(345)** | 343 |
| RSU and PSU compensation expense including distributions and revaluations (1) | **1,630** | 1,500 |
| Other public entity costs | **477** | 424 |
| Office rents including property taxes and common area maintenance costs | **103** | 118 |
| Capital tax | **190** | 148 |
| Information technology costs | **513** | 436 |
| Other | **458** | 110 |
| | **$ 8,687** | $ 8,832 |
| Less: capitalized general and administrative expenses | **(269)** | (11) |
| | **$ 8,418** | $ 8,821 |

(1) For fair value remeasurement recovery amounts see note 13(a).

(d) Interest expense and other financing costs consist of:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| Interest and amortized issuance costs and modification losses relating to debentures and term loans | **$ 10,246** | $ 9,342 |
| Early redemption premium relating to 2021 Debentures (note 8(a)) | **–** | 3,963 |
| Amortization of deferred financing costs and other interest expense and charges | **901** | 1,090 |
| Interest expense related to lease obligations (note 10) | **382** | 458 |
| | **$ 11,529** | $ 14,853 |
| Less: capitalized interest | **(624)** | (59) |
| | **$ 10,905** | $ 14,794 |

(e) Fair value (gains) losses on financial instruments, net, consist of:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| Foreign exchange collar contracts, net | **$ –** | $ (65) |
| Cross currency interest rate swaps (note 8(b)) | **(4,605)** | 404 |
| | **$ (4,605)** | $ 339 |

For the three month period ended March 31, 2022, the net fair value gain on financial instruments of $4.6 million is associated with the fair value movement of the 2024 Cross Currency Interest Rate Swap. The Trust did not employ or partially employed hedge accounting for the derivative, therefore the change in fair value is recognized in fair value gains on financial instruments, net, in the condensed combined statement of net income.

For the three month period ended March 31, 2021, the net fair value loss on financial instruments of $0.3 million was mainly associated with the fair value movements of the 2021 Cross Currency Interest Rate Swap and 2024 Cross Currency Interest Rate Swap. The Trust did not employ or partially employed hedge accounting for the derivatives, therefore the change in fair value was recognized in fair value losses on financial instruments, net, in the condensed combined statement of net income.

## 15. INCOME TAXES

(a) The major components of the income tax expense are:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| Current income tax expense | **$ 1,977** | $ 2,002 |
| Deferred income tax expense | **66,499** | 35,878 |
| **Income tax expense** | **$ 68,476** | $ 37,880 |

(b) The effective income tax rate reported in the condensed combined statements of net income varies from the Canadian statutory rate for the following reasons:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| **Income before income taxes** | **$ 566,215** | $ 268,156 |
| Expected income taxes at the Canadian statutory tax rate of 26.5% (2021 - 26.5%) | **$ 150,047** | $ 71,061 |
| Income distributed and taxable to unitholders | **(62,538)** | (29,489) |
| Net foreign rate differentials | **(5,230)** | (3,861) |
| Net change in provisions for uncertain tax positions | **382** | 163 |
| Net permanent differences | **92** | 58 |
| Net effect of change in tax rates | **(11,212)** | – |
| Withholding taxes and other | **(3,065)** | (52) |
| **Income tax expense** | **$ 68,476** | $ 37,880 |

## 16. DETAILS OF CASH FLOWS

(a) Items not involving operating cash flows are shown in the following table:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| Straight-line rent amortization | **$ (1,545)** | $ (3,110) |
| Tenant incentive amortization | **1,154** | 1,314 |
| Unit-based compensation expense (note 13(a)) | **1,234** | 1,763 |
| Fair value gains on investment properties, net | **(490,622)** | (209,516) |
| Depreciation and amortization | **370** | 331 |
| Fair value (gains) losses on financial instruments, net (note 14(e)) | **(4,605)** | 339 |
| Loss on sale of investment properties, net | **408** | 155 |
| Amortization of issuance costs and modification losses relating to debentures and term loans | **408** | 428 |
| Amortization of deferred financing costs | **145** | 599 |
| Deferred income taxes (note 15(a)) | **66,499** | 35,878 |
| Early redemption premium (note 8(a)) | **–** | 3,963 |
| Other | **(43)** | (43) |
| | **$ (426,597)** | $ (167,899) |

(b) Changes in working capital balances are shown in the following table:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| Accounts receivable | **$ (2,430)** | $ (3,076) |
| Prepaid expenses and other | **(2,218)** | (1,330) |
| Accounts payable and accrued liabilities | **(6,500)** | (254) |
| Deferred revenue | **6,228** | 1,266 |
| | **$ (4,920)** | $ (3,394) |

(c) Non-cash investing and financing activities

During the three month period ended March 31, 2022, 39 thousand stapled units (2021 — 17 thousand stapled units) with a value of $3.8 million (2021 — $1.3 million) were issued under the Restricted Stapled Unit Plan (note 13(a)) and are not recorded in the condensed combined statements of cash flows.

(d) Cash and cash equivalents consist of:

| **As at** | **March 31, 2022** | **December 31, 2021** |
|---|---|---|
| Cash | **$ 227,892** | $ 401,954 |
| Short-term deposits | **560** | 559 |
| | **$ 228,452** | $ 402,513 |

## 17. FAIR VALUE AND RISK MANAGEMENT

### (a) Fair Value of Financial Instruments

The following table provides the measurement basis of financial assets and liabilities as at March 31, 2022 and December 31, 2021:

| As at | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | **Carrying Value** | **Fair Value** |
| **Financial assets** | | | | |
| Other assets | **$ 294** [(1)] | **$ 294** | $ 308 [(1)] | $ 308 |
| Cross currency interest rate swaps | **126,099** | **126,099** | 62,768 | 62,768 |
| Loan receivable | **21,458** | **21,458** | 10,471 | 10,471 |
| Accounts receivable | **12,831** | **12,831** | 10,771 | 10,771 |
| Cash and cash equivalents | **228,452** | **228,452** | 402,513 | 402,513 |
| | **$ 389,134** | **$ 389,134** | $ 486,831 | $ 486,831 |
| **Financial liabilities** | | | | |
| Unsecured debentures, net | **$1,892,098** | **$1,766,350** | $ 1,891,742 | $ 1,914,560 |
| Unsecured term loans, net | **530,190** | **530,190** | 533,347 | 533,347 |
| Secured debt | **12,704** | **12,704** | 763 | 763 |
| Cross currency interest rate swaps | **–** | **–** | 18,624 | 18,624 |
| Accounts payable and accrued liabilities | **100,808** | **100,808** | 113,244 | 113,244 |
| Distributions payable | **16,983** | **16,983** | 16,969 | 16,969 |
| | **$2,552,783** | **$2,427,035** | $ 2,574,689 | $ 2,597,507 |

(1) Long-term receivables included in other assets (note 6).

The fair values of the Trust's loan receivable, accounts receivable, cash and cash equivalents, accounts payable and accrued liabilities and distributions payable approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments. The fair value of the long-term receivable included in other assets approximates its carrying amount as the receivable bears interest at rates comparable to current market rates. The fair values of the unsecured debentures are determined using quoted market prices. The fair values of the term loans and secured debt approximate their carrying amounts as the term loans and secured debt bear interest at rates comparable to the current market rates. The fair values of the cross currency interest rate swaps are determined using market inputs quoted by their counterparties.

### (b) Fair Value Hierarchy

Fair value measurements are based on inputs of observable and unobservable market data that a market participant would use in pricing an asset or liability. IFRS establishes a fair value hierarchy which is summarized below:

Level 1: Fair value determined using quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value determined using significant observable inputs, generally either quoted prices in active markets for similar assets or liabilities or quoted prices in markets that are not active.

Level 3: Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows or similar techniques.

The following tables represent information related to the Trust's assets and liabilities measured or disclosed at fair value on a recurring and non-recurring basis and the level within the fair value hierarchy in which the fair value measurements fall.

| **As at March 31, 2022** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| **ASSETS AND LIABILITIES MEASURED OR DISCLOSED AT FAIR VALUE** | | | |
| **Assets measured at fair value** | | | |
| Investment properties (note 4) | $ – | $ – | $ 8,526,809 |
| Assets held for sale (note 5) | – | – | 32,894 |
| Cross currency interest rate swaps (note 8) | – | 126,099 | – |
| Loan receivable (note 7) | – | 21,458 | – |
| **Liabilities measured or disclosed at fair value** | | | |
| Unsecured debentures, net (note 8) | 1,766,350 | – | – |
| Unsecured term loans, net (note 8) | – | 530,190 | – |
| Secured debt (note 9) | – | 12,704 | – |
| **Net (liabilities) assets measured or disclosed at fair value** | **$ (1,766,350)** | **$ (395,337)** | **$ 8,559,703** |

| As at December 31, 2021 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **ASSETS AND LIABILITIES MEASURED OR DISCLOSED AT FAIR VALUE** | | | |
| **Assets measured at fair value** | | | |
| Investment properties (note 4) | $ – | $ – | $ 7,971,158 |
| Assets held for sale (note 5) | – | – | 64,612 |
| Cross currency interest rate swaps (note 8) | – | 62,768 | – |
| Loan receivable (note 7) | – | 10,471 | – |
| **Liabilities measured or disclosed at fair value** | | | |
| Unsecured debentures, net (note 8) | 1,914,560 | – | – |
| Unsecured term loans, net (note 8) | – | 533,347 | – |
| Secured debt (note 9) | – | 763 | – |
| Cross currency interest rate swaps (note 8) | – | 18,624 | – |
| **Net (liabilities) assets measured or disclosed at fair value** | **$ (1,914,560)** | **$ (479,495)** | **$ 8,035,770** |

For assets and liabilities that are measured at fair value on a recurring basis, the Trust determines whether transfers between the levels of the fair value hierarchy have occurred by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the three month period ended March 31, 2022 and the year ended December 31, 2021, there were no transfers between the levels.

### (c) Risk Management

*Foreign exchange risk*

As at March 31, 2022, the Trust is exposed to foreign exchange risk primarily in respect of movements in the Euro and the US dollar. The Trust is structured such that its foreign operations are primarily conducted by entities with a functional currency which is the same as the economic environment in which the operations take place. As a result, the net income impact of currency risk associated with financial instruments is limited as its financial assets and liabilities are generally denominated in the functional currency of the subsidiary that holds the financial instrument. However, the Trust is exposed to foreign currency risk on its net investment in its foreign currency denominated operations and certain Trust level foreign currency denominated assets and liabilities. At March 31, 2022, the Trust's foreign currency denominated net assets are $6.1 billion primarily in US dollars and Euros. A 1% change in the US dollar and Euro exchange rates relative to the Canadian dollar would result in a gain or loss of approximately $41.1 million and $19.3 million, respectively, to comprehensive income.

## 18. COMBINED FINANCIAL INFORMATION

The condensed combined financial statements include the financial position and results of operations and cash flows of each of Granite REIT and Granite GP. Below is a summary of the financial information for each entity along with the elimination entries and other adjustments that aggregate to the condensed combined financial statements:

| Balance Sheet | As at March 31, 2022 | | | |
|---|---|---|---|---|
| | Granite REIT | Granite GP | Eliminations/ Adjustments | Granite REIT and Granite GP Combined |
| **ASSETS** | | | | |
| **Non-current assets:** | | | | |
| Investment properties | $8,526,809 | | | $8,526,809 |
| Investment in Granite LP[1] | – | 43 | (43) | – |
| Other non-current assets | 157,717 | | | 157,717 |
| | 8,684,526 | 43 | (43) | 8,684,526 |
| **Current assets:** | | | | |
| Assets held for sale | 32,894 | | | 32,894 |
| Other current assets | 46,688 | 5 | | 46,693 |
| Intercompany receivable[2] | – | 12,744 | (12,744) | – |
| Cash and cash equivalents | 227,277 | 1,175 | | 228,452 |
| **Total assets** | $8,991,385 | 13,967 | (12,787) | $8,992,565 |
| **LIABILITIES AND EQUITY** | | | | |
| **Non-current liabilities:** | | | | |
| Unsecured debt, net | $2,422,288 | | | $2,422,288 |
| Other non-current liabilities | 700,282 | | | 700,282 |
| | 3,122,570 | | | 3,122,570 |
| **Current liabilities:** | | | | |
| Intercompany payable [2] | 12,744 | | (12,744) | – |
| Other current liabilities | 143,340 | 13,924 | | 157,264 |
| **Total liabilities** | 3,278,654 | 13,924 | (12,744) | 3,279,834 |
| **Equity:** | | | | |
| Stapled unitholders' equity | 5,709,076 | 43 | | 5,709,119 |
| Non-controlling interests | 3,655 | | (43) | 3,612 |
| **Total liabilities and equity** | $8,991,385 | 13,967 | (12,787) | $8,992,565 |

(1) Granite REIT Holdings Limited Partnership ("Granite LP") is 100% owned by Granite REIT and Granite GP.

(2) Represents employee and trustee/director compensation related amounts which will be reimbursed by Granite LP.

| Balance Sheet | As at December 31, 2021 | | | |
|---|---|---|---|---|
| | Granite REIT | Granite GP | Eliminations/ Adjustments | Granite REIT and Granite GP Combined |
| **ASSETS** | | | | |
| **Non-current assets:** | | | | |
| Investment properties | $7,971,158 | | | $7,971,158 |
| Investment in Granite LP[1] | – | 38 | (38) | – |
| Other non-current assets | 109,010 | | | 109,010 |
| | 8,080,168 | 38 | (38) | 8,080,168 |
| **Current assets:** | | | | |
| Assets held for sale | 64,612 | | | 64,612 |
| Other current assets | 19,404 | | | 19,404 |
| Intercompany receivable[2] | – | 21,429 | (21,429) | – |
| Cash and cash equivalents | 402,059 | 454 | | 402,513 |
| **Total assets** | **$8,566,243** | **21,921** | **(21,467)** | **$8,566,697** |
| **LIABILITIES AND EQUITY** | | | | |
| **Non-current liabilities:** | | | | |
| Unsecured debt, net | $2,425,089 | | | $2,425,089 |
| Other non-current liabilities | 655,699 | | | 655,699 |
| | 3,080,788 | | | 3,080,788 |
| **Current liabilities:** | | | | |
| Intercompany payable[2] | 21,429 | | (21,429) | – |
| Other current liabilities | 142,492 | 21,883 | | 164,375 |
| **Total liabilities** | 3,244,709 | 21,883 | (21,429) | 3,245,163 |
| **Equity:** | | | | |
| Stapled unitholders' equity | 5,318,615 | 38 | | 5,318,653 |
| Non-controlling interests | 2,919 | | (38) | 2,881 |
| **Total liabilities and equity** | **$8,566,243** | **21,921** | **(21,467)** | **$8,566,697** |

(1) Granite LP is 100% owned by Granite REIT and Granite GP.

(2) Represents employee and trustee/director compensation related amounts which will be reimbursed by Granite LP.

| Income Statement | Three Months Ended March 31, 2022 | | | |
|---|---|---|---|---|
| | Granite REIT | Granite GP | Eliminations/ Adjustments | Granite REIT and Granite GP Combined |
| **Revenue** | **$108,591** | | | **$108,591** |
| General and administrative expenses | **8,418** | | | **8,418** |
| Interest expense and other financing costs | **10,905** | | | **10,905** |
| Other costs and expenses, net | **17,872** | | | **17,872** |
| Share of (income) loss of Granite LP | **–** | **(5)** | **5** | **–** |
| Fair value gains on investment properties, net | **(490,622)** | | | **(490,622)** |
| Fair value gains on financial instruments, net | **(4,605)** | | | **(4,605)** |
| Loss on sale of investment properties | **408** | | | **408** |
| **Income before income taxes** | **566,215** | **5** | **(5)** | **566,215** |
| Income tax expense | **68,476** | | | **68,476** |
| **Net income** | **497,739** | **5** | **(5)** | **497,739** |
| Less net income attributable to non-controlling interests | **7** | | **(5)** | **2** |
| **Net income attributable to stapled unitholders** | **$497,732** | **5** | **–** | **$497,737** |

| Income Statement | Three Months Ended March 31, 2021 | | | |
|---|---|---|---|---|
| | Granite REIT | Granite GP | Eliminations/ Adjustments | Granite REIT and Granite GP Combined |
| **Revenue** | $ 95,942 | | | $ 95,942 |
| General and administrative expenses | 8,821 | | | 8,821 |
| Interest expense and other financing costs | 14,794 | | | 14,794 |
| Other costs and expenses, net | 13,193 | | | 13,193 |
| Share of (income) loss of Granite LP | – | (2) | 2 | – |
| Fair value gains on investment properties, net | (209,516) | | | (209,516) |
| Fair value losses on financial instruments, net | 339 | | | 339 |
| Loss on sale of investment properties | 155 | | | 155 |
| **Income before income taxes** | 268,156 | 2 | (2) | 268,156 |
| Income tax expense | 37,880 | | | 37,880 |
| **Net income** | 230,276 | 2 | (2) | 230,276 |
| Less net income attributable to non-controlling interests | 145 | | (2) | 143 |
| **Net income attributable to stapled unitholders** | **$230,131** | **2** | **–** | **$230,133** |

| Statement of Cash Flows | Three Months Ended March 31, 2022 | | | |
|---|---|---|---|---|
| | Granite REIT | Granite GP | Eliminations/ Adjustments | Granite REIT and Granite GP Combined |
| **OPERATING ACTIVITIES** | | | | |
| Net income | $ 497,739 | 5 | (5) | $ 497,739 |
| Items not involving operating cash flows | (426,597) | (5) | 5 | (426,597) |
| Changes in working capital balances | (5,641) | 721 | | (4,920) |
| Other operating activities | 4,282 | | | 4,282 |
| **Cash provided by operating activities** | 69,783 | 721 | – | 70,504 |
| **INVESTING ACTIVITIES** | | | | |
| Property acquisitions | (161,310) | | | (161,310) |
| Proceeds from disposals, net | 34,078 | | | 34,078 |
| Additions to income-producing properties | (5,742) | | | (5,742) |
| Additions to properties under development | (47,316) | | | (47,316) |
| Construction funds in escrow | (1,753) | | | (1,753) |
| Other investing activities | (16,859) | | | (16,859) |
| **Cash used in investing activities** | (198,902) | – | – | (198,902) |
| **FINANCING ACTIVITIES** | | | | |
| Distributions paid | (50,907) | | | (50,907) |
| Other financing activities | 6,820 | | | 6,820 |
| **Cash used in financing activities** | (44,087) | – | – | (44,087) |
| **Effect of exchange rate changes** | (1,576) | | | (1,576) |
| **Net (decrease) increase in cash and cash equivalents during the period** | $(174,782) | 721 | – | $(174,061) |

| Statement of Cash Flows | Three Months Ended March 31, 2021 | | | |
|---|---|---|---|---|
| | Granite REIT | Granite GP | Eliminations/ Adjustments | Granite REIT and Granite GP Combined |
| **OPERATING ACTIVITIES** | | | | |
| Net income | $ 230,276 | 2 | (2) | $ 230,276 |
| Items not involving operating cash flows | (167,899) | (2) | 2 | (167,899) |
| Changes in working capital balances | (3,699) | 305 | | (3,394) |
| Other operating activities | 5,322 | | | 5,322 |
| **Cash provided by operating activities** | 64,000 | 305 | – | 64,305 |
| **INVESTING ACTIVITIES** | | | | |
| Property acquisitions | (85,913) | | | (85,913) |
| Proceeds from disposals, net | 10,395 | | | 10,395 |
| Additions to income-producing properties | (4,112) | | | (4,112) |
| Additions to properties under development | (8,309) | | | (8,309) |
| Construction funds released from escrow | 28 | | | 28 |
| Other investing activities | (671) | | | (671) |
| **Cash used in investing activities** | (88,582) | – | – | (88,582) |
| **FINANCING ACTIVITIES** | | | | |
| Distributions paid | (46,263) | | | (46,263) |
| Other financing activities | (275,846) | | | (275,846) |
| **Cash used in financing activities** | (322,109) | – | – | (322,109) |
| **Effect of exchange rate changes** | (4,183) | | | (4,183) |
| **Net (decrease) increase in cash and cash equivalents during the period** | **$(350,874)** | **305** | **–** | **$(350,569)** |

## 19. COMMITMENTS AND CONTINGENCIES

(a) The Trust is subject to various legal proceedings and claims that arise in the ordinary course of business. Management evaluates all claims with the advice of legal counsel. Management believes these claims are generally covered by Granite's insurance policies and that any liability from remaining claims is not probable to occur and would not have a material adverse effect on the condensed combined financial statements. However, actual outcomes may differ from management's expectations.

(b) As at March 31, 2022, the Trust's contractual commitments totaled $409.0 million which comprised of construction and development projects of $240.3 million and the committed acquisitions of two properties in Indiana and a property in the Netherlands upon completion totaling $168.7 million. As at March 31, 2022, the Trust has made deposits of $18.6 million in respect of the above committed acquisitions. The deposits are recorded as acquisition deposits on the condensed combined balance sheet.

(c) In connection with the acquisitions of investment properties located in Palmetto, Georgia on November 12, 2020 and in Locust Grove, Georgia on March 12, 2021, $121.2 million (US$97.1 million) of bonds were assumed. The authorized amount of the bonds is $129.8 million (US$104.0 million), of which $121.2 million (US$97.1 million) was outstanding as at March 31, 2022. The bonds provide for a real estate tax abatement for the acquired investment properties. Through a series of transactions, the Trust is both the bondholder and the obligor of the bonds. Therefore, in accordance with IAS 32, the bonds are not recorded in the condensed combined balance sheet.

The Trust is involved, in the normal course of business, in discussions, and has various letters of intent or conditional agreements, with respect to possible acquisitions of new properties and dispositions of existing properties in its portfolio. None of these commitments or contingencies, individually or in aggregate, would have a material impact on the condensed combined financial statements.

## 20. SUBSEQUENT EVENTS

(a) Subsequent to March 31, 2022, the Trust declared monthly distributions for April 2022 of $17.0 million (note 12).

(b) Subsequent to March 31, 2022, Granite issued 120,300 stapled units under the ATM Program at an average stapled unit price of $98.84 for gross proceeds of $11.9 million excluding issuance costs.

(c) On April 14, 2022, Granite acquired two income-producing properties in Clayton, Indiana for $179.1 million (US$141.8 million) excluding transaction costs, which was funded with cash on hand and borrowings on the unsecured revolving credit facility.

(d) On May 5, 2022, Granite acquired a property under development in Bolingbrook, Illinois for $14.5 million, (US$11.3 million) excluding transaction costs, which was funded with cash on hand.

# REIT Information



**Officers**

**Kevan Gorrie**
*President and Chief Executive Officer*

**Teresa Neto**
*Chief Financial Officer*

**Lorne Kumer**
*Executive Vice President,*
*Head of Global Real Estate*

**Michael Ramparas**
*Executive Vice President,*
*Global Real Estate and*
*Head of Investments*

**Lawrence Clarfield**
*Executive Vice President,*
*General Counsel and*
*Corporate Secretary*

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*Chief Financial Officer*
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**Exchange Listings**

Stapled Units – Toronto Stock Exchange (GRT.UN) and New York Stock Exchange (GRP.U)

Please refer to our website (www.granitereit.com) for information on Granite's compliance with the corporate governance standards of the New York Stock Exchange and applicable Canadian standards and guidelines.

**Publicly Available Documents**

Copies of the financial statements for the year ended December 31, 2021 are available through the Internet on the Electronic Data Gathering Analysis and Retrieval System (EDGAR), which can be accessed at www.sec.gov, and on the System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com. Other required securities filings can also be found on EDGAR and SEDAR.

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