GRANITE
REIT

Third Quarter Report
2019

Table of Contents

TABLE OF CONTENTS

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 and nine month periods ended September 30, 2019. 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 and nine month periods ended September 30, 2019 and the audited combined financial statements for the year ended December 31, 2018 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The MD&A was prepared as at November 5, 2019 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 2018, 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 measures 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. These non-IFRS 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, funds from operations ("FFO"), adjusted funds from operations ("AFFO"), 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. 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. Refer to "*NON-IFRS MEASURES*" for definitions and reconciliations of non-IFRS measures to IFRS financial measures.

FINANCIAL AND OPERATING HIGHLIGHTS

(in millions, except as noted)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Operating highlights				
Revenue	**$ 68.8**	$ 63.8	**$ 200.1**	$ 187.6
NOI — cash basis[1]	**60.3**	56.4	**173.7**	163.9
Net income attributable to stapled unitholders	**114.5**	157.8	**291.5**	379.3
FFO[1][2]	**45.8**	39.1	**129.6**	128.0
AFFO[1][2]	**44.6**	37.7	**126.2**	98.3
Cash flows provided from operating activities	**42.8**	40.6	**133.3**	123.1
Monthly distributions paid	**34.6**	31.1	**100.2**	94.0
Special distribution paid	**—**	—	**13.7**	—
FFO payout ratio[1][3]	**76%**	80%	**79%**	79%
AFFO payout ratio[1][3]	**78%**	82%	**81%**	96%
Per unit amounts				
Diluted FFO[1][2]	**$ 0.93**	$ 0.86	**$ 2.71**	$ 2.79
Diluted AFFO[1][2]	**$ 0.90**	$ 0.82	**$ 2.64**	$ 2.14
Monthly distributions paid	**$ 0.70**	$ 0.68	**$ 2.10**	$ 2.04
Special distribution paid	**—**	—	**$ 0.30**	—
Diluted weighted average number of units	**49.5**	45.8	**47.9**	45.9

As at September 30, 2019 and December 31, 2018	**2019**	**2018**
Financial highlights		
Investment properties — fair value[4]	**$3,938.3**	$3,425.0
Assets held for sale[4]	**48.3**	44.2
Cash and cash equivalents	**455.4**	658.2
Total debt[5]	**1,253.2**	1,303.2
Trading price per unit (TSX: GRT.UN)	**$ 64.15**	$ 53.21
Debt metrics, ratings and outlook		
Net leverage ratio[1]	**20%**	19%
Interest coverage ratio[1]	**9.9x**	9.4x
Indebtedness ratio (total debt to adjusted EBITDA)[1]	**6.4x**	7.0x
Weighted average cost of debt[6]	**2.17%**	2.17%
Weighted average debt term-to-maturity, in years[6]	**4.0**	4.7
DBRS rating and outlook	**BBB stable**	BBB stable
Moody's rating and outlook	**Baa2 stable**	Baa2 stable
Property metrics[4]		
Number of investment properties	**86**	84
Income-producing properties	**80**	80
Properties under development	**3**	2
Land held for development	**3**	2
Gross leasable area ("GLA"), square feet	**34.9**	32.2
Occupancy, by GLA	**99.7%**	99.1%
Magna as a percentage of annualized revenue[7]	**47%**	54%
Magna as a percentage of GLA	**40%**	47%
Weighted average lease term in years, by GLA	**6.0**	6.0
Overall capitalization rate[8]	**6.2%**	6.7%

(1) For definitions of Granite's non-IFRS measures, refer to the section "*NON-IFRS MEASURES*".

(2) For the nine months ended September 30, 2019, Granite recognized $0.9 million ($0.02 per unit) in revenue related to lease termination and close-out fees. For the nine months ended September 30, 2018, Granite recognized $1.0 million ($0.02 per unit) in revenue related to a lease termination and close-out fee and a net $8.5 million ($0.19 per unit) realized foreign exchange gain during the period on the remeasurement of US dollar cash proceeds from the sale of investment properties in January 2018. FFO, AFFO and the per unit amounts include the aforementioned items. In the first quarter of 2018, Granite also paid $9.1 million ($0.19 per unit) related to a tenant incentive allowance for a 2014 lease extension at the Eurostar facility in Graz, Austria. AFFO and AFFO per unit amounts have been reduced by this $9.1 million tenant allowance payment.

(3) The FFO and AFFO payout ratios are calculated as monthly distributions, which exclude the special distribution, declared to unitholders divided by FFO and AFFO, respectively, in a period. For comparative purposes, the FFO payout ratio and AFFO payout ratio for the nine months ended September 30, 2019 and 2018 exclude the lease termination and close-out fees of $0.9 million and $1.0 million, respectively, as well as the net $8.5 million realized foreign exchange gain relating to the remeasurement of US dollar cash proceeds from the sale of properties during the nine months ended September 30, 2018. AFFO payout ratio further excludes the $9.1 million tenant incentive payment made in 2018 in connection with the 2014 lease extension at the Eurostar facility.

(4) Assets held for sale are excluded from investment properties and related property metrics. Accordingly, six such assets that were held for sale at September 30, 2019 and six such assets that were held for sale at December 31, 2018 were excluded from investment properties and related property metrics at September 30, 2019 and December 31, 2018, respectively, throughout this MD&A.

(5) The Trust has adopted IFRS 16, *Leases* effective January 1, 2019 resulting in the recognition of lease obligations on the combined balance sheet and, thereby, included in total debt (see "*NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS"*).

(6) Excludes lease obligations noted above. Proforma the refinancing and extension of the US$185 million term loan (see "*SIGNIFICANT MATTERS"*), the weighted average cost of debt and weighted average debt term-to-maturity are expected to be 2.02% and 4.4 years, respectively.

(7) Annualized revenue for each period presented is calculated as rental revenue excluding tenant recoveries, recognized in accordance with IFRS, in the reported month multiplied by 12 months.

(8) Refer to "Valuation Metrics by Investment Property Asset Category" in the *"Investment Properties"* section.

BUSINESS OVERVIEW AND STRATEGIC OUTLOOK

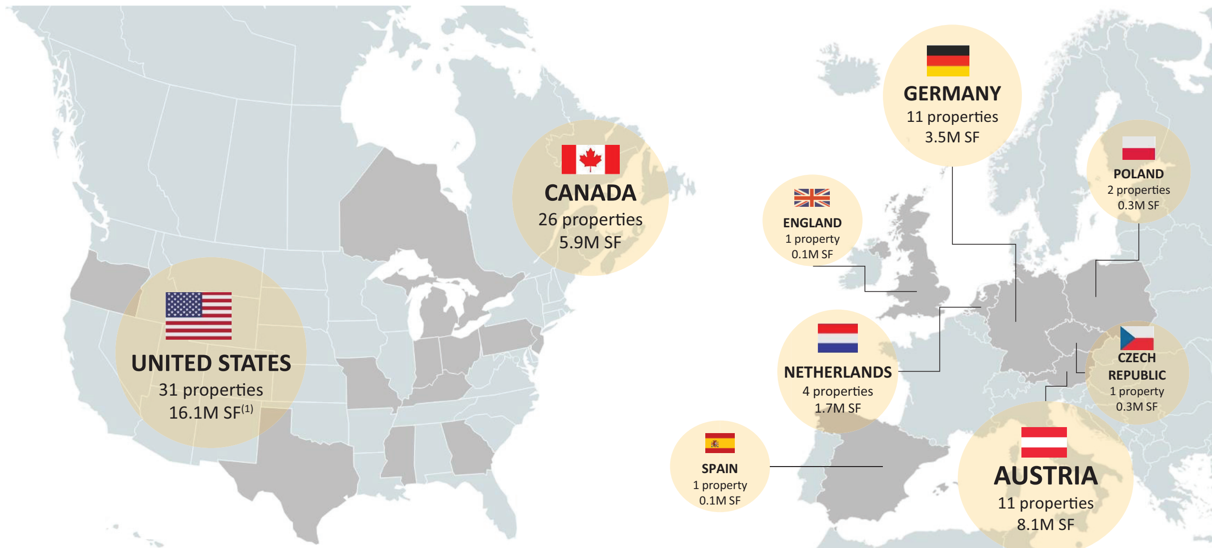
Business Overview

Granite is a Canadian-based real estate investment trust ("REIT") engaged in the acquisition, development, ownership and management of industrial, warehouse and logistics properties in North America and Europe. As at November 5, 2019, Granite owns 88 investment properties in nine countries having approximately 36.1 million square feet of gross leasable area. The tenant base includes Magna International Inc. and its operating subsidiaries (collectively, "Magna") as the largest tenant, in addition to tenants from various other industries. Properties leased to Magna are generally leased to operating subsidiaries of Magna International Inc. and the terms of the leases are not guaranteed by the parent company except for certain leases wherein the parent is the tenant.

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 of light industrial properties, heavy industrial manufacturing facilities, distribution/warehouse and logistics properties, corporate offices, product development and engineering centres and test facilities. The lease payments are primarily denominated in three currencies: the Canadian dollar ("$"), the Euro ("€") and the US dollar ("US$"). Granite's investment properties (excluding six assets held for sale) by geographic location, property count and square footage as at November 5, 2019 are summarized below:

Investment Properties Summary[(1)]

Nine countries/88 properties/36.1 million square feet



(1) Includes two income-producing properties in the United States representing 1.2 million square feet of GLA acquired subsequent to September 30, 2019.

Strategic Outlook

Management continues to identify and pursue value creation and investment opportunities that will generate superior long-term total return 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 optimize its balance sheet; and to reduce its exposure to Magna and the special purpose properties (see *"INVESTMENT PROPERTIES")* over the long-term.

Following the sale of 23 non-core properties in 2018 and 2019 and the recent equity offerings, Granite has positioned itself financially to capitalize on a strong pipeline of acquisition and development opportunities within its geographic footprint and execute on its strategic plan.

As Granite looks to the remainder of 2019 and 2020, its priorities are as follows:

- Strategically deploy the proceeds from the recent equity offerings and property dispositions;
- Accelerate growth in its target markets in North America and Europe primarily through property and portfolio acquisitions as well as through the development of modern logistics and e-commerce assets and selective joint venture arrangements;
- Continue to dispose of select non-core assets;
- Maintain a target occupancy in excess of 98%;
- Enhance Granite's global platform;

- Grow net asset value as well as FFO and AFFO per unit through intensive asset management;
- Maintain lower leverage providing balance sheet flexibility and liquidity; and
- Pursue development opportunities within the existing portfolio.

SIGNIFICANT MATTERS

Property Acquisitions

During the nine months ended September 30, 2019, Granite acquired seven income-producing modern industrial properties in Canada, the United States and the Netherlands and a parcel of development land in the United States. Subsequent to the quarter end, Granite acquired two income-producing properties in the United States. Property acquisitions consisted of the following:

Acquisitions *(in millions, except as noted)* **Property Address**	**Location**	**Sq ft[1]**	**Weighted Average Lease Term, in years by sq ft[1]**	**Date Acquired**	**Property Purchase Price[2]**	**In-going Yield[1]**
Acquired during the nine months ended September 30, 2019:						
Income-producing properties:						
201 Sunridge Boulevard	Wilmer, TX	0.8	9.5	Mar 1, 2019	**$ 58.1**	5.1%
3501 North Lancaster Hutchins Road	Lancaster, TX	0.2	10.4	Mar 1, 2019	**106.1**	6.8%
Leasehold interest in two properties: 2020 and 2095 Logistics Drive	Mississauga, ON	0.9	8.7	Apr 9, 2019	**153.6[3]**	4.5%
1901 Beggrow Street	Columbus, OH	0.8	4.7	May 23, 2019	**71.6**	5.7%
Heirweg 3	Born, Netherlands	0.3	7.6	Jul 8, 2019	**25.7**	6.1%
1222 Commerce Parkway	Horn Lake, MS	0.3	4.8	Aug 1, 2019	**24.5**	5.7%
Development land:						
8320 Stedman Street	Houston, TX	N/A	N/A	Jul 1, 2019	**33.4**	N/A
Acquired between October 1, 2019 and November 5, 2019:						
831 North Graham Road	Greenwood, IN	0.5	7.0	Oct 4, 2019	**39.6**	5.7%
100 Clyde Alexander Lane	Pooler, GA	0.7	3.1	Oct 18, 2019	**62.4**	6.0%
		4.5	**6.8**		**$575.0**	**5.6%**

(1) As at the date of acquisition.

(2) Purchase price does not include transaction costs associated with property acquisitions.

(3) Excludes the right-of-use asset of $20.5 million associated with a ground lease (see "*NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS*").

On July 1, 2019, Granite, in partnership with NorthPoint Development, acquired a greenfield site in Houston, Texas for $33.4 million (US$25.4 million) for the future development of up to a 2.5 million square foot multi-phased business park capable of accommodating buildings ranging from 0.3 million to 1.2 million square feet. Speculative construction of the initial phase, consisting of two buildings totaling 0.7 million square feet, is anticipated to begin in the fourth quarter of 2019. Granite's partner, NorthPoint Development, will act as development manager for the project.

On July 8, 2019, Granite acquired a distribution centre situated on 7.4 acres of land in Born, Netherlands for $25.7 million (€17.5 million). Constructed in 2008, the property is 100% leased to Broekman Logistics.

On August 1, 2019, Granite acquired a 32 foot clear height distribution centre situated on 20.9 acres of land in Horn Lake, Mississippi for total consideration of $24.5 million (US$18.5 million). The property was constructed in 2018 and is 100% leased to DSV Solutions and EPE Industries.

On October 4, 2019, Granite acquired a newly constructed, 36 foot clear height modern distribution centre, situated on 31.4 acres of land in Greenwood (Indianapolis), Indiana for $39.6 million (US$29.7 million). This state-of-the-art facility was completed in 2018 and is 100% leased to Spreetail, a private e-commerce provider of home and garden consumer goods, for a remaining lease term of 7.0 years. Greenwood is a desirable industrial node situated 15 miles from the FedEx Air Hub and the Indianapolis International Airport and also benefits from easy access to the I-65, which connects the property to Louisville and the UPS Worldport air hub.

On October 18, 2019, Granite acquired a 32 foot clear height distribution centre situated on 48.3 acres of land in Pooler (Savannah), Georgia, adjacent to Granite's existing property at 101 Clyde Alexander Lane, for $62.4 million (US$47.5 million). The subject property is 100% leased to Best Choice Products, an e-commerce provider with a focus on home furnishings, toys and appliances, for a remaining lease term of 3.1 years. The property is situated close to major distribution modes, including the Port of Savannah, the Savannah-Hilton International Airport, the CSX Intermodal Yard and the I-95 and I-16 interstate highways.

Acquisition, Construction and Development Commitments

As at the date of this MD&A, Granite had the following property purchase and construction and development commitments:

Commitments *(in millions, except as noted)* **Property Location**	**Additional sq ft**	**Accruals/ Payments/ Deposits Made[1]**	**Future Commitments**	**Total Cost**	**Year-One Stabilized Yield**
As at September 30, 2019:					
Demolition phase of property under development in Altbach, Germany	—	$ 1.1	$ 0.5	**$ 1.6**	N/A
Expansion of 2095 Logistics Drive, Mississauga, ON	0.1	—	9.0	**9.0**	8.9%
Property under development in Indiana	0.5	12.8	18.7	**31.5**	6.8%
Two development properties in Texas as well as other construction commitments	3.5	29.5	310.5	**340.0**	5.7%
	4.1	**$43.4**	**$338.7**	**$382.1**	**5.9%**

(1) As at September 30, 2019.

A deposit of $26.2 million (US$20.0 million) was made during 2018 in connection with a contractual commitment to acquire a property, 1301 Chalk Hill Road, under development in the state of Texas. 1301 Chalk Hill Road is a state-of-the-art 2.3 million square feet, multi-level e-commerce fulfillment centre, situated on 101 acres of land in Dallas, Texas. The newly constructed property is 100% leased to a leading global e-commerce provider for an initial lease term of 20 years. Key physical attributes include 41 foot clear height, white TPO roof, air conditioning throughout, interior and exterior LED lighting, 2,500 auto parking spaces, 300 trailer spaces and a site coverage ratio of 19.3%. The site is strategically located within Dallas' Pinnacle/Turnpike submarket, approximately 7 miles west of downtown Dallas. The property benefits from exceptional access to Interstate 30 and Dallas' extensive air and road logistics systems, as well as a population base and labour force ideal for last mile and regional service. This commitment to purchase the property is subject to customary closing conditions and is expected to close in the fourth quarter of 2019. On October 15, 2019, the tenant waived its purchase rights under the lease to acquire the property.

During the first quarter of 2019, Granite entered into an agreement for approximately $1.6 million (€1.1 million) to demolish an existing building on a 13-acre site in Altbach, Germany. As at November 5, 2019, the demolition of the property is substantially complete and construction of a 0.3 million square foot distribution/light industrial facility is expected to commence in the first quarter of 2020, subject to receipt of all required permits and state approval.

Property Dispositions

During the nine months ended September 30, 2019, seven properties previously classified as assets held for sale were disposed of for approximately $56.9 million. The properties consisted of the following:

Dispositions *(in millions, except as noted)* Property Address	Location	Sq ft	Date Disposed	Sale Price	Annualized Revenue[1]
3 Walker Drive (a nine-acre parcel of land)	Brampton, ON	N/A	Jan 15, 2019	**$13.4**	**$ —**
Iowa properties (four properties):					
403 S 8th Street	Montezuma, IA				
1951 A Avenue	Victor, IA				
408 N Maplewood Avenue	Williamsburg, IA				
411 N Maplewood Avenue	Williamsburg, IA	0.6	Feb 25, 2019	**22.3**	**2.2**
375 Edward Street	Richmond Hill, ON	0.1	Feb 27, 2019	**8.1**	**—**
330 Finchdene Square	Toronto, ON	0.1	Sept 20, 2019	**13.1**	**—**
		0.8		**$56.9**	**$2.2**

(1) Annualized revenue is calculated as rental revenue excluding tenant recoveries, recognized in accordance with IFRS, in the month the property was first classified as an asset held for sale multiplied by 12 months.

Assets Held for Sale

As at September 30, 2019, six investment properties located in Canada and the United States were classified as assets held for sale. The six properties, having an aggregate fair value of $48.3 million, consisted of the following:

Held for Sale *(in millions, except as noted)* Property Address	Location	Sq ft	Fair Value	Annualized Revenue[1]
Michigan properties (five properties):				
6151 Bancroft Avenue	Alto, MI			
3501 John F Donnelly Drive	Holland, MI			
3575 128th Avenue	Holland, MI			
3601 John F Donnelly Drive	Holland, MI			
1800 Hayes Street	Grand Haven, MI	0.7	$38.4	$3.6
200 Industrial Parkway	Aurora, ON	0.2	9.9	0.8
		0.9	**$48.3**	**$4.4**

(1) Annualized revenue is calculated as rental revenue excluding tenant recoveries, recognized in accordance with IFRS, in the month the property was first classified as an asset held for sale multiplied by 12 months.

These aforementioned properties were classified as assets held for sale on the combined balance sheet at September 30, 2019 and were excluded from the value of investment properties. These properties are also excluded from references to investment properties and related property metrics as at September 30, 2019 throughout this MD&A. On November 4, 2019, the property in Aurora, Ontario was sold for gross proceeds of $10.0 million.

Refinancing and Extension of US$185 Million Term Loan

On October 10, 2019, Granite extended and refinanced its US$185 million term loan. The term loan, which had an original maturity date of December 19, 2022, has been extended two years to December 19, 2024. The previously existing cross currency interest rate swap relating to the term loan was terminated on September 24, 2019 and blended into a new cross currency interest rate swap resulting in Euro denominated payments at a 0.522% fixed interest rate, approximately 70 basis points lower than the previous rate. The refinancing is expected to result in interest expense savings of approximately $1.6 million or $0.03 per stapled unit of adjusted funds from operations, annually.

Bought Deal Equity Offering

On October 31, 2019, Granite completed an offering of 4,000,000 stapled units at a price of $64.00 per unit for gross proceeds of approximately $256 million. On October 28, 2019, the syndicate of underwriters elected, pursuant to the terms of the underwriting agreement in respect of the offering, to exercise its over-allotment option in full, resulting in the issuance of an additional 600,000 stapled units on October 31, 2019 for additional gross proceeds of $38.4 million. The aggregate gross proceeds raised pursuant to the offering, including the exercise of the over-allotment option (the ''Offering''), were $294.4 million. The net proceeds received by Granite after deducting the underwriters' fees and the estimated expenses of the Offering were approximately $281.6 million. Subsequent to the Offering and as at November 5, 2019, Granite had 54,052,708 stapled units issued and outstanding.

Granite intends to use the net proceeds from the Offering to fund a portion of Granite's recently announced acquisition in Texas, commitments under existing development projects, potential future acquisitions and for general trust purposes.

Increase in Distributions

On November 5, 2019, the Trust increased its targeted annualized distribution by 3.6% to $2.90 ($0.242 cents per month) per stapled unit from $2.80 per stapled unit, to be effective upon the declaration of the distribution in respect of the month of December 2019 and payable in mid-January 2020.

RESULTS OF OPERATIONS

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 September 30,			Nine Months Ended September 30,					
	2019	2018	Change	2019	2018	Change	September 30, 2019	December 31, 2018	Change
$ per €1.00	**1.468**	1.520	(3%)	**1.493**	1.538	(3%)	**1.445**	1.563	(8%)
$ per US$1.00 . . .	**1.321**	1.307	1%	**1.329**	1.288	3%	**1.324**	1.364	(3%)

For the three and nine months ended September 30, 2019 compared to the prior year periods, the average exchange rates of the Canadian dollar relative to the Euro and US dollar were lower and higher, respectively, which on a comparative basis, decreased the Canadian dollar equivalent of revenue and expenses from Granite's European operations and increased the Canadian dollar equivalent of revenue and expenses from Granite's US operations.

The period end exchange rates of the Canadian dollar relative to the Euro and US dollar on September 30, 2019 were lower when compared to the December 31, 2018 exchange rates. As a result, the Canadian dollar equivalent of assets and liabilities from Granite's European and US subsidiaries were lower when compared to December 31, 2018.

On a net basis, the effect of the changes in exchange rates on Granite's operating results for the three and nine months ended September 30, 2019 was as follows:

Effects of Changes in Exchange Rates on Operating Results

	Three Months Ended September 30,	Nine Months Ended September 30,
(in millions, except per unit information)	**2019 vs 2018**	**2019 vs 2018**
Decrease in revenue	$ (0.7)	$ (0.3)
Decrease in NOI — cash basis	(0.7)	(0.6)
Increase (decrease) in net income	(0.4)	0.3
Increase (decrease) in FFO	(0.3)	1.1
Increase (decrease) in AFFO	(0.3)	0.8
Increase (decrease) in FFO per unit	$(0.01)	$0.02
Increase (decrease) in AFFO per unit	$(0.01)	$0.02

Operating Results

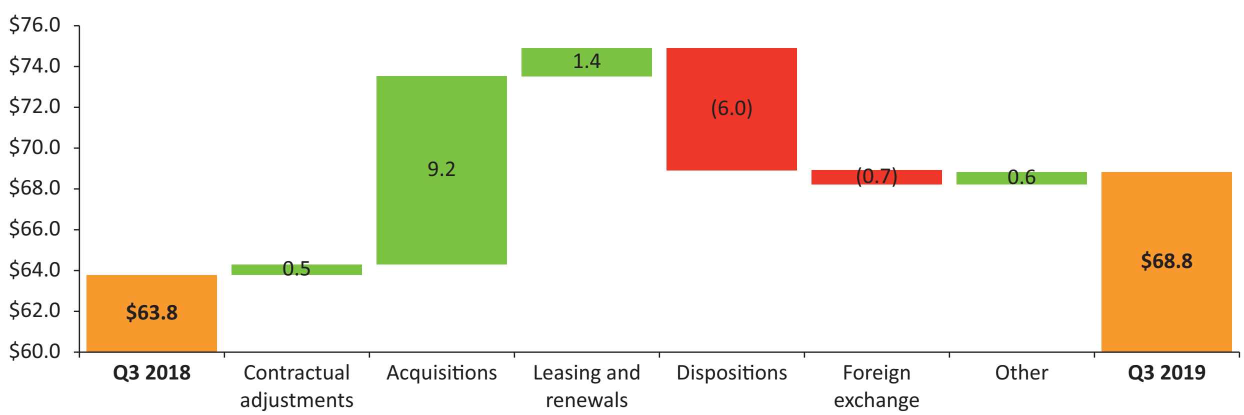
Revenue

Revenue

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	**2018**	**$ change**	**2019**	**2018**	**$ change**
Rental revenue	**$60.6**	$57.2	3.4	**$176.0**	$166.5	9.5
Tenant recoveries	**8.2**	6.6	1.6	**23.2**	20.1	3.1
Lease termination and close-out fees	**—**	—	—	**0.9**	1.0	(0.1)
Revenue	**$68.8**	$63.8	5.0	**$200.1**	$187.6	12.5

Revenue for the three month period ended September 30, 2019 increased $5.0 million to $68.8 million from $63.8 million in the prior year period. The components contributing to the change in revenue are detailed below:

Q3 2019 vs Q3 2018 Change in Revenue

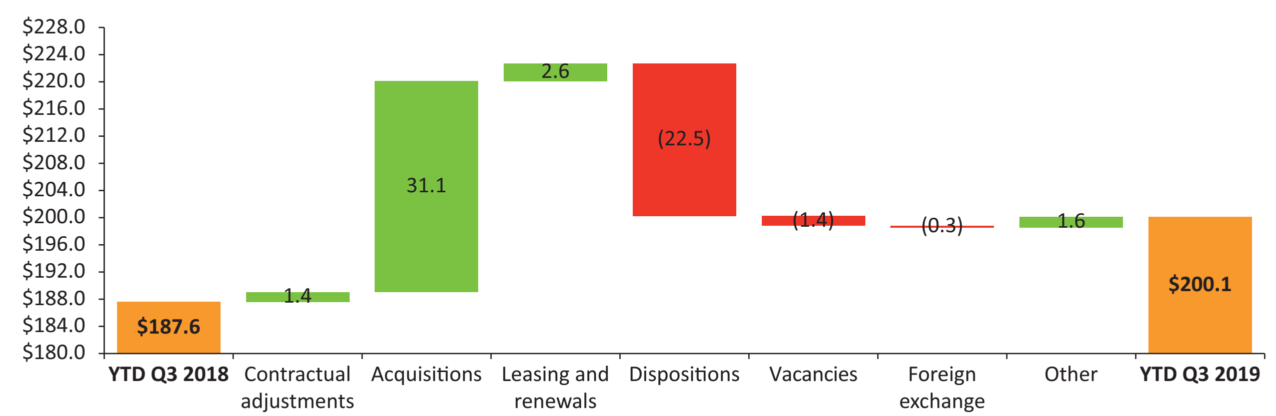


Additional details pertaining to the components of the change in revenue are as follows:

- contractual rent adjustments included $0.3 million from consumer price index based increases and $0.2 million from fixed contractual adjustments related to rent escalations;
- the acquisitions of properties located in the United States, Canada, Germany and the Netherlands beginning in the third quarter of 2018 increased revenue by $9.2 million, which included $1.6 million of tenant recoveries;
- revenue increased by $1.4 million due to various renewal and re-leasing activities for properties primarily in Canada and the Netherlands;
- the sale of properties in Canada, the United States and Germany beginning in the third quarter of 2018 decreased revenue by $6.0 million of which $0.5 million related to a reduction in property tax and insurance tenant recoveries; and
- foreign exchange had a net $0.7 million negative impact as the relative strengthening of the Canadian dollar against the Euro decreased revenue by $0.9 million while the weakening of the Canadian dollar against the US dollar increased revenue by $0.2 million.

Revenue for the nine month period ended September 30, 2019 increased $12.5 million to $200.1 million from $187.6 million in the prior year period. The components contributing to the change in revenue are detailed below:

Q3 2019 YTD vs Q3 2018 YTD Change in Revenue



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

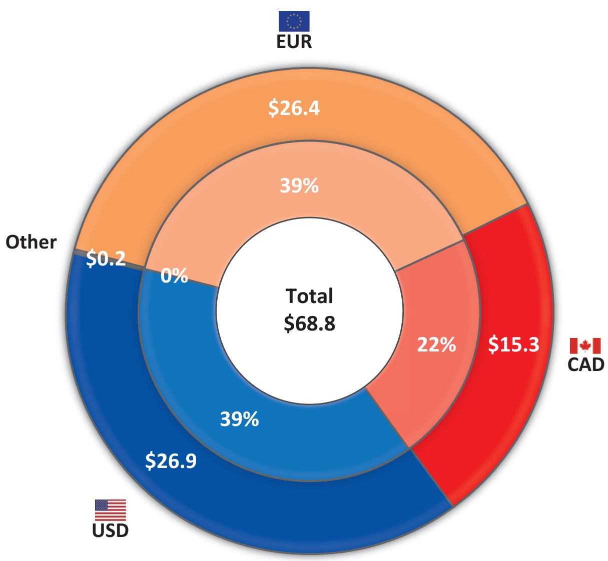
- contractual rent adjustments included $0.9 million from consumer price index based increases and $0.5 million from fixed contractual adjustments related to rent escalations;
- the acquisitions of properties located in the United States, Canada, Germany and the Netherlands during 2018 and 2019 increased revenue by $31.1 million, which included $4.3 million of tenant recoveries;
- revenue increased by $2.6 million due to various renewal and re-leasing activities for properties primarily in Canada, the United States and the Netherlands;
- the sale of 22 properties in Canada, the United States and Germany in 2018 and 2019 decreased revenue by $22.5 million of which $2.2 million related to a reduction in property tax and insurance tenant recoveries;
- three vacancies for properties in Canada and the United States decreased revenue by $0.6 million and $0.8 million, respectively. These three vacancies were leased up in the third quarter of 2019;
- foreign exchange had a net $0.3 million negative impact as the relative strengthening of the Canadian dollar against the Euro decreased revenue by $2.3 million while the weakening of the Canadian dollar against the US dollar increased revenue by $2.0 million; and

- other revenue increased by $1.6 million, largely relating to tenant recoveries mainly from increased acquisition activity and straight-line rent amortization primarily from rent-free periods associated with the building expansion completed in January 2019 at a West Jefferson, Ohio property.

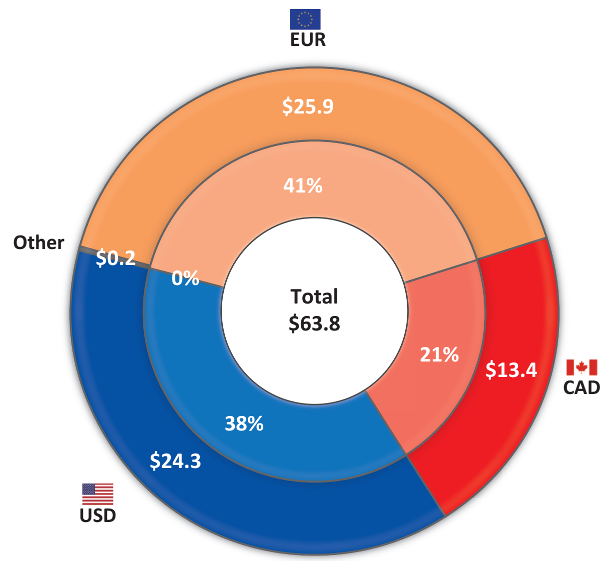
Revenue by major currency for the three and nine months ended September 30, 2019 and 2018 was as follows:

Revenue by Currency

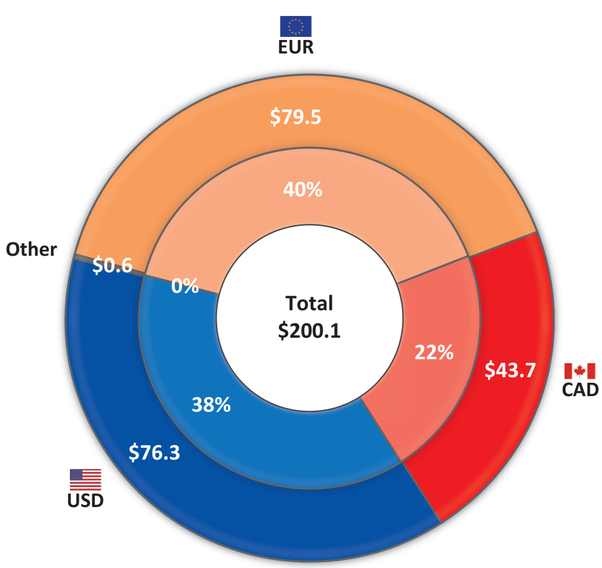
Third Quarter 2019



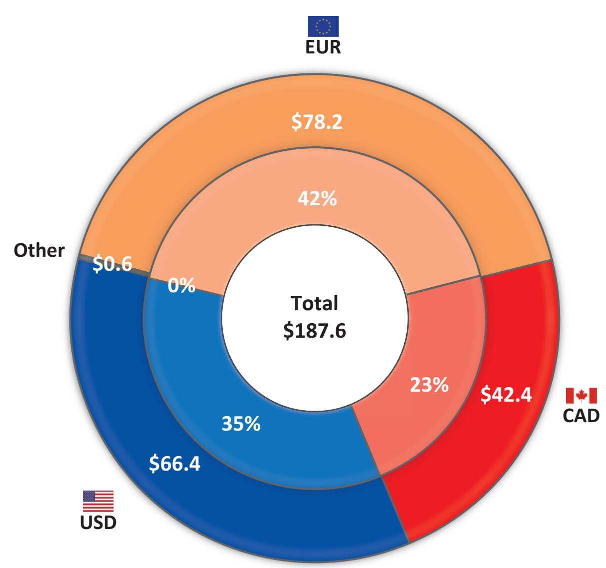
Third Quarter 2018



Nine Months 2019



Nine Months 2018



As a majority of the Trust's revenue is denominated in currencies other than the Canadian dollar, Granite uses derivative financial instruments, including cross currency interest rate swaps and forward currency contracts, to partially hedge its exposure to foreign currencies and reduce the potential impact that foreign currency rate changes may have on Granite's operating results, cash flows and distributions (see "*DEBT STRUCTURE*").

Net Operating Income

Net operating income ("NOI") in the three months ended September 30, 2019 was $60.1 million compared to $55.7 million in the three months ended September 30, 2018. NOI in the nine months ended September 30, 2019 was $174.4 million compared to $164.2 million in the nine months ended September 30, 2018. NOI — cash basis excludes the impact of lease termination and close-out fees, and 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 $60.3 million in the three months ended September 30, 2019 compared with $56.4 million in the prior year period. NOI — cash basis was $173.7 million in the nine months ended September 30, 2019 compared with $163.9 million in the nine months ended September 30, 2018.

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. Same property NOI — cash basis in the three months ended September 30, 2019 and 2018 were $51.2 million and $49.1 million, respectively. Same property NOI — cash basis in the nine months ended September 30, 2019 was $134.5 million compared to $130.8 million in the nine months ended September 30, 2018. The changes in NOI, NOI — cash basis and same property NOI — cash basis are detailed below:

Changes in NOI(2), NOI — Cash Basis and Same Property NOI — Cash Basis

	Sq ft(1)	Three Months Ended September 30,			Sq ft(1)	Nine Months Ended September 30,		
	(in millions)	2019	2018	$ change	(in millions)	2019	2018	$ change
Revenue		**$68.8**	$63.8	5.0		**$200.1**	$187.6	12.5
Less: Property operating costs		**(8.7)**	(8.1)	(0.6)		**(25.7)**	(23.4)	(2.3)
NOI(2)		**$60.1**	$55.7	4.4		**$174.4**	$164.2	10.2
Add (deduct):								
Lease termination and close-out fees		**—**	—	—		**(0.9)**	(1.0)	0.1
Straight-line rent amortization		**(1.1)**	(0.7)	(0.4)		**(3.7)**	(3.4)	(0.3)
Tenant incentive amortization		**1.3**	1.4	(0.1)		**3.9**	4.1	(0.2)
NOI — cash basis	34.9	**$60.3**	$56.4	3.9	34.9	**$173.7**	$163.9	9.8
Less NOI — cash basis for:								
Acquisitions	4.8	**(8.1)**	(1.0)	(7.1)	9.9	**(35.4)**	(10.2)	(25.2)
Dispositions, assets held for sale and developments	1.0	**(1.0)**	(6.3)	5.3	1.7	**(3.8)**	(22.9)	19.1
Same property NOI — cash basis	30.1	**$51.2**	$49.1	2.1	25.0	**$134.5**	$130.8	3.7

(1) The square footage relating to the NOI — cash basis represents GLA of 34.9 million square feet as at September 30, 2019. The square footage relating to the same property NOI — cash basis represents the aforementioned GLA excluding the impact from the acquisitions during the relevant periods.

(2) NOI is calculated in accordance with IFRS and is included in the unaudited condensed combined financial statements as at and for the three and nine months ended September 30, 2019. In the prior year periods, Granite reported NOI as a non-IFRS financial measure, calculated as set forth above but excluding lease termination and close-out fee revenue. NOI for the nine months ended September 30, 2018 was previously reported as $163.2 million, and for the quarter ended September 30, 2018 remained the same as previously reported.

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. None of Granite's employee compensation expenses are included in 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.

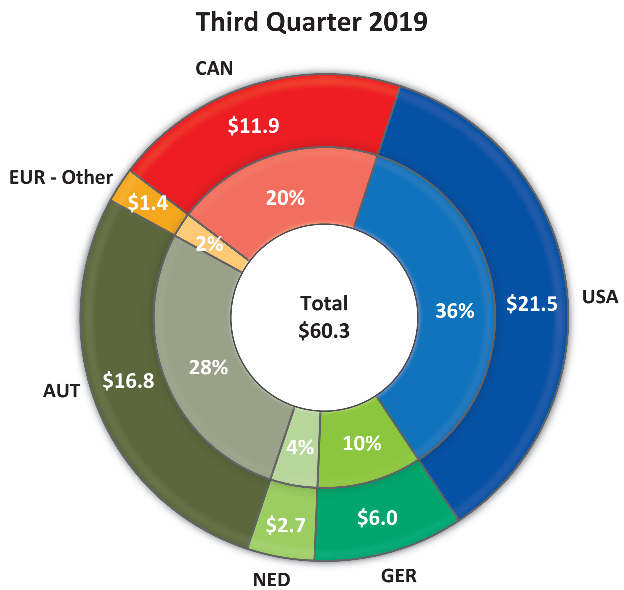
NOI — cash basis for the three month period ended September 30, 2019 increased $3.9 million to $60.3 million from $56.4 million in the prior year period largely as a result of the increase in rental revenue as noted previously, partially offset by an increase in property operating costs primarily relating to the properties acquired in 2019 and a decrease from straight-line rent amortization, primarily from rent-free periods associated with the building expansion completed in January 2019 at a West Jefferson, Ohio property.

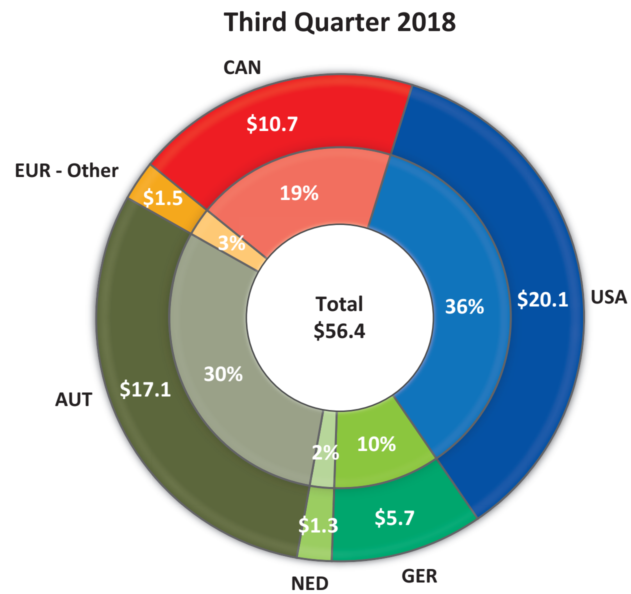
NOI — cash basis for the nine month period ended September 30, 2019 increased $9.8 million to $173.7 million from $163.9 million in the prior year period largely as a result of the increase in rental revenue as noted previously, partially offset by an increase in property operating costs primarily relating to the properties acquired in 2018 and 2019.

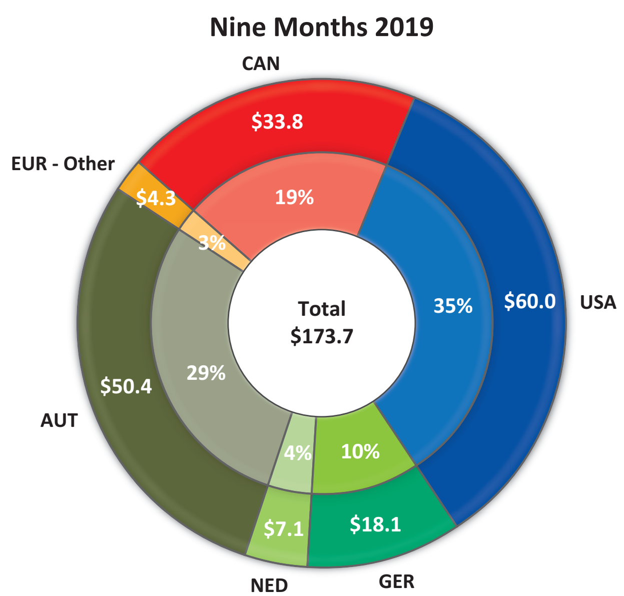
Same property NOI — cash basis for the three month periods ended September 30, 2019 and 2018 increased $2.1 million (4.3%) to $51.2 million primarily due to the re-leasing and renewals of various leases for properties located in the Netherlands, the United States, Germany and Canada, and contractual rent adjustments. Same property NOI — cash basis for the nine month period ended September 30, 2019 increased $3.7 million (2.8%) to $134.5 million primarily due to the increase in contractual rents, re-leasing and renewals of various leases for properties located in the Netherlands, the United States, Germany and Canada and the favourable foreign exchange impact from the weakening of the Canadian dollar against the US dollar, 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 and nine month periods ended September 30, 2019 would have increased by 5.8% and 3.9%, respectively.

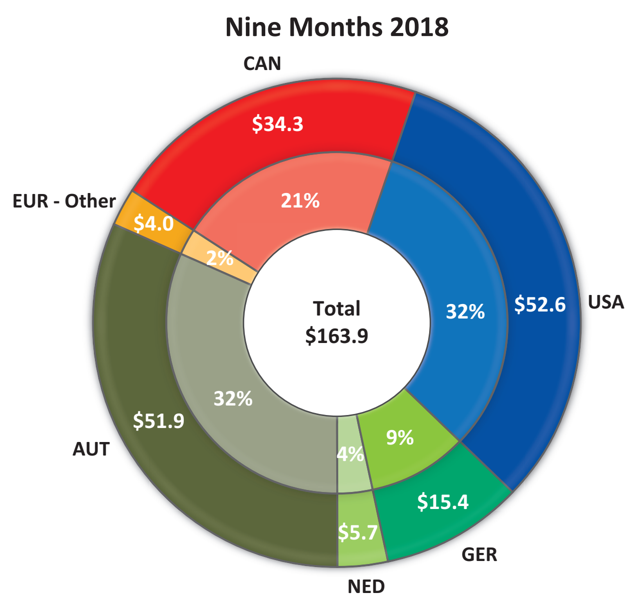
NOI — cash basis for the three and nine month periods ended September 30, 2019 and 2018 by geography was as follows:

NOI — Cash Basis by Geography









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 and nine month periods ended September 30, 2019 and 2018 by geography was as follows:

Same Property NOI — Cash Basis by Geography

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	**2018**	**% change**	**2019**	**2018**	**% change**
Canada	**$ 9.8**	$ 9.5	3.2 %	**$ 29.4**	$ 29.0	1.4 %
United States	**15.9**	15.1	5.3 %	**28.6**	25.8	10.9 %
Austria	**16.8**	17.1	(1.8)%	**50.4**	51.9	(2.9)%
Germany	**5.0**	4.7	6.4 %	**15.0**	14.4	4.2 %
Netherlands	**2.3**	1.3	76.9 %	**6.8**	5.7	19.3 %
Europe — Other	**1.4**	1.4	— %	**4.3**	4.0	7.5 %
Same Property NOI — cash basis	**$51.2**	$49.1	4.3 %	**$134.5**	$130.8	2.8 %

Constant currency same property NOI — cash basis for the three and nine month periods ended September 30, 2019 and 2018 by geography was as follows, which is calculated by converting the comparative same property NOI — cash basis at current exchange rates:

Constant Currency Same Property NOI — Cash Basis by Geography

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	**2018**	**% change**	**2019**	**2018**	**% change**
Canada	**$ 9.8**	$ 9.5	3.2%	**$ 29.4**	$ 29.0	1.4%
United States	**15.9**	15.2	4.6%	**28.6**	26.6	7.5%
Austria	**16.8**	16.5	1.8%	**50.4**	50.4	—%
Germany	**5.0**	4.5	11.1%	**15.0**	13.9	7.9%
Netherlands	**2.3**	1.3	76.9%	**6.8**	5.6	21.4%
Europe — Other	**1.4**	1.4	—%	**4.3**	3.9	10.3%
Constant Currency Same Property NOI — cash basis	**$51.2**	$48.4	5.8%	**$134.5**	$129.4	3.9%

General and Administrative Expenses

General and administrative expenses consisted of the following:

General and Administrative Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	**2018**	**$ change**	**2019**	**2018**	**$ change**
Salaries and benefits	**$2.8**	$3.7	(0.9)	**$10.2**	$11.8	(1.6)
Audit, legal and consulting	**1.0**	1.1	(0.1)	**3.5**	3.0	0.5
Trustee/director fees and related expenses	**0.3**	0.2	0.1	**0.9**	0.8	0.1
Unit-based compensation including distributions and revaluations	**1.4**	1.0	0.4	**4.6**	2.7	1.9
Other public entity costs	**0.4**	0.4	—	**1.6**	1.3	0.3
Office rents including property taxes and common area maintenance costs	**0.1**	0.2	(0.1)	**0.3**	0.7	(0.4)
Other	**0.9**	0.9	—	**2.3**	1.9	0.4
General and administrative expenses	**$6.9**	$7.5	(0.6)	**$23.4**	$22.2	1.2

General and administrative expenses were $6.9 million for the three month period ended September 30, 2019 and decreased $0.6 million in comparison to the prior year period primarily as a result of the following:

- a decrease in salaries and benefits expense mainly due to (i) a $0.5 million reduction in compensation costs associated with departed executives ($0.4 million true up in the current year period relating to the former CFO compared to $0.9 million in the prior year period relating to a departed executive) and (ii) a $0.4 million adjustment in incentive pay accruals. The decrease is partially offset by;
- an increase in unit-based compensation costs mainly due to the increase in fair value remeasurement expense resulting from fluctuations in the market price of the Trust's stapled units and greater awards outstanding under the plans. For the three months ended September 30, 2019 and 2018, general and administrative expenses included a fair value remeasurement expense of $0.4 million and $0.2 million, respectively, associated with the unit-based compensation plans.

General and administrative expenses were $23.4 million for the nine months ended September 30, 2019 and increased $1.2 million in comparison to the prior year period primarily as a result of the following:

- an increase in unit-based compensation costs due to the increase in fair value remeasurement expense resulting from fluctuations in the market price of the Trust's stapled units, greater awards outstanding under the plans and the accelerated vesting of awards related to the former CFO of $0.5 million. For the nine months ended September 30, 2019 and 2018, general and administrative expenses included a fair value remeasurement expense of $1.5 million and $0.7 million, respectively, associated with the unit-based compensation plans; and
- an increase in audit, legal and consulting costs due to corporate advisory matters including internal reorganizations and administrative matters. These increases were partially offset by;
- a decrease in salaries and benefits expense due to a decrease in compensation costs in the current year period (including compensation related to the former CFO of $2.0 million) compared to the prior year period associated with departed executives.

Interest Income

Interest income for the three month period ended September 30, 2019 increased $2.1 million to $2.3 million from $0.2 million in the prior year period. Interest income for the nine month period ended September 30, 2019 increased $6.0 million to $7.9 million from $1.9 million in the prior year period. Both increases were primarily due to interest income earned from higher cash balances resulting from the proceeds from the April 2019 equity offering and drawdowns from the term loans in December 2018.

Interest Expense and Other Financing Costs

Interest expense and other financing costs for the three month period ended September 30, 2019 increased $1.6 million to $7.5 million from $5.9 million in the prior year period. Interest expense and other financing costs for the nine months ended September 30, 2019 increased $6.0 million to $22.9 million from $16.9 million in the prior year period. Both increases were primarily related to:

- interest expense associated with the term loan drawdowns in December 2018; and
- the accretion of interest related to lease obligations as a result of the adoption of IFRS 16, *Leases* in 2019 (see *"NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS"*). These increases were partially offset by;
- the higher interest expense associated with the credit facility draws in the prior year period.

As at September 30, 2019, Granite's weighted average cost of interest-bearing debt was 2.17% (September 30, 2018 — 2.53%) and the weighted average debt term-to-maturity was 4.0 years (September 30, 2018 — 4.2 years).

Foreign Exchange Gains/Losses, Net

Granite recognized net foreign exchange losses of $0.4 million and $1.1 million in the three month periods ended September 30, 2019 and 2018, respectively. The $0.7 million decrease in net foreign exchange losses is related to the remeasurement of certain monetary assets and liabilities, primarily US dollar cash on hand and credit facility indebtedness, in the prior year period.

Granite recognized net foreign exchange losses of $1.2 million and foreign exchange gains of $8.0 million in the nine month periods ended September 30, 2019 and 2018, respectively. The $9.2 million increase in net foreign exchange losses is substantially due to the realized net foreign exchange gain of $8.5 million in the prior year period relating to the remeasurement of the US dollar cash proceeds from the sale of three investment properties in January 2018 and, to a lesser extent, the remeasurement of certain monetary assets and liabilities of the Trust that are denominated in US dollars or Euros.

Acquisition Transaction Costs

There were no amounts recorded in acquisition transaction costs for the three and nine month periods ended September 30, 2019 as Granite has early adopted, effective January 1, 2019, the amendments to IFRS 3, *Business Combinations* (see "*NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS*"). Accordingly, transaction costs relating to asset acquisitions were first capitalized to the cost of the property and then expensed to net fair value gains/losses on investment properties as a result of measuring the property at fair value instead of directly expensing these amounts to acquisition transaction costs in the combined statements of net income. For the three and nine month periods ended September 30, 2019, transaction costs of $1.9 million and $3.2 million, respectively, were included in net fair value gains/losses on investment properties. Acquisition transaction costs for the three and nine month periods ended September 30, 2018 were $5.8 million and $7.6 million, respectively. Acquisition transaction costs primarily include land transfer tax and legal and advisory costs.

Fair Value Gains/Losses on Investment Properties, Net

Net fair value gains on investment properties were $78.2 million and $141.6 million in the three month periods ended September 30, 2019 and 2018, respectively. In the three month period ended September 30, 2019, net fair value gains of $78.2 million were primarily attributable to (i) a compression in discount or terminal capitalization rates for certain properties primarily located in Canada and the United States and, to a lesser extent, in Europe, which resulted from the continued market demand for industrial real estate and (ii) the favourable changes in leasing assumptions associated with fair market rent increases for certain properties located in North America.

Net fair value gains on investment properties in the three month period ended September 30, 2018 of $141.6 million were largely attributable to a compression in discount and terminal capitalization rates and an increase in market rents for properties in Canada, the United States, Germany and the Netherlands. The compression in discount and terminal capitalization rates and increase in market rents resulted from the limited availability and greater market demand for industrial real estate properties.

Net fair value gains on investment properties were $197.9 million and $301.8 million in the nine month periods ended September 30, 2019 and 2018, respectively. In the nine month period ended September 30, 2019, net fair value gains of $197.9 million were attributable to various factors including (i) the positive changes in leasing assumptions associated with lease renewals and fair market rent increases for certain properties located in Canada and the United States and (ii) a compression in discount and terminal capitalization rates for certain properties across Granite's portfolio resulting from the continued market demand for industrial real estate properties.

Net fair value gains on investment properties in the nine month period ended September 30, 2018 of $301.8 million were largely attributable to (i) the increase in fair value to the sale price for the five multi-purpose and special purpose properties sold in the third quarter of 2018, (ii) a compression in discount and terminal capitalization rates and an increase in market rents resulting from market demand as noted above and, to a lesser extent, (iii) positive changes in leasing assumptions primarily from contractual rent increases and lease renewals.

Loss on Sale of Investment Properties

The loss on sale of investment properties for the three and nine month periods ended September 30, 2019 was $0.7 million and $2.0 million compared to $4.1 million and $5.4 million for the prior year periods, respectively. Loss on sale of investment properties is related to broker commissions and legal and advisory costs associated with the dispositions or planned dispositions of assets held for sale.

Income Tax Expense

Income tax expense comprised the following:

Income Tax Expense

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	**2018**	**$ change**	**2019**	**2018**	**$ change**
Foreign operations	**$ 1.4**	$ 1.6	(0.2)	**$ 4.2**	$ 4.6	(0.4)
Withholding taxes	**—**	—	—	**—**	0.7	(0.7)
Related to sale of an investment property	**—**	—	—	**—**	0.2	(0.2)
Other	**0.4**	0.4	—	**1.2**	1.3	(0.1)
Current tax expense	**1.8**	2.0	(0.2)	**5.4**	6.8	(1.4)
Deferred tax expense	**10.4**	14.3	(3.9)	**33.1**	40.4	(7.3)
Income tax expense	**$12.2**	$16.3	(4.1)	**$38.5**	$47.2	(8.7)

For the three months ended September 30, 2019, the current tax expense decreased compared to the prior year period due to the foreign exchange impact resulting from the relative strengthening of the Canadian dollar on Euro denominated tax expense.

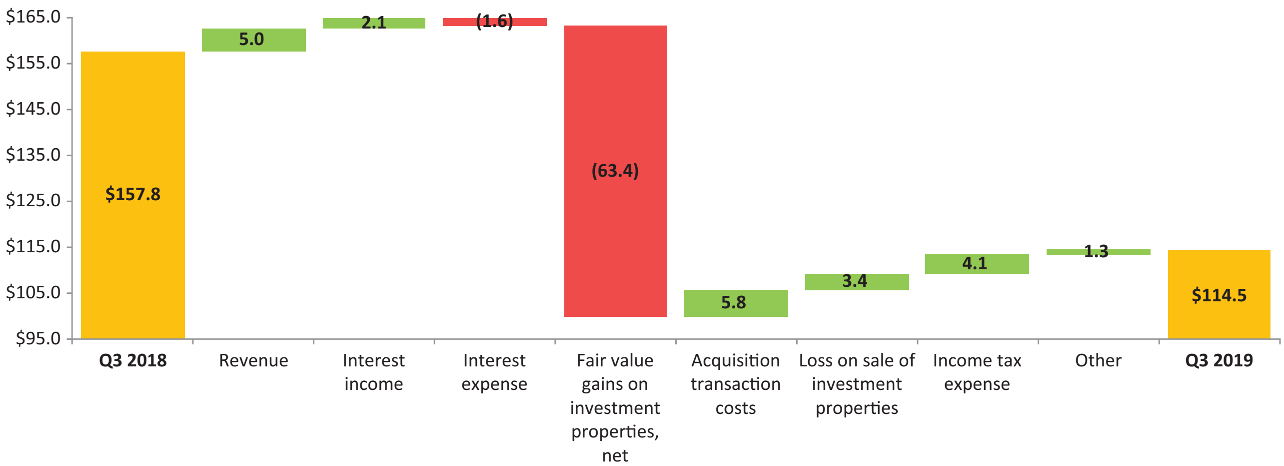
For the nine months ended September 30, 2019, the current tax expense decreased compared to the prior year period primarily due to withholding taxes on inter-company dividends paid in the prior year period, the foreign exchange impact resulting from the relative strengthening of the Canadian dollar on Euro denominated tax expense and the disposition of a property located in Germany in the prior year period.

The decrease in deferred tax expense for the three and nine months ended September 30, 2019 compared to the prior year periods was primarily due to a decrease in fair value gains in jurisdictions in which deferred taxes are recorded.

Net Income Attributable to Stapled Unitholders

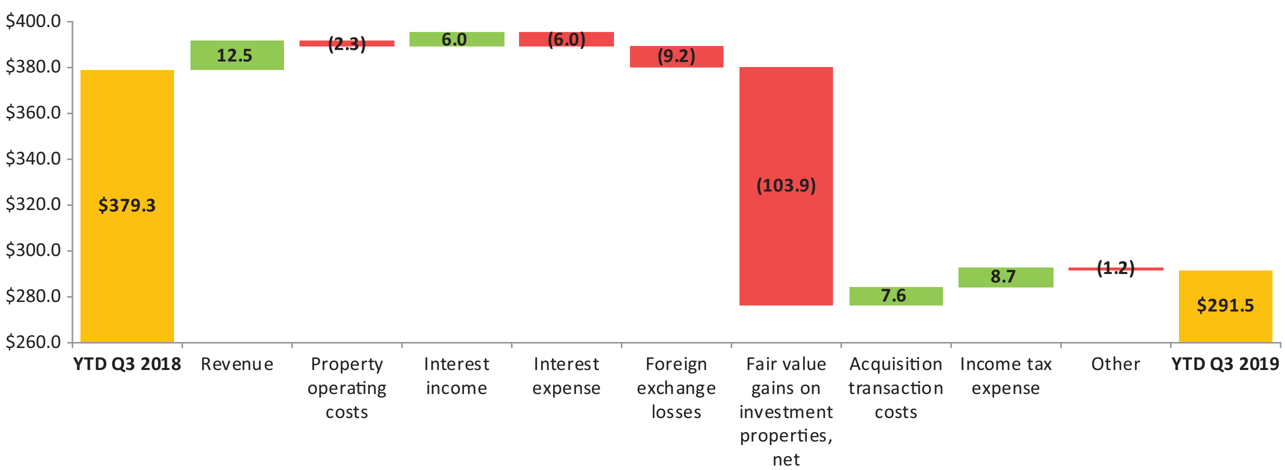
For the three month period ended September 30, 2019, net income attributable to stapled unitholders was $114.5 million compared to $157.8 million in the prior year period. The $43.3 million net decrease was primarily due to a $63.4 million decrease in net fair value gains on investment properties, partially offset by a $5.8 million decrease in acquisition transaction costs, a $5.0 million increase in revenue and a $4.1 million decrease in income taxes. The $43.3 million decrease in net income attributable to stapled unitholders is summarized below:

Q3 2019 vs Q3 2018 Change in Net Income Attributable to Stapled Unitholders



For the nine month period ended September 30, 2019, net income attributable to stapled unitholders was $291.5 million compared to $379.3 million in the prior year period. The $87.8 million net decrease was primarily due to a $103.9 million decrease in net fair value gains on investment properties, partially offset by a $12.5 million increase in revenue. The $87.8 million decrease in net income attributable to stapled unitholders is summarized below:

Q3 2019 YTD vs Q3 2018 YTD 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 and nine months ended September 30, 2019 and 2018 is presented below:

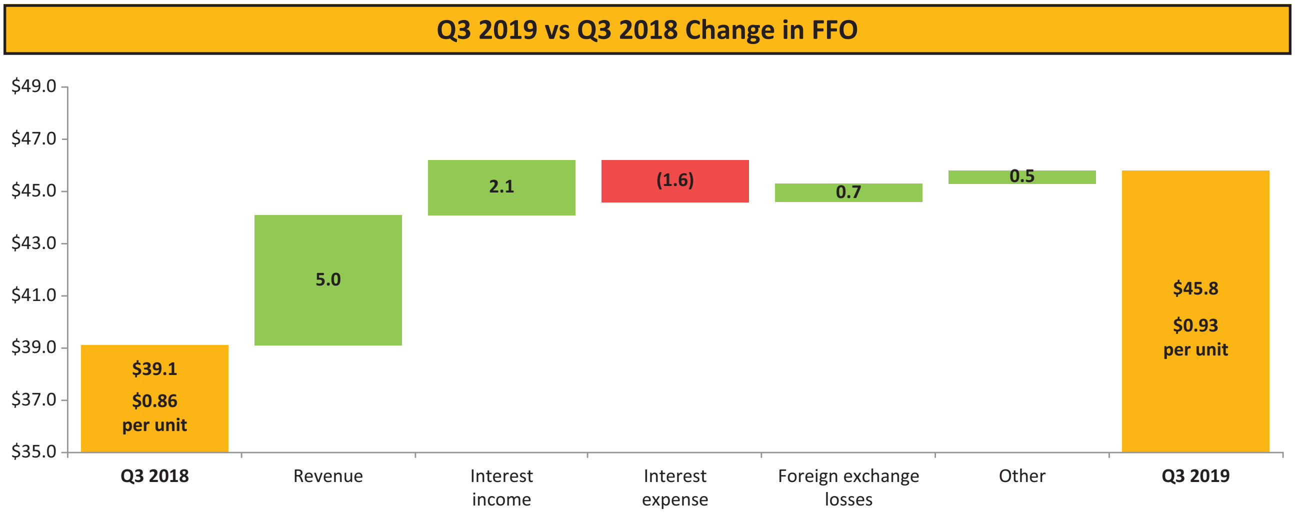
FFO AND AFFO RECONCILIATION

		Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per unit information)		**2019**	**2018**	**2019**	**2018**
Net income attributable to stapled unitholders		**$114.5**	$ 157.8	**$ 291.5**	$ 379.3
Add (deduct):					
Fair value gains on investment properties, net		**(78.2)**	(141.6)	**(197.9)**	(301.8)
Fair value gains on financial instruments		**(2.0)**	(1.4)	**(0.2)**	(0.9)
Acquisition transaction costs		**—**	5.8	**—**	7.6
Loss on sale of investment properties		**0.7**	4.1	**2.0**	5.4
Other income — settlement award		**—**	—	**—**	(2.3)
Current income tax expense associated with the sale of an investment property		**—**	—	**—**	0.2
Deferred income tax expense		**10.4**	14.3	**33.1**	40.4
Fair value remeasurement expense relating to the Executive Deferred Stapled Unit Plan[1]		**0.3**	—	**1.0**	—
Non-controlling interests relating to the above		**0.1**	0.1	**0.1**	0.1
FFO	**[A]**	**$ 45.8**	$ 39.1	**$ 129.6**	$ 128.0
Add (deduct):					
Maintenance or improvement capital expenditures paid		**(0.8)**	(1.6)	**(2.6)**	(16.6)
Leasing commissions paid		**(0.6)**	—	**(0.8)**	(4.0)
Tenant incentives paid		**—**	(0.5)	**(0.2)**	(9.8)
Tenant incentive amortization		**1.3**	1.4	**3.9**	4.1
Straight-line rent amortization		**(1.1)**	(0.7)	**(3.7)**	(3.4)
AFFO	**[B]**	**$ 44.6**	$ 37.7	**$ 126.2**	$ 98.3
Per unit amounts:					
Basic and diluted FFO per stapled unit	**[A]/[C] and [A]/[D]**	**$ 0.93**	$ 0.86	**$ 2.71**	$ 2.79
Basic and diluted AFFO per stapled unit	**[B]/[C] and [B]/[D]**	**$ 0.90**	$ 0.82	**$ 2.64**	$ 2.14
Basic weighted average number of stapled units	**[C]**	**49.4**	45.7	**47.8**	45.9
Diluted weighted average number of stapled units	**[D]**	**49.5**	45.8	**47.9**	45.9

(1) The Executive Deferred Stapled Unit Plan provides equity-based compensation in the form of restricted stapled units to executives and other employees. It is anticipated that the fair value remeasurement relating to the Executive Deferred Stapled Unit Plan will fluctuate and have a greater impact on FFO and AFFO going forward and has, therefore, been adjusted in FFO and AFFO in accordance with the REALPAC White Paper. The comparative amount was not adjusted as it was not significant in the prior year periods and the year 2018.

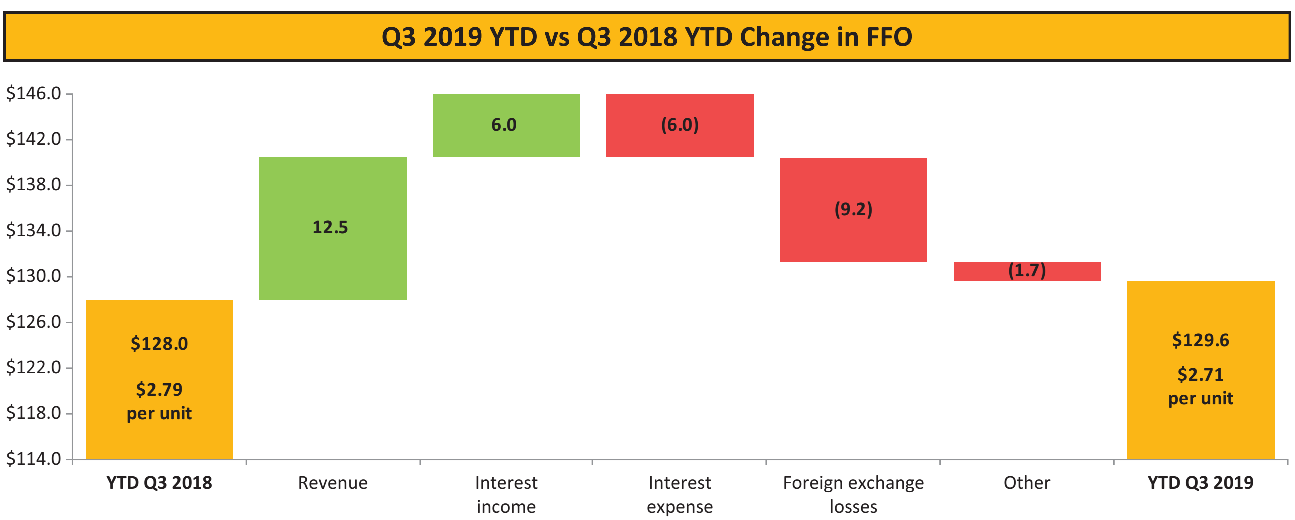
Funds From Operations

FFO for the three month period ended September 30, 2019 was $45.8 million ($0.93 per unit) compared to $39.1 million ($0.86 per unit) in the prior year period. The $6.7 million ($0.07 per unit) increase in FFO is summarized below:



Excluding the compensation costs of $0.4 million ($0.01 per unit) associated with the departure of the former CFO, FFO would have been $46.2 million ($0.94 per unit) in the three month period ended September 30, 2019. In comparison, excluding the compensation costs relating to a departed executive of $1.0 million ($0.02 per unit) which include the accelerated vesting of unit-based awards, FFO would have been $40.1 million ($0.88 per unit) in the three month period ended September 30, 2018.

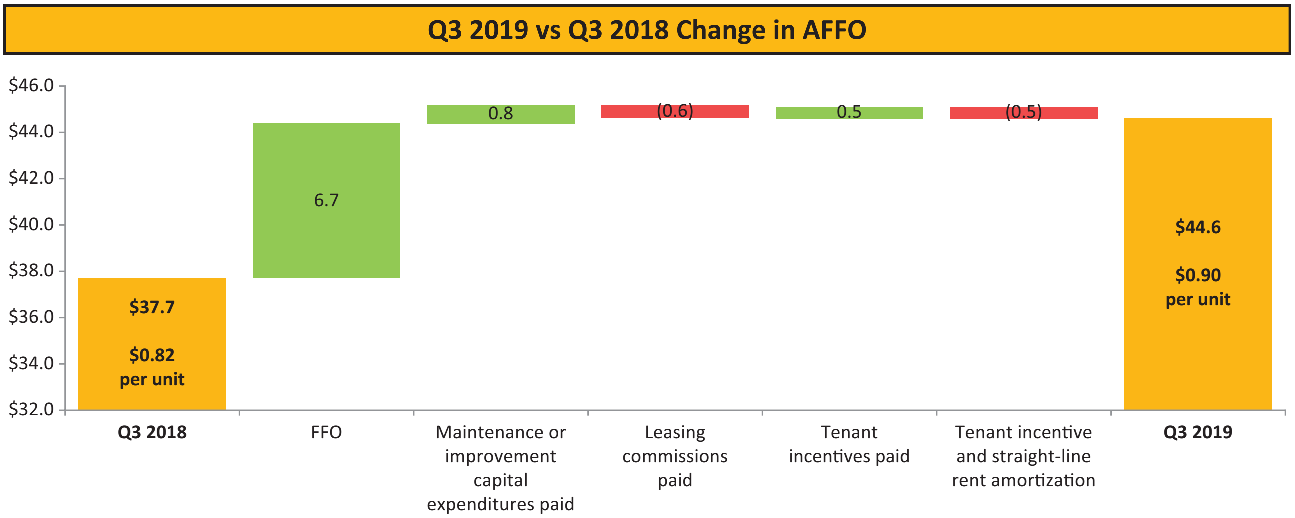
FFO for the nine months ended September 30, 2019 was $129.6 million ($2.71 per unit) compared to $128.0 million ($2.79 per unit) in the prior year period. The $1.6 million increase in FFO is summarized below:



Excluding the compensation costs of $2.5 million ($0.05 per unit) associated with the departure of the former CFO, which include the accelerated vesting of unit-based awards, FFO would have been $132.1 million ($2.76 per unit) for the nine months ended September 30, 2019. In comparison, excluding the net foreign exchange gain of $8.5 million ($0.19 per unit) realized during the period on the remeasurement of US dollar cash proceeds from the sale of investment properties in January 2018 and the compensation costs associated with departed executives of $3.4 million ($0.07 per unit), FFO would have been $122.9 million ($2.67 per unit) in the prior year period.

Adjusted Funds From Operations

As previously detailed in the FFO and AFFO reconciliation table, AFFO for the three month period ended September 30, 2019 was $44.6 million ($0.90 per unit) compared to $37.7 million ($0.82 per unit) in the prior year period. The $6.9 million ($0.08 per unit) increase in AFFO is summarized below:

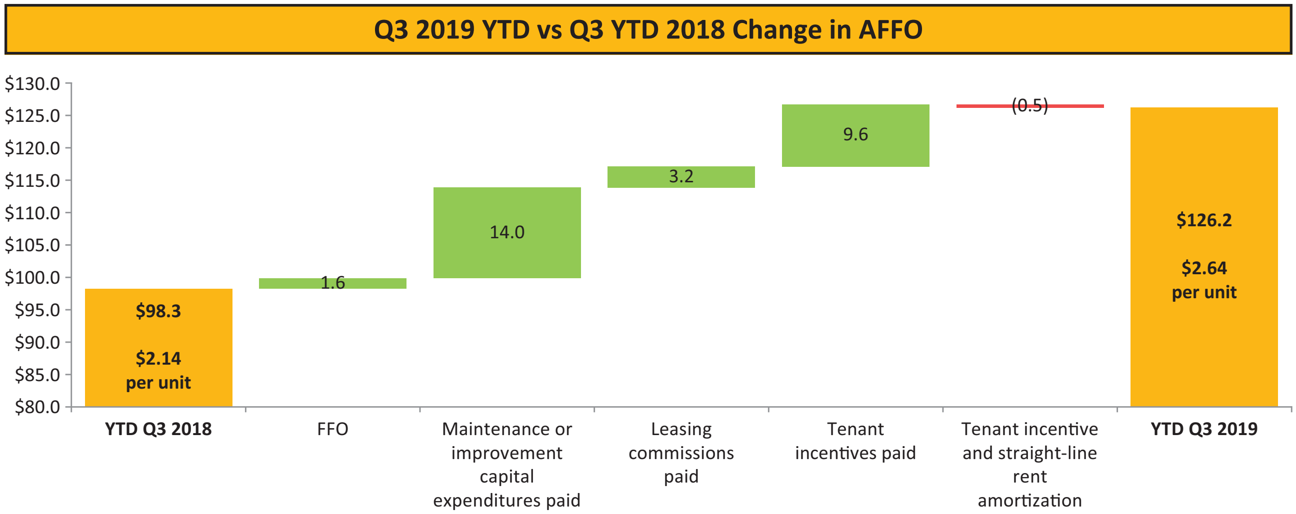


Additional details pertaining to the components of the change in AFFO are as follows:

- the $6.7 million increase in FFO, as noted previously;
- a $0.8 million decrease in capital expenditures paid largely relating to an improvement project in the prior year period at a property located in Olive Branch, Mississippi, which was acquired in 2017;
- a $0.6 million increase in leasing commissions paid due to payments relating to the re-leasing of a vacant space at a property located in Logan Township, New Jersey and the renewal of a lease in Monroe, Ohio;
- a $0.5 million decrease in tenant incentives paid largely relating to a payment in the prior year period for the property acquisition in Erfurt, Germany; and
- a $0.5 million decrease in AFFO from tenant incentive and straight-line rent amortization, primarily from rent-free periods associated with the building expansion completed in January 2019 at a West Jefferson, Ohio property.

Excluding the compensation costs of $0.4 million ($0.01 per unit) associated with the departure of the former CFO, AFFO would have been $45.0 million ($0.91 per unit) in the three month period ended September 30, 2019. In comparison, excluding the compensation costs associated with a departed executive of $1.0 million ($0.02 per unit), which include the accelerated vesting of unit-based awards, AFFO would have been $38.7 million ($0.84 per unit) in the prior year period.

AFFO for the nine months ended September 30, 2019 was $126.2 million ($2.64 per unit) compared to $98.3 million ($2.14 per unit) in the prior year period. The $27.9 million ($0.50 per unit) increase in AFFO is summarized below:



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

- the $1.6 million increase in FFO, as noted previously;
- a $14.0 million decrease in capital expenditures paid largely due to higher payments made in the prior year period relating to improvement projects arising from re-leasing activities at the properties in Novi, Michigan and Olive Branch, Mississippi;
- a $3.2 million decrease in leasing commissions paid primarily due to payments made in the prior year period relating to the re-leasing of the property located in Olive Branch, Mississippi, the developed property in Poland, as well as lease renewals and extensions for two properties in the United States and Germany; and
- a $9.6 million decrease in tenant incentives paid largely due to a 2018 payment relating to a tenant allowance for a 2014 lease extension at the Eurostar facility in Graz, Austria, partially offset by;
- a $0.5 million decrease in AFFO from tenant incentive and straight-line rent amortization, primarily from rent-free periods associated with the building expansion completed in January 2019 at a West Jefferson, Ohio property and the recently acquired property in Mississauga, Ontario.

Excluding the compensation costs of $2.5 million ($0.05 per unit) associated with the departure of the former CFO, which include the accelerated vesting of unit-based awards, AFFO would have been $128.7 million ($2.69 per unit) for the nine months ended September 30, 2019. In comparison, excluding the net foreign exchange gain of $8.5 million ($0.19 per unit) realized during the period on the remeasurement of US dollar cash proceeds from the sale of investment properties in January 2018, compensation costs associated with departed executives of $3.4 million ($0.07 per unit) and the payment of the tenant incentive allowance made in connection with a 2014 lease extension at the Eurostar facility in Graz, Austria of $9.1 million ($0.19 per unit), AFFO would have been $102.3 million ($2.21 per unit) in the nine months ended September 30, 2018.

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) modern logistics/distribution warehouse facilities ("modern warehouse facilities"), which were recently acquired or newly developed/redeveloped, (ii) multi-purpose facilities, which are tenantable by a wide variety of potential users or (iii) special purpose properties designed and built with specialized features and leased 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 comprise (i) a site in Altbach, Germany where the demolition of the property is substantially complete and construction of a distribution/light industrial facility is subject to receipt of all required permits and state approval, (ii) a parcel of development land in Plainfield, Indiana where construction of a class A distribution/warehouse facility commenced in the second quarter of 2019, and (iii) 50 acres of a recently acquired greenfield site in Houston, Texas for which speculative construction of the initial phase, consisting of two buildings totaling 0.7 million square feet, is anticipated to begin in the fourth quarter of 2019.

Land held for development comprise 12.9 acres of development land in Ohio, United States that was acquired in 2018, the remaining 141 acres of land in Houston, Texas acquired in 2019 held for the future development of up to a 2.5 million square foot multi-phased business park capable of accommodating buildings ranging from 0.3 million to 1.2 million square feet (of which 0.7 million square feet is planned in the initial phase of construction, as noted above) and a 16-acre parcel of land located in Wroclaw, Poland that could provide for approximately 0.3 million square feet of logistics-warehouse space.

Summary attributes of the investment properties as at September 30, 2019 and December 31, 2018 were as follows:

Investment Properties Summary[1]

As at September 30, 2019 and December 31, 2018	2019	2018
(in millions, except as noted)		
Investment properties — fair value	**$3,938.3**	$3,425.0
Income-producing properties	**3,869.4**	3,404.0
Properties under development	**39.4**	17.0
Land held for development	**29.5**	4.0
Overall capitalization rate[2]	**6.2%**	6.7%
Number of investment properties	**86**	84
Income-producing properties	**80**	80
Properties under development	**3**	2
Land held for development	**3**	2
Property metrics		
GLA, square feet	**34.9**	32.2
Occupancy, by GLA	**99.7%**	99.1%
Weighted average lease term in years, by square footage	**6.0**	6.0
Total number of tenants	**55**	48
Magna as a percentage of annualized revenue[3]	**47%**	54%
Magna as a percentage of GLA	**40%**	47%

Assets Held for Sale[1]

As at September 30, 2019 and December 31, 2018	2019	2018
(in millions, except as noted)		
Assets held for sale		
Fair value	**$48.3**	$44.2
Number of properties	**6**	6
GLA, square feet	**0.9**	0.7
Magna as a percentage of GLA	**82%**	94%
Annualized revenue[3]	**$ 4.4**	$ 2.2

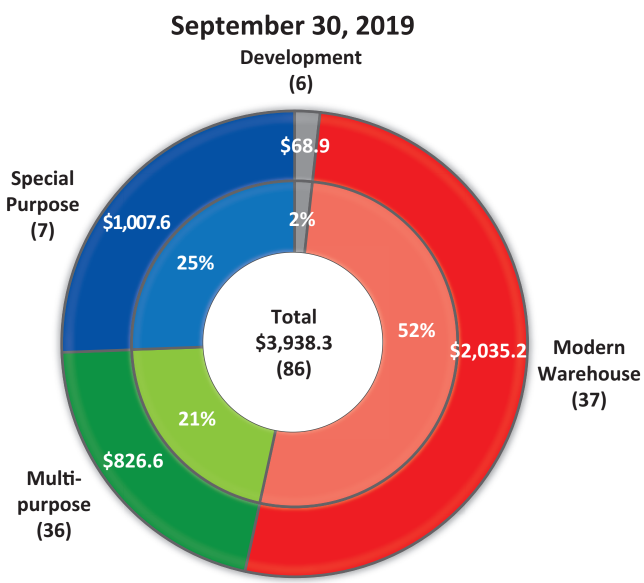
(1) Assets held for sale are excluded from investment properties and related property metrics. Accordingly, six such assets that were held for sale as at September 30, 2019 (one of which was subsequently sold on November 4, 2019) and six such assets that were held for sale as at December 31, 2018 (subsequently sold in January and February 2019) were excluded from investment properties and related property metrics as at September 30, 2019 and December 31, 2018, respectively, throughout this MD&A.

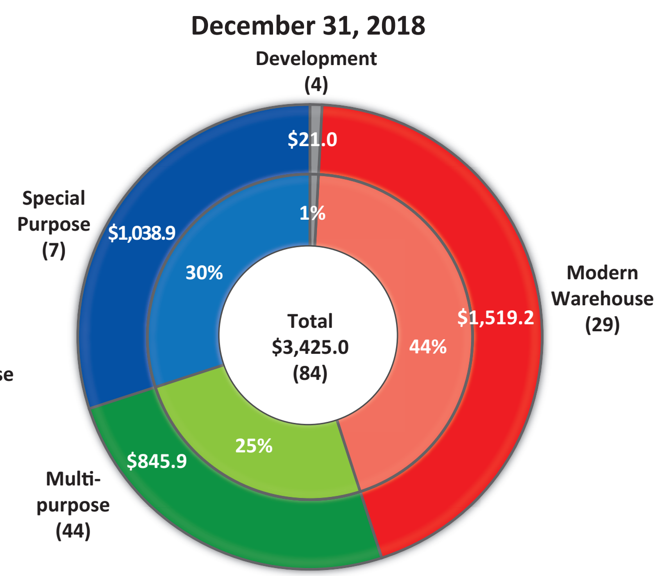
(2) Overall capitalization rate pertains only to income-producing properties.

(3) Annualized revenue for each period presented is calculated as rental revenue excluding tenant recoveries, recognized in accordance with IFRS, in the reported month multiplied by 12 months.

The fair value of the investment properties by asset category as at September 30, 2019 and December 31, 2018 was as follows:

Fair Value of Investment Properties by Asset Category[1]



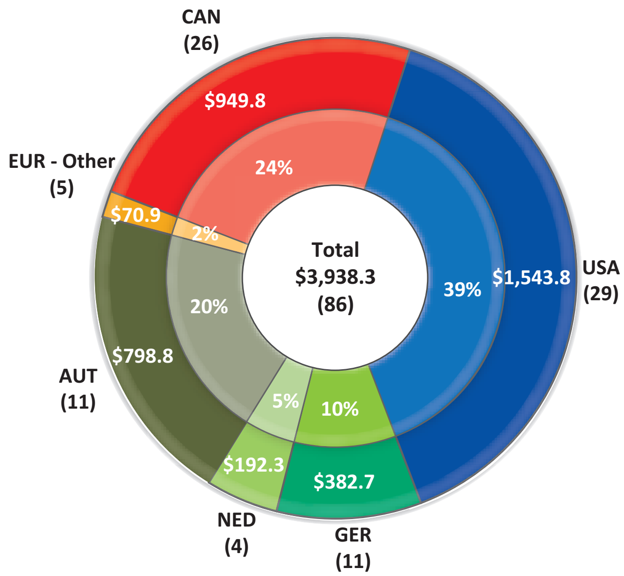


(1) Number of properties denoted in parentheses.

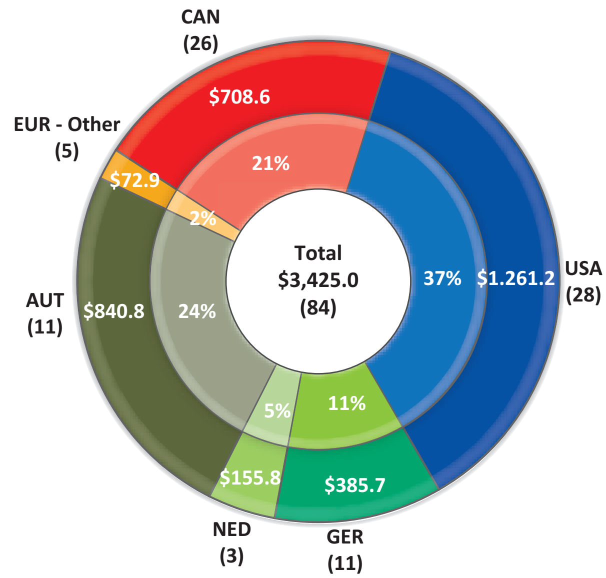
Granite has a specialized and high quality global portfolio of large scale properties strategically located in Canada, the United States and Europe. The fair value of the investment properties by country as at September 30, 2019 and December 31, 2018 was as follows:

Fair Value of Investment Properties by Geography[1]

September 30, 2019



December 31, 2018



(1) Number of properties denoted in parentheses.

The change in the fair value of investment properties by asset category during the nine months ended September 30, 2019 was as follows:

Change in Fair Value of Investment Properties by Asset Category

	January 1, 2019								September 30, 2019
	Investment properties	Ground leases	Fair value gains	Acquisitions	Capital expenditures	Foreign exchange losses	Other changes	Transfers and classified as assets held for sale	Investment properties
Modern warehouse facilities	**$1,519.2**	11.8	74.8	463.0	4.7	(66.8)	4.2	24.3	**$2,035.2**
Multi-purpose facilities	**845.9**	—	89.6	—	0.8	(24.3)	—	(85.4)	**826.6**
Special purpose properties	**1,038.9**	—	31.9	—	0.5	(60.3)	(3.4)	—	**1,007.6**
Income-Producing Properties	**3,404.0**	**11.8**	**196.3**	**463.0**	**6.0**	**(151.4)**	**0.8**	**(61.1)**	**3,869.4**
Properties Under Development	**17.0**	—	(0.1)	8.9	14.7	(1.1)	—	—	**39.4**
Land Held For Development	**4.0**	—	0.8	24.8	—	(0.1)	—	—	**29.5**
	$3,425.0	**$11.8**	**$197.0**	**$496.7**	**$20.7**	**$(152.6)**	**$ 0.8**	**$(61.1)**	**$3,938.3**

During the nine months ended September 30, 2019, the fair value of investment properties increased by $513.3 million, primarily due to:

- the recognition of ground leases effective January 1, 2019 under IFRS 16, *Leases* has increased the fair value of investment properties by $11.8 million, consisting of $9.1 million in Botlek, Netherlands and $2.7 million in Soest, Germany (see *"NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS"*). The obligations for these two land leases have been recorded on the combined balance sheet with the right-of-use assets recorded in investment properties;
- net fair value gains of $197.0 million which were attributable to various factors including (i) the positive changes in leasing assumptions associated with lease renewals and fair market rent increases for certain properties located in Canada and the United States and (ii) a compression in discount and terminal capitalization rates for certain properties across Granite's portfolio resulting from the continued market demand for industrial real estate properties;
- the acquisitions of five income-producing properties in the United States and the Netherlands, the leasehold interest in two properties in Canada and a parcel of development land in the United States for $496.7 million consisting of (i) two properties in Texas for $164.2 million, (ii) one property in Columbus, Ohio for $71.6 million, (iii) the leasehold interest in two properties in Mississauga, Ontario for $174.1 million, (iv) one property in Born, Netherlands for $25.7 million, (v) one property in Horn Lake, Mississippi for $24.5 million, (vi) development land in Texas for $33.4 million and (vii) the associated transaction costs of $3.2 million (see "*SIGNIFICANT MATTERS"*); and
- capital expenditures of $20.7 million, of which $14.7 million related to development capital expenditures for two properties under construction in Altbach, Germany and Indiana, United States and $3.4 million related to the construction of a 0.3 million square foot recently completed expansion at an acquired property near Columbus, Ohio. 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.

These increases are partially offset by:

- foreign exchange losses of $152.6 million, which primarily include foreign exchange losses of $110.6 million and $38.2 million resulting from the relative strengthening of the Canadian dollar against the Euro and the US dollar, respectively; and
- the classification of seven properties valued at $61.1 million as assets held for sale. These properties are classified as assets held for sale on the combined balance sheet and excluded from the investment properties categorization (see "*SIGNIFICANT MATTERS"*).

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 nine month period ended September 30, 2019. 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 and nine month periods ended September 30, 2019. In addition, valuation metrics for Granite's income-producing properties (excluding assets held for sale) by asset category as at September 30, 2019 and December 31, 2018 were as follows:

Valuation Metrics by Income-Producing Property Asset Category

As at September 30, 2019 and December 31, 2018	Modern warehouse facilities		Multi-purpose facilities		Special purpose properties		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Overall capitalization rate[(1)(2)]	**5.36%**	5.66%	**6.46%**	7.06%	**7.54%**	7.77%	**6.16%**	6.65%
Terminal capitalization rate[(1)]	**6.06%**	6.25%	**6.49%**	6.95%	**7.05%**	7.50%	**6.42%**	6.81%
Discount rate[(1)]	**6.16%**	6.34%	**6.92%**	7.02%	**7.46%**	7.63%	**6.66%**	6.90%

(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 September 30, 2019 is presented below:

Sensitivity Analysis of Fair Value of Income-Producing Properties

Rate sensitivity	Overall capitalization rate	Terminal capitalization rate	Discount rate
+50 bps	3,564.0	3,709.2	3,726.1
+25 bps	3,710.0	3,785.4	3,796.8
Base rate	**$3,869.4**	**$3,869.4**	**$3,869.4**
-25 bps	4,043.9	3,959.8	3,943.6
-50 bps	4,236.3	4,058.5	4,019.8

Maintenance or Improvement Capital Expenditures and Leasing Costs

Maintenance or improvement capital expenditures relate to sustaining the existing earnings capacity of the property portfolio. 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.

Maintenance or Improvement Capital Expenditures and Leasing Costs Paid

The maintenance or improvement capital expenditures and leasing costs paid by quarter for the trailing eight quarters were as follows:

Maintenance or Improvement Capital Expenditures and Leasing Costs Paid

		Q3'19	Q2'19	Q1'19	Q4'18	Q3'18	Q2'18	Q1'18	Q4'17
Maintenance or improvement capital expenditures paid		$ 0.8	$ 0.6	$ 1.2	$ 1.2	$ 1.6	$ 6.2	$ 8.8	$ 9.3
Leasing costs paid		0.6	—	0.4	0.4	0.5	2.4	10.8	1.4
Total paid	**[A]**	**$ 1.4**	**$ 0.6**	**$ 1.6**	**$ 1.6**	**$ 2.1**	**$ 8.6**	**$19.6**	**$10.7**
GLA, square feet	[B]	34.9	34.5	32.8	32.2	32.5	31.8	29.7	29.1
$ paid per square feet	**[A]/[B]**	**$0.04**	**$0.02**	**$0.05**	**$0.05**	**$0.06**	**$0.27**	**$0.66**	**$0.37**

In the first quarter of 2018, Granite paid $9.1 million related to a tenant incentive allowance for a 2014 lease extension at the 1.1 million square foot Eurostar facility in Graz, Austria.

Commencing with the third quarter of 2017, Granite undertook to re-develop its Novi, MI property, which was vacated by Magna in March 2017. Granite leased 71% of the space to Hanon Systems for a minimum lease term of 15 years commencing in January 2018. The 0.3 million square foot facility is one of the very few office properties in Granite's portfolio.

Granite has invested a total of $23.7 million in capital commencing in 2017 to reposition and lease the Novi, MI flex office property. The following is a summary of the capital expenditures and leasing costs paid by quarter in connection with the Novi, MI property:

Novi, MI Property: Maintenance or Improvement Capital Expenditures and Leasing Costs Paid

	Q3'19	Q2'19	Q1'19	Q4'18	Q3'18	Q2'18	Q1'18	Q4'17
Maintenance or improvement capital expenditures paid	$0.1	$0.3	$0.6	$0.5	$0.1	$3.2	$8.4	$8.0
Leasing costs paid	—	—	—	—	—	—	0.2	1.0
Total paid	**$0.1**	**$0.3**	**$0.6**	**$0.5**	**$0.1**	**$3.2**	**$8.6**	**$9.0**

Granite is actively marketing the remaining 0.1 million square feet of available space and anticipates incurring additional cash outflows totaling approximately $4.0 million in capital expenditures and leasing costs over the next year to complete the Novi, MI facility and lease-up of the remaining available space.

Excluding the non-recurring or unusual items noted above for the Graz, Austria and Novi, MI properties, the maintenance or improvement capital expenditures and leasing costs paid by quarter for the trailing eight quarters were as follows:

Maintenance or Improvement Capital Expenditures and Leasing Costs Paid — Excluding Novi, MI and Graz, Austria

		Q3'19	Q2'19	Q1'19	Q4'18	Q3'18	Q2'18	Q1'18	Q4'17
Maintenance or improvement capital expenditures paid		$ 0.7	$ 0.3	$ 0.6	$ 0.7	$ 1.5	$ 3.0	$ 0.4	$ 1.3
Leasing costs paid		0.6	—	0.4	0.4	0.5	2.4	1.5	0.4
Total paid	**[C]**	**$ 1.3**	**$ 0.3**	**$ 1.0**	**$ 1.1**	**$ 2.0**	**$ 5.4**	**$ 1.9**	**$ 1.7**
GLA, square feet	**[D]**	34.6	34.2	32.5	31.9	32.2	31.5	29.4	28.8
$ paid per square feet	**[C]/[D]**	**$0.04**	**$0.01**	**$0.03**	**$0.03**	**$0.06**	**$0.17**	**$0.06**	**$0.06**

Development and Expansion Projects

The attributes of Granite's properties under development and expansion projects as at September 30, 2019 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	Expected total construction cost[(1)]
As at September 30, 2019					
Properties under development					
Plainfield, Indiana	30	0.5	Q2 2019	Q1 2020	$ 31.5
Altbach, Germany	13	0.3	Q1 2020	Q4 2020	33.8
Houston, Texas (Phase 1 only)	50	0.7	Q4 2019	Q3 2020	42.9
Expansion project					
2095 Logistics Drive, Mississauga, Ontario	9	0.1	Q4 2019	Q2 2020	9.0
	102	**1.6**			**$117.2**

(1) Construction cost excludes cost of land.

Leasing Profile

Magna, Granite's Largest Tenant

At September 30, 2019, Magna International Inc. or one of its operating subsidiaries was the tenant at 35 (December 31, 2018 — 41) of Granite's income-producing properties and comprised 47% (December 31, 2018 — 54%) of Granite's annualized revenue and 40% (December 31, 2018 — 47%) of Granite's GLA. According to its public disclosure, Magna International Inc. has a credit rating of A3 with a stable outlook by Moody's Investor Service, A- with a stable outlook by Standard & Poor's and A(low) with a stable outlook by DBRS Limited. Magna International Inc. is a technology company and a global automotive supplier with international manufacturing operations and product development, engineering and sales centres. Its capabilities include body exteriors and structures, power and vision technologies, seating systems and complete vehicle solutions.

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 September 30, 2019, Granite had 54 other tenants from various industries that in aggregate comprised 53% of the Trust's annualized revenue. Each of these tenants accounted for less than 4% of the Trust's annualized revenue as at September 30, 2019.

Granite's top 10 tenants by annualized revenue at September 30, 2019 are summarized in the table below:

Top 10 Tenants Summary

Tenant	Annualized Revenue %	GLA %	WALT (years)	Credit Rating[(1)(2)]
Magna	47%	40%	5.5	A(low)
ADESA	3%	1%	9.8	BB(low)
Restoration Hardware	3%	4%	8.6	NR
Ingram Micro	3%	3%	5.3	BBB(low)
Hanon Systems	2%	1%	11.2	AA
Mars Petcare	2%	4%	2.6	NR
Wayfair	2%	2%	6.0	NR
Ricoh	2%	2%	5.7	BBB(high)
Samsung	2%	2%	2.5	AA(low)
Quaker Sales & Distribution Inc (PepsiCo)	2%	2%	4.5	A(high)
Top 10 Tenants	**68%**	**61%**	**5.9**	

(1) Credit rating is quoted on the DBRS equivalent rating scale 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 September 30, 2019, Granite's portfolio had a weighted average lease term by square footage of 6.0 years (December 31, 2018 — 6.0 years) with lease expiries by GLA (in thousands of square feet), lease count and annualized revenue (calculated as rental revenue excluding tenant recoveries, recognized in accordance with IFRS, in September 2019 multiplied by 12 months, in millions) as set out in the table below:

Lease Maturity Summary

				Vacancies	2019		2020		2021		2022		2023		2024		2025 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	**6,073**	**27**	**49.3**	—	—	—	383	2.1	316	2.9	347	2.9	380	2.3	934	6.9	3,713	32.2
United States	**15,654**	**41**	**92.3**	90	—	—	326	2.4	87	0.7	2,591	12.2	3,383	16.8	2,536	13.8	6,641	46.4
Austria	**8,101**	**12**	**62.7**	—	—	—	101	0.6	389	2.6	802	10.5	125	1.2	5,349	37.5	1,335	10.3
Germany	**3,504**	**11**	**24.0**	—	—	—	—	—	548	3.6	283	2.2	1,947	13.6	—	—	726	4.6
Netherlands	**1,700**	**4**	**10.9**	—	—	—	—	—	—	—	—	—	314	2.1	—	—	1,386	8.8
Europe — Other	**751**	**8**	**5.5**	—	45	0.2	133	0.6	336	3.1	56	0.3	90	0.7	—	—	91	0.6
Total	**35,783**	**103**	**244.7**	**90**	**45**	**0.2**	**943**	**5.7**	**1,676**	**12.9**	**4,079**	**28.1**	**6,239**	**36.7**	**8,819**	**58.2**	**13,892**	**102.9**
Less: Properties classified as assets held for sale																		
Canada	**(169)**	**(1)**	**(0.8)**	—	—	—	(169)	(0.8)	—	—	—	—	—	—	—	—	—	—
United States	**(747)**	**(5)**	**(3.6)**	—	—	—	—	—	—	—	(171)	(0.5)	(576)	(3.1)	—	—	—	—
As at September 30, 2019	**34,867**	**97**	**240.3**	**90**	**45**	**0.2**	**774**	**4.9**	**1,676**	**12.9**	**3,908**	**27.6**	**5,663**	**33.6**	**8,819**	**58.2**	**13,892**	**102.9**
% of portfolio as at September 30, 2019:																		
*** by sq ft**	**100%**			**0.3%**	**0.1%**		**2.2%**		**4.8%**		**11.2%**		**16.2%**		**25.3%**		**39.9%**	
*** by Annualized Revenue**			**100%**			**0.1%**		**2.0%**		**5.4%**		**11.5%**		**14.0%**		**24.2%**		**42.8%**
Acquisitions and leasing activities between October 1, 2019 and November 5, 2019:																		
As at September 30, 2019	**34,867**	**97**	**240.3**	90	45	0.2	774	4.9	1,676	12.9	3,908	27.6	5,663	33.6	8,819	58.2	13,892	102.9
Acquisitions of two properties[(1)] (acquired in October 2019)																		
— United States	**1,185**	**2**	**6.3**	—	—	—	—	—	—	—	689	3.9	—	—	—	—	496	2.4
Extension																		
— Europe — Other	**—**	**—**	**—**	—	(45)	(0.2)	—	—	—	—	45	0.2	—	—	—	—	—	—
Total	**36,052**	**99**	**246.6**	**90**	**—**	**—**	**774**	**4.9**	**1,676**	**12.9**	**4,642**	**31.7**	**5,663**	**33.6**	**8,819**	**58.2**	**14,388**	**105.3**

(1) The annualized revenue for the acquisitions represents the pro-forma revenue expected over a 12-month period.

Occupancy Roll Forward

The following tables provide a roll forward of the occupancy of Granite for the three and nine months ended September 30, 2019:

Occupancy Roll Forward for Q3 2019

	Three Months Ended September 30, 2019						
(in thousands, sq ft, except as noted)	Canada	USA	Austria	Germany	Netherlands	Europe - Other	Total
Total Portfolio Size, Jul 1,2019[1]	**5,904**	**14,607**	**8,101**	**3,504**	**1,441**	**751**	**34,308**
Vacancy, Jul 1,2019	(145)	(241)	—	—	—	—	**(386)**
Occupancy, Jul 1,2019	**5,759**	**14,366**	**8,101**	**3,504**	**1,441**	**751**	**33,922**
Occupancy %, Jul 1,2019	**97.5%**	**98.4%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**98.9%**
Acquired Occupancy	—	300	—	—	259	—	**559**
Expiries	—	(162)	(392)	—	—	(83)	**(637)**
Renewals	—	162	392	—	—	83	**637**
New Leases	145	151	—	—	—	—	**296**
Occupancy, Sept 30, 2019	**5,904**	**14,817**	**8,101**	**3,504**	**1,700**	**751**	**34,777**
Total Portfolio Size, Sept 30, 2019	**5,904**	**14,907**	**8,101**	**3,504**	**1,700**	**751**	**34,867**
Occupancy %, Sept 30, 2019	**100.0%**	**99.4%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**99.7%**

(1) Total Portfolio Size, Jul 1, 2019 is exclusive of assets held for sale.

Assets Held For Sale	**169**	**747**	**—**	**—**	**—**	**—**	**916**

Occupancy Roll Forward for Q3 2019 YTD

	Nine Months Ended September 30, 2019						
(in thousands, sq ft, except as noted)	Canada	USA	Austria	Germany	Netherlands	Europe - Other	Total
Total Portfolio Size, Jan 1, 2019[(1)]	**5,046**	**12,477**	**8,101**	**3,504**	**1,441**	**751**	**31,320**
Vacancy, Jan 1, 2019	(145)	(135)	—	—	—	—	**(280)**
Occupancy, Jan 1, 2019	**4,901**	**12,342**	**8,101**	**3,504**	**1,441**	**751**	**31,040**
Occupancy %, Jan 1, 2019	**97.1%**	**98.9%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**99.1%**
Acquired Occupancy	943	2,122	—	—	259	—	**3,324**
Disposed Occupancy	(85)	—	—	—	—	—	**(85)**
Expansion	—	309	—	—	—	—	**309**
Expiries	(435)	(269)	(392)	(195)	(500)	(83)	**(1,874)**
Renewals	435	162	392	195	500	83	**1,767**
New Leases	145	151	—	—	—	—	**296**
Occupancy, Sept 30, 2019	**5,904**	**14,817**	**8,101**	**3,504**	**1,700**	**751**	**34,777**
Total Portfolio Size, Sept 30, 2019	**5,904**	**14,907**	**8,101**	**3,504**	**1,700**	**751**	**34,867**
Occupancy %, Sept 30, 2019	**100.0%**	**99.4%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**99.7%**

(1) Total Portfolio Size, Jan 1, 2019 is exclusive of assets held for sale.

Assets Held For Sale	**169**	**747**	**—**	**—**	**—**	**—**	**916**

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 $954.3 million as at September 30, 2019 compared to $1,158.1 million at December 31, 2018, as summarized below:

Sources of Available Liquidity

As at September 30, 2019 and December 31, 2018	2019	2018
Cash and cash equivalents	**$ 455.4**	$ 658.2
Unused portion of credit facility	**498.9**	499.9
Available liquidity	**$ 954.3**	$1,158.1
Additional sources of liquidity:		
Assets held for sale[(1)]	**$ 48.3**	$ 44.2
Unencumbered assets[(2)]	**$3,938.3**	$3,425.0

(1) Six properties located in Canada and the United States were classified as assets held for sale on the combined financial statements at September 30, 2019 (one of which was subsequently sold on November 4, 2019). Six properties located in Canada and the United States were classified as assets held for sale on the combined financial statements at December 31, 2018 and were subsequently sold during January and February 2019.

(2) 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 available liquidity is primarily due to cash proceeds realized from the bought deal equity offering in April 2019 and drawdowns on the term loans completed in December 2018. Granite intends to use and has partially used the net proceeds of the equity offering to fund completed and potential acquisitions of properties, development and expansion 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 flow 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 September 30,			Nine Months Ended September 30,		
	2019	**2018**	**$ change**	**2019**	**2018**	**$ change**
Cash and cash equivalents, beginning of period	**$496.9**	$ 50.1	446.8	**$ 658.2**	$ 69.0	589.2
Cash provided by operating activities	**42.8**	40.6	2.2	**133.3**	123.1	10.2
Cash (used in) provided by investing activities	**(48.4)**	219.4	(267.8)	**(430.1)**	182.2	(612.3)
Cash (used in) provided by financing activities	**(35.2)**	(114.8)	79.6	**104.8**	(182.6)	287.4
Effect of exchange rate changes on cash and cash equivalents	**(0.7)**	(2.6)	1.9	**(10.8)**	1.0	(11.8)
Cash and cash equivalents, end of period	**$455.4**	$ 192.7	262.7	**$ 455.4**	$ 192.7	262.7

Operating Activities

In the three month period ended September 30, 2019, operating activities generated cash of $42.8 million compared to $40.6 million in the prior year period. The increase of $2.2 million was due to various factors including, among others, the following:

- a $5.0 million increase in revenue;
- a $2.1 million increase in interest income;
- a $5.8 million decrease in acquisition transaction costs; and
- a $1.6 million decrease in income taxes paid primarily due to decreased tax instalments, partially offset by;

- a decrease in cash provided by working capital changes of $13.2 million primarily due to a decrease in accounts payable and accrued liabilities largely related to the land transfer tax in the prior year period for the property acquired in Germany as well as an increase in accounts receivable due to the timing of rents and amounts related to acquisitions.

In the nine months ended September 30, 2019, operating activities generated cash of $133.3 million compared to $123.1 million in the prior year period. The increase of $10.2 million was due to various factors including, among others, the following:

- a $12.5 million increase in revenue;
- a decrease in tenant incentives paid of $9.5 million which mainly related to a payment in 2018 associated with a 2014 lease extension at the Eurostar facility in Graz, Austria; and
- a decrease in leasing commissions paid of $3.2 million, partially offset by;
- a decrease in cash provided by working capital changes of $11.5 million primarily due to a decrease in accounts payable and accrued liabilities largely related to the land transfer tax in the prior year period for the property acquired in Germany as well as a decrease in deferred revenue due to the timing of rent prepayments; and
- an increase in interest paid of $5.3 million largely associated with the term loan drawdowns in December 2018.

Investing Activities

Investing activities for the three month period ended September 30, 2019 used cash of $48.4 million and primarily related to the following:

- the acquisitions of two income-producing properties for $51.6 million largely consisting of one property in Born, Netherlands for $25.7 million, one property in Horn Lake, Mississippi for $24.5 million and the associated transaction costs of $1.7 million;
- investment property development and expansion capital expenditures paid of $7.2 million primarily relating to the properties under development in Altbach, Germany, Plainfield, Indiana and Houston, Texas; and
- a $1.3 million advance payment made to acquire an income-producing property located in the state of Georgia. Subsequent to September 30, 2019, Granite acquired the property for total consideration of $62.4 million (US$47.5 million). These cash outflows are partially offset by;
- net proceeds of $12.6 million received from the disposition of a property in Canada.

Investing activities for the three month period ended September 30, 2018 generated cash of $219.4 million and primarily related to the following:

- net proceeds of $321.4 million received from the disposition of five income-producing properties in Canada and the United States, partially offset by;
- the remaining balance paid for the acquisition of an income-producing industrial property in Erfurt, Germany for $74.4 million; and
- a $26.1 million deposit to acquire a property under development in the state of Texas. This commitment to purchase is subject to customary closing conditions and is expected to close in the fourth quarter of 2019.

Investing activities for the nine months ended September 30, 2019 used cash of $430.1 million and primarily related to the following:

- the acquisitions of five income-producing properties in the United States and the Netherlands, the leasehold interest in two properties in Canada and a parcel of development land in the United States for $469.3 million consisting of two properties in Texas for $164.2 million, the leasehold interest in two properties in Mississauga, Ontario for $146.7 million, one property in Columbus, Ohio for $71.6 million, one property in Born, Netherlands for $25.7 million, one property in Horn Lake, Mississippi for $24.5 million, one property comprised of development land in Houston, Texas for $33.4 million and the associated transaction costs of $3.2 million;

- investment property development and expansion capital expenditures paid of $11.9 million relating to properties under development in Altbach, Germany, Plainfield, Indiana and Houston, Texas and the completed expansion at the property near Columbus, Ohio, and maintenance and improvement capital expenditures paid of $2.6 million largely relating to improvement projects at a property in Novi, Michigan, a multi-tenanted property in Olive Branch, Mississippi and a property located in the Netherlands; and
- a $1.3 million advance payment to acquire an income-producing property located in the state of Georgia as noted above. These cash outflows are partially offset by;
- net proceeds of $38.2 million received from the dispositions of seven properties in Canada and the United States; and
- the receipt of a $16.8 million vendor take-back mortgage relating to the sale of four properties in Iowa in February 2019.

Investing activities for the nine months ended September 30, 2018 generated cash of $182.2 million and primarily related to the following:

- net proceeds of $677.8 million received from the disposition of 15 income-producing properties in Canada and the United States; and
- the receipt of a $30.0 million vendor take-back mortgage resulting from the sale of seven properties in Newmarket, Ontario in January 2018, partially offset by;
- the acquisitions of six income-producing properties in the United States and one property in Germany for $482.0 million consisting of a $304.2 million portfolio of four properties in West Jefferson, Ohio, $50.7 million for a property in Plainfield, Indiana, $44.4 million for a property in Greencastle, Pennsylvania and $82.7 million for a property in Erfurt, Germany;
- a $26.1 million deposit to acquire a property under development in the state of Texas as noted above; and
- investment property maintenance and improvement capital expenditures paid of $16.6 million largely relating to improvement projects at a property in Novi, Michigan which was occupied by a tenant starting January 2018 and an improvement project at a modern warehouse property in Olive Branch, Mississippi which was acquired in October 2017 and re-leased to another tenant.

Financing Activities

Cash used in financing activities for the three month period ended September 30, 2019 of $35.2 million comprised $34.6 million of distribution payments and $0.7 million relating to the payment of lease obligations.

Cash used in financing activities for the three month period ended September 30, 2018 of $114.8 million comprised net $83.7 million of bank indebtedness repayments and $31.1 million of distribution payments.

Cash provided by financing activities for the nine months ended September 30, 2019 of $104.8 million comprised $220.4 million of proceeds from the stapled unit offering completed in April 2019, net of issuance costs, partially offset by $100.2 million of monthly distribution payments, $13.7 million relating to a special distribution payment and $1.5 million relating to the payment of lease obligations.

Cash used in financing activities for the nine months ended September 30, 2018 of $182.6 million comprised distribution payments of $94.0 million, repurchases of the Trust's stapled units under the normal course issuer bid of $60.9 million and net $26.2 million of bank indebtedness repayments.

Debt Structure

Granite's debt structure and key debt metrics as at September 30, 2019 and December 31, 2018 were as follows:

Summary Debt Structure and Debt Metrics

As at September 30, 2019 and December 31, 2018		2019	2018
Unsecured debt, net		**$1,191.7**	$1,198.4
Cross currency interest rate swaps, net		**28.7**	104.8
Lease obligations[1]		**32.8**	—
Total debt	**[A]**	**$1,253.2**	$1,303.2
Less: cash and cash equivalents		**455.4**	658.2
Net debt	**[B]**	**$ 797.8**	$ 645.0
Investment properties, all unencumbered by secured debt	**[C]**	**$3,938.3**	$3,425.0
Trailing 12-month adjusted EBITDA[2]	**[D]**	**$ 195.5**	$ 187.0
Interest expense		**$ 28.4**	$ 22.4
Interest income		**(8.6)**	(2.6)
Trailing 12-month interest expense, net	**[E]**	**$ 19.8**	$ 19.8
Debt metrics			
Leverage ratio[2]	**[A]/[C]**	**32%**	38%
Net leverage ratio[2]	**[B]/[C]**	**20%**	19%
Interest coverage ratio[2]	**[D]/[E]**	**9.9x**	9.4x
Unencumbered asset coverage ratio[2]	**[C]/[A]**	**3.1x**	2.6x
Indebtedness ratio (debt to adjusted EBITDA)[2]	**[A]/[D]**	**6.4x**	7.0x
Weighted average cost of debt[3]		**2.17%**	2.17%
Weighted average debt term-to-maturity, in years[3]		**4.0**	4.7
Ratings and outlook			
DBRS		**BBB stable**	BBB stable
Moody's		**Baa2 stable**	Baa2 stable

(1) The Trust has adopted IFRS 16, *Leases* effective January 1, 2019 resulting in the recognition of lease obligations on the combined balance sheet (see "*NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS*").

(2) Represents a non-IFRS measure. For definitions of Granite's non-IFRS measures, refer to the section "*NON-IFRS MEASURES*".

(3) Excludes lease obligations noted above. Proforma the refinancing and extension of the US$185 million term loan (see "*SIGNIFICANT MATTERS*"), the weighted average cost of debt and weighted average debt term-to-maturity are expected to be 2.02% and 4.4 years, respectively.

Unsecured Debt and Cross Currency Interest Rate Swaps

2025 Term Loan and Cross Currency Interest Rate Swap

On December 12, 2018, Granite REIT Holdings Limited Partnership ("Granite LP") entered into a senior unsecured non-revolving term facility in the amount of $300.0 million (the "2025 Term Loan") that matures on December 12, 2025. The 2025 Term Loan was available in one drawdown and is fully prepayable without penalty. Any amount repaid may not be re-borrowed. On December 12, 2018, $300.0 million was drawn on the 2025 Term Loan. 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 September 30, 2019, the full $300.0 million remained outstanding and the balance, net of deferred financing costs, was $298.9 million.

On December 12, 2018, the Trust entered into a cross currency interest rate swap to exchange the CDOR plus margin interest payments from the 2025 Term Loan for Euro denominated payments at a 2.202% fixed interest rate. In addition, under the terms of the swap, the Trust will pay principal proceeds of €198.2 million in exchange for which it will receive $300.0 million on December 12, 2025. As at September 30, 2019, the fair value of the cross currency interest rate swap was a net financial liability of $6.9 million.

2024 Term Loan and Cross Currency Interest Rate Swap

On December 19, 2018, the Trust entered into a senior unsecured non-revolving term facility in the amount of US$185.0 million (the "2022 Term Loan") that matured on December 19, 2022. The 2022 Term Loan was available in one US dollar drawdown and is fully prepayable without penalty. Any amount repaid may not be re-borrowed. On December 19, 2018, US$185.0 million was drawn on the 2022 Term Loan. 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. On October 10, 2019, Granite extended and refinanced the 2022 Term Loan. The maturity date has been extended two years to December 19, 2024 (the "2024 Term Loan"). At September 30, 2019, the full US$185.0 million remained outstanding and the balance, net of deferred financing costs, was $244.5 million.

On December 19, 2018, the Trust entered into a cross currency interest rate swap to exchange the LIBOR plus margin interest payments from the 2022 Term Loan for Euro denominated payments at a 1.225% fixed interest rate. In anticipation of the 2022 Term Loan extension, the cross currency swap was terminated on September 24, 2019 and blended into a new cross currency interest rate swap. The new cross currency 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 swap, Granite will pay principal proceeds of €168.2 million in exchange for which it will receive US$185 million on December 19, 2024. As at September 30, 2019, the fair value of the new cross currency interest rate swap was a net financial asset of $1.5 million.

2023 Debentures and Cross Currency Interest Rate Swap

On December 20, 2016, the Trust 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 September 30, 2019, all of the 2023 Debentures remained outstanding and the balance, net of deferred financing costs, was $398.7 million.

On December 20, 2016, the Trust entered into a 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 swap, the Trust will pay principal proceeds of €281.1 million in exchange for which it will receive $400.0 million on November 30, 2023. As at September 30, 2019, the fair value of the cross currency interest rate swap was a net financial liability of $20.1 million.

2021 Debentures and Cross Currency Interest Rate Swap

In July 2014, the Trust issued $250.0 million aggregate principal amount of 3.788% Series 2 senior debentures due July 5, 2021 (the "2021 Debentures"). Interest on the 2021 Debentures is payable semi-annually in arrears on January 5 and July 5 of each year. At September 30, 2019, all of the 2021 Debentures remained outstanding and the balance, net of deferred financing costs, was $249.6 million.

In July 2014, the Trust entered into a cross currency interest rate swap to exchange the 3.788% interest payments from the 2021 Debentures for Euro denominated payments at a 2.68% fixed interest rate. Under the terms of the swap, the Trust will pay principal proceeds of €171.9 million in exchange for which it will receive $250.0 million on July 5, 2021. As at September 30, 2019, the fair value of the cross currency interest rate swap was a net financial liability of $3.2 million.

The 2021 Debentures, 2023 Debentures, 2024 Term Loan and 2025 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 and the Euro, Canadian and US government benchmark interest rates.

Credit Facility

On February 1, 2018, the Trust entered into an unsecured revolving credit facility in the amount of $500.0 million that is available by way of Canadian dollar, US dollar or Euro denominated loans or letters of credit and matures on February 1, 2023. The Trust has the option to extend the maturity date by one year to February 1, 2024 subject to the agreement of lenders in respect of a minimum of 66⅔% of the aggregate amount committed under the facility. The credit facility provides the Trust with the ability to increase the amount of the commitment by an additional aggregate principal amount of up to $100.0 million with the consent of the participating lenders. Interest on drawn amounts is calculated based on an applicable margin determined by reference to the external credit rating of Granite REIT and Granite GP, as is a commitment fee in respect of undrawn amounts. As at September 30, 2019, the Trust had no amounts drawn from the credit facility and $1.1 million in letters of credit issued against the facility.

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 September 30, 2019, there were no significant changes in the debt ratios, which remain relatively favourable, providing financial flexibility for future growth.

Granite's unsecured debentures, term loans and credit facility agreements contain financial and non-financial covenants that include maintaining certain leverage and debt service ratios. As at September 30, 2019, Granite was in compliance with all of these covenants.

Credit Ratings

On March 14, 2019, Moody's Investors Service, Inc. ("Moody's") confirmed its credit rating on the 2021 Debentures and 2023 Debentures of Baa2 with a stable outlook. On April 1, 2019, DBRS confirmed the BBB rating on the 2021 Debentures and the 2023 Debentures with a stable trend. 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 ratings.

Unitholders' Equity

Outstanding Stapled Units

As at November 5, 2019, the Trust had 54,052,708 stapled units issued and outstanding. The increase from the issued and outstanding stapled units of 49,452,708 at September 30, 2019 resulted from the Offering subsequent to quarter end (see *''SIGNIFICANT MATTERS''*).

Distributions

On November 5, 2019, the Trust increased its targeted annualized distribution to $2.90 ($0.242 cents per month) per stapled unit from $2.80 per stapled unit to be effective upon the declaration of the distribution in respect of the month of December 2019 and payable in mid-January 2020.

Granite REIT's monthly distribution to unitholders is currently 23.3 cents per stapled unit. For 2019, based on this current monthly rate, Granite expects to make total annual distributions of $2.80 per stapled unit.

Monthly distributions declared to stapled unitholders in the three month periods ended September 30, 2019 and 2018 were $34.6 million or 69.9 cents per stapled unit and $31.1 million or 68.1 cents per stapled unit, respectively. Total distributions declared to stapled unitholders in the nine month periods ended September 30, 2019 and 2018 were $101.1 million or $2.10 per stapled unit and $93.7 million or $2.04 per stapled unit, respectively. On October 17, 2019, a monthly distribution of $12.6 million or 23.3 cents per stapled unit was declared and will be paid on November 15, 2019.

As a result of the increase in taxable income generated primarily by the sale transactions in 2018, Granite's Board of Trustees declared a special distribution in December 2018 of $1.20 per stapled unit which comprised 30.0 cents per unit payable in cash and 90.0 cents per unit payable by the issuance of stapled units, both of which were paid on January 15, 2019. Immediately following the issuance of the stapled units, the stapled units were consolidated such that each unitholder held the same number of stapled units after the consolidation as each unitholder held prior to the special distribution.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Net income	**$114.6**	$157.9	**$ 291.6**	$379.5
Cash flows provided by operating activities	**42.8**	40.6	**133.3**	123.1
Monthly distributions paid and payable[1]	**(34.6)**	(31.1)	**(101.1)**	(93.7)
Cash flows from operating activities in excess of distributions paid and payable[1]	**$ 8.2**	**$ 9.5**	**$ 32.2**	**$ 29.4**

(1) Excludes the special distribution paid in January 2019.

Monthly distributions paid for the three and nine month periods ended September 30, 2019 and 2018 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.

Equity Offerings

On October 31, 2019, Granite completed an offering of 4,000,000 stapled units at a price of $64.00 per unit for gross proceeds of approximately $256 million. On October 28, 2019, the syndicate of underwriters elected, pursuant to the terms of the underwriting agreement in respect of the offering, to exercise its over-allotment option in full, resulting in the issuance of an additional 600,000 stapled units on October 31, 2019 for additional gross proceeds of $38.4 million. The aggregate gross proceeds raised pursuant to the offering, including the exercise of the over-allotment option (the ''Offering''), were $294.4 million. The net proceeds received by Granite after deducting the underwriters' fees and the estimated expenses of the Offering were approximately $281.6 million. Subsequent to the Offering and as at November 5, 2019, Granite had 54,052,708 stapled units issued and outstanding.

Granite intends to use the net proceeds from the Offering to fund a portion of Granite's recently announced acquisition in Texas, commitments under existing development projects, potential future acquisitions and for general trust purposes.

On April 30, 2019, Granite completed an offering of 3,260,000 stapled units at a price of $61.50 per unit for gross proceeds of $200.5 million. On April 26, 2019, the syndicate of underwriters elected, pursuant to the terms of the underwriting agreement in respect of the offering, to exercise its over-allotment option in full, resulting in the issuance of an additional 489,000 stapled units on April 30, 2019 for additional gross proceeds of $30.1 million. The aggregate gross proceeds raised pursuant to the offering, including the exercise of the over-allotment option, were $230.6 million. The net proceeds received by Granite after deducting the underwriters' fees and the expenses were $220.4 million.

Normal Course Issuer Bid

On May 14, 2019, 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 4,853,666 of Granite's issued and outstanding stapled units. The NCIB commenced on May 21, 2019 and will conclude on the earlier of the date on which purchases under the bid have been completed and May 20, 2020. Pursuant to the policies of the TSX, daily purchases made by Granite through the TSX may not exceed 41,484 stapled units, subject to certain exceptions. Granite 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 18, 2018 to May 17, 2019.

During the nine months ended September 30, 2019, Granite repurchased 700 stapled units for consideration of less than $0.1 million at an aggregate average purchase price of $52.96 per unit. During the nine months ended September 30, 2018, Granite repurchased 1,233,459 stapled units for consideration of $60.9 million, representing an average purchase price of $49.41.

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.

Commitments on non-cancellable operating leases that were previously disclosed are recorded as lease obligations on the condensed combined financial statements under IFRS 16, *Leases* effective January 1, 2019 (see "*New Accounting Pronouncements and Developments*").

Off-balance sheet arrangements consist of outstanding letters of credit to support certain contractual obligations, property purchase commitments and construction and development project commitments. At September 30, 2019, the Trust had $1.1 million in letters of credit outstanding. The Trust also had contractual commitments related to construction and development projects and the purchase of a property in the United States amounting in aggregate to approximately $338.7 million. The construction and development projects are expected to be completed over the next year. The commitment to purchase the property in the United States is subject to customary closing conditions and is expected to close in the fourth quarter of 2019. Granite expects to fund these commitments through the use of cash on hand, cash from operations and/or Granite's credit facility.

On July 24, 2019, a tenant exercised its purchase option to acquire a 0.2 million square foot property located in Canada at a stipulated price included in the lease agreement. The property is classified as an asset held for sale on the combined balance sheet and was sold on November 4, 2019 for gross proceeds of $10.0 million.

For further discussion of commitments, contractual obligations, contingencies and off-balance sheet arrangements, refer to notes 8, 9, 17 and 18 to the unaudited condensed combined financial statements for the three and nine month periods ended September 30, 2019.

NON-IFRS MEASURES

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, acquisition transaction costs, 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") White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS dated February 2019 and as subsequently amended ("White Paper"). 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")*. 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 incentives paid 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 White Paper. 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")*. AFFO should not be construed as an alternative to net income or cash flow generated from operating activities determined in accordance with IFRS.

FFO and AFFO payout ratios

The FFO and AFFO payout ratios are calculated as monthly distributions, which exclude the special distribution, declared to unitholders divided by FFO and AFFO, respectively, in a period. FFO payout ratio and AFFO payout ratio may exclude revenue 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 analysts and investors in evaluating the sustainability of the Trust's monthly distributions to stapled unitholders.

FFO and AFFO Payout Ratios

(in millions, except as noted)		Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Monthly distributions declared to unitholders	**[A]**	**$34.6**	$31.1	**$101.1**	$ 93.7
FFO		**45.8**	39.1	**129.6**	128.0
Add (deduct):					
Foreign exchange gain on the remeasurement of US cash proceeds from sale of properties		**—**	—	**—**	(8.5)
Lease termination and close-out fees		**—**	—	**(0.9)**	(1.0)
FFO adjusted for the above	**[B]**	**$45.8**	$39.1	**$128.7**	$118.5
AFFO		**44.6**	37.7	**126.2**	98.3
Add (deduct):					
Tenant allowance payment made in connection with a 2014 lease extension at the Eurostar facility in Austria		**—**	—	**—**	9.1
Foreign exchange gain on the remeasurement of US cash proceeds from sale of properties		**—**	—	**—**	(8.5)
Lease termination and close-out fees		**—**	—	**(0.9)**	(1.0)
AFFO adjusted for the above	**[C]**	**$44.6**	$37.7	**$125.3**	$ 97.9
FFO payout ratio	**[A]/[B]**	**76%**	80%	**79%**	79%
AFFO payout ratio	**[A]/[C]**	**78%**	82%	**81%**	96%

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*"). 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*"). 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.

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, foreign exchange gains (losses) on the remeasurement of proceeds from the sale of investment properties, fair value gains (losses) on investment properties and financial instruments, acquisition transaction costs, other income relating to a settlement award and loss on the sale of investment properties. 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 September 30, 2019 and December 31, 2018	2019	2018
Net income	**$ 377.5**	$ 465.4
Add (deduct):		
Lease termination and close-out fees	**(0.9)**	(1.0)
Interest expense and other financing costs	**28.4**	22.4
Interest income	**(8.6)**	(2.6)
Income tax expense	**44.0**	52.6
Depreciation and amortization	**0.7**	0.3
Foreign exchange gain on the remeasurement of US cash proceeds from sale of properties	**—**	(8.5)
Fair value gains on investment properties, net	**(250.8)**	(354.7)
Fair value losses on financial instruments	**1.3**	0.5
Loss on sale of investment properties	**3.5**	6.9
Acquisition transaction costs	**0.4**	8.0
Other income — settlement award	**—**	(2.3)
Adjusted EBITDA	**$ 195.5**	$ 187.0

Interest coverage ratio

The interest coverage ratio is calculated on a 12-month trailing basis using Adjusted EBITDA 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 divided by Adjusted EBITDA 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 the carrying value of total debt divided by the fair value of investment properties 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(k) of the audited combined financial statements for the year ended December 31, 2018. The Trust makes judgments in determining whether certain leases are operating or finance leases, in particular tenant leases with long contractual terms and leases where the property is a large square-footage and/or architecturally specialized. Refer to the "*New Accounting Pronouncements and Developments*" section for information on the adoption of IFRS 16, *Leases* effective January 1, 2019.

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, 2018. 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 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 nine month period ended September 30, 2019. 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 and nine month periods ended September 30, 2019 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 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

New Standards Adopted

The accounting policies adopted in the preparation of the condensed combined financial statements are consistent with those followed in the preparation of the Trust's annual combined financial statements for the year ended December 31, 2018, except for the adoption of new standards and interpretations effective January 1, 2019. The nature and effect of these changes are disclosed below.

Amendments to IFRS 3, *Business Combinations*

In connection with the combined financial statements for the nine month period ended September 30, 2019, the Trust determined to early adopt the amendments to IFRS 3, *Business Combinations* ("IFRS 3 Amendments") effective January 1, 2019 in advance of their mandatory effective date of January 1, 2020. The Trust adopted the IFRS 3 Amendments prospectively and therefore the comparative information presented for 2018 has not been restated. The IFRS 3 Amendments clarify the definition of a business in determining whether an acquisition is a business combination or an asset acquisition. The IFRS 3 Amendments have removed the requirement for an assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; the reference to an ability to reduce costs; and require, at a minimum, the acquired set of activities and assets to include an input and a substantive process to meet the definition of a business. The IFRS 3 Amendments also provide for an optional concentration test to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Following the adoption of the IFRS 3 Amendments, the Trust continues to account for business combinations in which control is acquired under the acquisition method. When a property acquisition is made, the Trust considers the inputs, processes and outputs of the acquiree in assessing whether it meets the definition of a business. When the acquired set of activities and assets lack a substantive process in place and will be integrated into the Trust's existing operations, the acquisition does not meet the definition of a business and is accounted for as an asset acquisition. An asset acquisition is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition, including transaction costs, is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognized. Subsequently, where the acquired asset represents an investment property, it is measured at fair value in accordance with IAS 40, *Investment Properties*.

As a result of the adoption of the IFRS 3 Amendments, Granite's income-producing property acquisitions are considered asset acquisitions rather than business combinations. Accordingly, for the three and nine month periods ended September 30, 2019, acquisition transaction costs of $1.6 million and $2.9 million, respectively, were first capitalized to the cost of the property and then expensed to net fair value gains/losses on investment properties as a result of measuring the property at fair value instead of directly expensing these amounts to acquisition transaction costs in the combined statements of net income. There was no significant impact to net income, unitholders' equity or cash flows from the adoption of the IFRS 3 Amendments as at September 30, 2019 and for the three and nine month periods then ended.

IFRS 16, *Leases*

In January 2016, the International Accounting Standards Board ("IASB") issued IFRS 16, *Leases* (''IFRS 16'') which replaced International Accounting Standard ("IAS") 17, *Leases* and its associated interpretative guidance. For contracts that are or contain a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains substantially unchanged as the distinction between operating and finance leases is retained.

The Trust has applied IFRS 16 using the modified retrospective approach and, therefore, the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated.

As a lessee

Definition of a lease

Previously, the Trust determined at contract inception whether an arrangement was or contained a lease under IAS 17. The Trust now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Trust applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and associated interpretative guidance were not reassessed as the practical expedient offered under the standard was applied. Therefore, the new definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

In accordance with IFRS 16, at inception or on modification of a contract that contains a lease component, the Trust allocates the consideration in the contract to each lease and non-lease component based on their relative stand-alone prices.

Accounting policy

The Trust recognizes a right-of-use asset and a lease obligation at the lease commencement date. The Trust presents right-of-use assets that do not meet the definition of investment property in ''fixed assets'' on the combined balance sheet, the same line item as it presents underlying assets of the same nature that it owns. The right-of-use asset is initially measured at cost and, subsequently, at cost less any accumulated depreciation and impairment, and adjusted for certain remeasurements of the lease obligation. When a right-of-use asset meets the definition of investment property, it is presented in "investment properties" on the combined balance sheet. The right-of-use asset is initially measured at cost and subsequently, it is measured at fair value in accordance with the Trust's accounting policies.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Trust's incremental borrowing rate. Generally, the Trust uses its incremental borrowing rate as the discount rate. The Trust presents lease liabilities in "lease obligations" on the combined balance sheet.

The lease obligation is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee or, as appropriate, a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Trust has applied judgment to determine 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. The Trust also applies judgment in determining the discount rate used to present value the lease obligations.

Transition

In accordance with IFRS 16, the Trust recognized right-of-use assets and lease obligations for applicable leases except for leases of low-value assets for which the Trust has elected not to recognize right-of-use assets and lease liabilities. The Trust recognizes the lease payments associated with these low-value asset leases as an expense on a straight-line basis over the lease term.

The Trust leases assets related to ground leases, office space and equipment. Lease obligations were measured at the present value of the remaining lease payments, discounted at the Trust's incremental borrowing rate as at January 1, 2019.

Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Trust recognized a right-of-use asset at a value equal to the lease obligation and, therefore, there was no impact to retained earnings as at January 1, 2019.

The Trust used the following additional practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and obligations for leases with less than 12 months of lease term;
- Applied the exemption not to allocate the consideration in a contract to each lease and non-lease component;

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact on transition

As at September 30, 2019, the Trust had leases for the use of office space, office and other equipment and three ground leases for the land upon which four income-producing properties in Europe and Canada are situated. In accordance with IFRS 16, the Trust recognized these operating leases as right-of-use assets and recorded related lease liability obligations on the condensed combined balance sheet as follows:

	Fixed assets			Investment properties	Lease obligations
	Office space	**Equipment**	**Total**	**Ground leases**	
Balance at January 1, 2019	**$1.7**	**$0.1**	**$1.8**	**$11.8**	**$13.6**
Balance at September 30, 2019	**$1.6**	**$0.1**	**$1.7**	**$31.3**	**$32.8**

When measuring lease liabilities for leases that were classified as operating leases, the Trust discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 4.4%.

During the nine month period ended September 30, 2019, the Trust recorded an additional right-of-use asset and related lease obligation of $20.5 million for the ground lease associated with the acquisition of two income-producing properties in Mississauga, Ontario in April 2019. In addition, the Trust also recorded right-of-use assets and lease obligations of less than $0.1 million for equipment and $0.3 million for office space.

In accordance with IFRS 16, the Trust has recognized depreciation and interest costs, instead of operating lease expense. During the three and nine month periods ended September 30, 2019, the Trust recognized $0.1 million and $0.4 million of depreciation and amortization expense, respectively, and $0.4 million and $0.9 million of interest expense from these leases, respectively. No depreciation is recognized for the right-of-use asset that meets the definition of investment property.

As a lessor

The Trust leases its investment properties, including right-of-use assets, to tenants and has determined that the in-place leases as at September 30, 2019 are operating leases. The accounting policies applicable to the Trust as a lessor are in accordance with IAS 17. The Trust is not required to make any adjustments on transition to IFRS 16 for leases in which it is a lessor.

IFRIC 23, *Uncertainty Over Income Tax Treatments*

In June 2017, the IFRS Interpretations Committee issued IFRIC 23, *Uncertainty Over Income Tax Treatments* ("IFRIC 23") which clarifies how the recognition and measurement requirements of IAS 12, *Income Taxes*, are applied where there is uncertainty over income tax treatments. This standard is effective for annual periods beginning on or after January 1, 2019. The adoption of this standard did not have an impact on the combined financial statements.

Future Accounting Policy Changes

There are no new accounting standards issued but not yet applicable to the condensed combined financial statements for the three and nine months ended September 30, 2019.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the third quarter of 2019, 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, 2018, and remain substantially unchanged in respect of the three and nine month periods ended September 30, 2019.

QUARTERLY FINANCIAL DATA (UNAUDITED)

(in millions, except as noted)	Q3'19	Q2'19	Q1'19[6]	Q4'18	Q3'18	Q2'18	Q1'18	Q4'17
Operating highlights[1][2]								
Revenue	**$ 68.8**	$ 67.9	$ 63.4	$ 59.9	$ 63.8	$ 62.1	$ 61.7	$ 62.6
NOI — cash basis[1]	**$ 60.3**	$ 58.3	$ 55.1	$ 52.9	$ 56.4	$ 55.2	$ 52.3	$ 56.2
Fair value gain on investment properties, net	**$ 78.2**	$ 69.6	$ 50.1	$ 52.9	$ 141.6	$ 127.9	$ 32.3	$ 185.2
Net income attributable to stapled unitholders	**$ 114.5**	$ 98.7	$ 78.3	$ 85.9	$ 157.8	$ 149.2	$ 72.4	$ 233.6
Cash provided by operating activities	**$ 42.8**	$ 50.1	$ 40.4	$ 34.7	$ 40.6	$ 45.0	$ 37.6	$ 38.2
FFO[1]	**$ 45.8**	$ 43.1	$ 40.7	$ 40.9	$ 39.1	$ 37.6	$ 51.3	$ 41.6
AFFO[1]	**$ 44.6**	$ 42.3	$ 39.3	$ 39.8	$ 37.7	$ 29.4	$ 31.1	$ 32.6
FFO payout ratio[1]	**76%**	81%	79%	77%	80%	79%	79%	75%
AFFO payout ratio[1]	**78%**	83%	82%	79%	82%	99%	109%	95%
Per unit amounts								
Diluted FFO[1]	**$ 0.93**	$ 0.89	$ 0.89	$ 0.90	$ 0.86	$ 0.82	$ 1.11	$ 0.89
Diluted AFFO[1]	**$ 0.90**	$ 0.88	$ 0.86	$ 0.87	$ 0.82	$ 0.64	$ 0.67	$ 0.69
Monthly distributions paid	**$ 0.70**	$ 0.70	$ 0.70	$ 0.68	$ 0.68	$ 0.68	$ 0.68	$ 0.65
Special distribution paid	**—**	—	$ 0.30	—	—	—	—	—
Financial highlights								
Investment properties[3]	**$3,938.3**	$3,799.1	$3,532.8	$3,425.0	$3,198.0	$3,031.2	$2,916.1	$2,733.6
Assets held for sale	**$ 48.3**	$ 50.5	$ 38.7	$ 44.2	$ 17.0	$ 341.4	—	$ 391.4
Cash and cash equivalents	**$ 455.4**	$ 496.9	$ 501.0	$ 658.2	$ 192.7	$ 50.1	$ 273.8	$ 69.0
Total debt[4]	**$1,253.2**	$1,285.6	$1,261.6	$1,303.2	$ 715.9	$ 817.6	$ 745.7	$ 741.4
Diluted weighted average number of units	**49.5**	48.3	45.7	45.7	45.8	45.8	46.3	47.0
Maintenance or improvement capital expenditures paid[5]	**$ 0.7**	$ 0.3	$ 0.6	$ 0.7	$ 1.5	$ 3.0	$ 0.4	$ 1.3
Leasing costs paid[5]	**$ 0.6**	—	$ 0.4	$ 0.4	$ 0.5	$ 2.4	$ 1.5	$ 0.4
Property metrics[3]								
Number of income-producing properties	**80**	79	77	80	85	84	85	84
GLA, square feet	**34.9**	34.5	32.8	32.2	32.5	31.8	29.7	29.1
Occupancy, by GLA	**99.7%**	98.9%	98.8%	99.1%	97.3%	97.3%	98.7%	98.4%
Weighted average lease term, years	**6.0**	6.0	6.1	6.0	5.9	5.9	6.0	5.9

(1) For definitions of Granite's non-IFRS measures, refer to the section "*NON-IFRS MEASURES*".

(2) 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. Explanations for specific changes in the quarterly financial data table above are as follows:

- **Q3'19** — Fair value gains on investment properties of $78.2 million were largely attributable to (i) a compression in discount or terminal capitalization rates for certain properties primarily located in Canada and the United States and, to a lesser extent, in Europe, which resulted from the continued market demand for industrial real estate and (ii) the favourable changes in leasing assumptions associated with fair market rent increases for certain properties located in North America.
- **Q2'19** — Revenue, net income attributable to unitholders, cash provided by operating activities and FFO included $0.6 million of lease termination and close-out fee in revenue in connection with a tenant having vacated a property. FFO used to calculate FFO payout ratio and AFFO payout ratio excludes the $0.6 million lease termination and close-out fee as this revenue can be a source of variance between periods.
- **Q1'19** — Revenue, net income attributable to unitholders, cash provided by operating activities and FFO included $0.3 million of lease termination and close-out fee in revenue in connection with a tenant having vacated a property. FFO used to calculate FFO payout ratio and AFFO payout ratio excludes the $0.3 million lease termination and close-out fee as this revenue can be a source of variance between periods.
- **Q4'18** — Fair value gains on investment properties of $52.9 million were largely attributable to a compression in discount and terminal capitalization rates for properties located in Canada, the United States and the Netherlands that resulted from a greater market demand for industrial real estate properties and, to a lesser extent, the increase in fair value to the expected sale price for the multi-purpose properties sold in 2019 and the positive changes in leasing assumptions associated with new leases and lease renewals.
- **Q3'18** — Fair value gain on investment properties of $141.6 million included a compression in discount and terminal capitalization rates and an increase in market rents for properties in Canada, the United States, Germany and the Netherlands resulting from the limited availability and greater market demand for industrial real estate properties.
- **Q2'18** — Net income attributable to unitholders, cash provided by operating activities and FFO included a $1.9 million foreign exchange loss recognized in the period relating to the remeasurement of US dollar proceeds from the sale of investment properties in January 2018. FFO used to calculate FFO payout ratio and AFFO payout ratio excludes the $1.9 million foreign exchange loss on the remeasurement of US dollar proceeds from the sale of investment properties as this item can be a source of variance between periods. Fair value gain on investment properties of $127.9 million included the increase in fair value to the expected sale price of six multi-purpose and special purpose properties classified as assets held for sale in the second quarter of 2018.
- **Q1'18** — Revenue, net income attributable to unitholders, cash provided by operating activities and FFO included $1.0 million of lease termination and close-out fee in revenue in connection with a tenant having vacated a property and a $10.4 million foreign exchange gain recognized in the period relating to the remeasurement of US dollar proceeds from the sale of investment properties in January 2018. FFO used to calculate FFO payout ratio and AFFO payout ratio excludes the aforementioned items as these items can be a source of variance between periods. AFFO included $9.1 million related to the payment of a tenant incentive allowance made in connection with a 2014 lease extension at the Eurostar facility in Graz, Austria. AFFO used to calculate AFFO payout ratio excludes the $9.1 million tenant incentive payment as this cost can be a source of variance between periods.
- **Q4'17** — Fair value gain on investment properties of $185.2 million included the increase in fair value to the sale price for 10 properties, including three special purpose properties, sold in January 2018 and the higher valuation implied on certain remaining special purpose properties from the pricing realized and the liquidity potential demonstrated from the dispositions.

(3) Excludes properties held for sale which are classified as assets held for sale on the combined balance sheet as at the respective quarter-end.

(4) The Trust has adopted IFRS 16, *Leases* effective January 1, 2019 resulting in the recognition of lease obligations on the combined balance sheet and, thereby, included in total debt (see "*NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS"*).

(5) Excludes maintenance or improvement capital expenditures and leasing costs paid related to a $9.1 million tenant incentive allowance for a 2014 lease extension in Graz, Austria and the partially re-leased flex office property in Novi, Michigan (see "*INVESTMENT PROPERTIES*").

(6) Granite early adopted, effective January 1, 2019, the IFRS 3 Amendments in the three and six month periods ended June 30, 2019 (see "*NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS*"). Accordingly, transaction costs relating to asset acquisitions are first capitalized to the cost of the property and then expensed to net fair value gains/losses on investment properties as a result of measuring the property at fair value instead of directly expensing these amounts to acquisition transaction costs in the combined statements of net income. Prior to the early adoption of the IFRS 3 Amendments, property acquisitions were accounted as business combinations and transaction costs were expensed in its own line item in the statement of net income. Net fair value gains on investment properties and cash provided by operating activities for the three months ended March 31, 2019 were previously reported as $50.5 million and $39.5 million, respectively.

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: the expansion and diversification of Granite's real estate portfolio and the reduction in Granite's exposure to Magna and the special purpose properties; the ability of Granite to accelerate growth and to grow its net asset value and FFO and AFFO per unit; the ability of Granite to find satisfactory acquisition, joint venture and development opportunities and to strategically deploy the proceeds from recently sold properties and financing initiatives; Granite's intended use of the net proceeds of the Offering to fund potential acquisitions and for the other purposes described previously; the potential for expansion and rental growth at the property in Mississauga, Ontario; the expected enhancement to the yield of such properties from such potential expansion and rental growth; the expected construction on and development yield of the acquired greenfield site in Houston, Texas; the expected construction of the distribution/light industrial facility on the 13-acre site in Altbach, Germany; the expected construction of the distribution/warehouse facility in Plainfield, Indiana; Granite's ability to dispose of any non-core assets on satisfactory terms; Granite's ability to meet its target occupancy goals; the expected impact of the refinancing of the US term loan on Granite's returns and cash flow; and the expected amount of any distributions and distribution increase, can be achieved in a timely manner, with the expected impact or at all. Forward-looking statements and forward-looking information are based on information available at the time and/or management's good faith assumptions and analyses made in light of Granite's perception of historical trends, current conditions and expected future developments, as well as other factors Granite believes are appropriate in the circumstances, and are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond Granite's control, that could cause actual events or results to differ materially from such forward-looking statements and forward-looking information. Important factors that could cause such differences include, but are not limited to, the risk of changes to tax or other laws and treaties that may adversely affect Granite REIT's mutual fund trust status under the Income Tax Act (Canada) or the effective tax rate in other jurisdictions in which Granite operates; economic, market and competitive conditions and other risks that may adversely affect Granite's ability to 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 2018 dated March 6, 2019, 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, 2018 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.

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

For the three and nine months ended September 30, 2019 and 2018

Condensed Combined Balance Sheets

(Canadian dollars in thousands)
(Unaudited)

As at	Note	September 30, 2019	December 31, 2018
ASSETS			
Non-current assets:			
Investment properties	2(c), 4	$3,938,279	$3,424,978
Acquisition deposits	3	27,810	34,288
Deferred tax assets		4,684	5,301
Fixed assets, net	2(c)	2,236	771
Other assets	6	2,884	13,425
		3,975,893	3,478,763
Current assets:			
Assets held for sale	5	48,284	44,238
Other receivable	7	11,458	—
Accounts receivable		5,744	4,316
Income taxes receivable		493	212
Prepaid expenses and other		4,387	2,510
Restricted cash		425	470
Cash and cash equivalents	14(d)	455,414	658,246
Total assets		$4,502,098	$4,188,755
LIABILITIES AND EQUITY			
Non-current liabilities:			
Unsecured debt, net	8(a)	$1,191,648	$1,198,414
Cross currency interest rate swaps	8(b)	30,254	104,757
Long-term portion of lease obligations	2(c)	32,348	—
Deferred tax liabilities		318,725	303,965
		1,572,975	1,607,136
Current liabilities:			
Deferred revenue	9	5,566	4,290
Accounts payable and accrued liabilities	9	51,657	41,967
Distributions payable	10	11,522	24,357
Short-term portion of lease obligations	2(c)	463	—
Income taxes payable		12,961	14,020
Total liabilities		1,655,144	1,691,770
Equity:			
Stapled unitholders' equity	11	2,845,560	2,495,518
Non-controlling interests		1,394	1,467
Total equity		2,846,954	2,496,985
Total liabilities and equity		$4,502,098	$4,188,755

Commitments and contingencies (note 17)
See accompanying notes

Condensed Combined Statements of Net Income

(Canadian dollars in thousands)
(Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note	**2019**	**2018**	**2019**	**2018**
Rental revenue		**$ 60,650**	$ 57,224	**$ 176,093**	$ 166,475
Tenant recoveries	**12(a)**	**8,167**	6,595	**23,199**	20,143
Lease termination and close-out fees		**—**	—	**855**	996
Revenue		**68,817**	63,819	**200,147**	187,614
Property operating costs	**12(b)**	**8,677**	8,138	**25,711**	23,448
Net operating income		**60,140**	55,681	**174,436**	164,166
General and administrative expenses	**12(c)**	**6,902**	7,542	**23,412**	22,177
Depreciation and amortization	**2(c)**	**243**	80	**676**	238
Interest income		**(2,288)**	(161)	**(7,892)**	(1,872)
Interest expense and other financing costs	**12(d)**	**7,553**	5,948	**22,906**	16,917
Foreign exchange losses (gains), net	**12(e)**	**423**	1,134	**1,189**	(7,985)
Fair value gains on investment properties, net	**4, 5**	**(78,226)**	(141,575)	**(197,876)**	(301,803)
Fair value gains on financial instruments	**12(f)**	**(1,946)**	(1,412)	**(190)**	(882)
Acquisition transaction costs	**2(c), 3**	**—**	5,835	**—**	7,574
Loss on sale of investment properties	**5**	**652**	4,142	**2,035**	5,376
Other income	**12(g)**	**—**	—	**—**	(2,250)
Income before income taxes		**126,827**	174,148	**330,176**	426,676
Income tax expense	**13**	**12,199**	16,286	**38,543**	47,202
Net income		**$114,628**	$ 157,862	**$ 291,633**	$ 379,474
Net income attributable to:					
Stapled unitholders		**$114,528**	$ 157,758	**$ 291,451**	$ 379,298
Non-controlling interests		**100**	104	**182**	176
		$114,628	$ 157,862	**$ 291,633**	$ 379,474

See accompanying notes

Condensed Combined Statements of Comprehensive Income

(Canadian dollars in thousands)
(Unaudited)

	Note	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net income		**$114,628**	$157,862	**$ 291,633**	$379,474
Other comprehensive (loss) income:					
Foreign currency translation adjustment[1]		**(22,824)**	(45,610)	**(144,663)**	23,079
Unrealized gain (loss) on net investment hedges, includes income taxes of nil[1]	**8(b)**	**31,382**	16,290	**82,666**	(2,067)
Total other comprehensive income (loss)		**8,558**	(29,320)	**(61,997)**	21,012
Comprehensive income		**$123,186**	$128,542	**$ 229,636**	$400,486

(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.

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Comprehensive income attributable to:				
Stapled unitholders	**$123,141**	$128,455	**$ 229,559**	$400,326
Non-controlling interests	**45**	87	**77**	160
	$123,186	$128,542	**$ 229,636**	$400,486

See accompanying notes

Condensed Combined Statements of Unitholders' Equity

(Canadian dollars in thousands)
(Unaudited)

Nine Months Ended September 30, 2019

	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, 2019	**45,685**	**$2,063,778**	**$ 95,787**	**$ 124,501**	**$211,452**	**$2,495,518**	**$1,467**	**$2,496,985**
Net income	—	—	—	291,451	—	291,451	182	291,633
Other comprehensive loss	—	—	—	—	(61,892)	(61,892)	(105)	(61,997)
Stapled unit offering, net of issuance costs (note 11(c))	3,749	220,378	—	—	—	220,378	—	220,378
Distributions (note 10)	—	—	—	(101,062)	—	(101,062)	(150)	(101,212)
Special distribution paid in units and immediately consolidated (note 10)	—	41,128	(41,128)	—	—	—	—	—
Units issued under the stapled unit plan (note 11(a))	20	1,207	—	—	—	1,207	—	1,207
Units repurchased for cancellation (note 11(b))	(1)	(35)	(5)	—	—	(40)	—	(40)
As at September 30, 2019	**49,453**	**$2,326,456**	**$ 54,654**	**$ 314,890**	**$149,560**	**$2,845,560**	**$1,394**	**$2,846,954**

Nine Months Ended September 30, 2018

	Number of units (000s)	Stapled units	Contributed surplus	Retained earnings (Deficit)	Accumulated other comprehensive income	Stapled unitholders' equity	Non-controlling interests	Equity
As at January 1, 2018	**46,903**	**$2,118,460**	**$60,274**	**$(160,686)**	**$118,566**	**$2,136,614**	**$1,248**	**$2,137,862**
Net income	—	—	—	379,298	—	379,298	176	379,474
Other comprehensive income (loss)	—	—	—	—	21,028	21,028	(16)	21,012
Distributions (note 10)	—	—	—	(93,720)	—	(93,720)	(10)	(93,730)
Units issued under the stapled unit plan (note 11(a))	64	3,233	—	—	—	3,233	—	3,233
Units repurchased for cancellation (note 11(b))	(1,233)	(55,714)	(5,235)	—	—	(60,949)	—	(60,949)
As at September 30, 2018	**45,734**	**$2,065,979**	**$55,039**	**$ 124,892**	**$139,594**	**$2,385,504**	**$1,398**	**$2,386,902**

See accompanying notes

Condensed Combined Statements of Cash Flows

(Canadian dollars in thousands)
(Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note	2019	2018	2019	2018
OPERATING ACTIVITIES					
Net income		**$114,628**	$ 157,862	**$ 291,633**	$ 379,474
Items not involving operating cash flows	14(a)	**(66,750)**	(122,551)	**(156,014)**	(250,903)
Leasing commissions paid		**(598)**	—	**(822)**	(3,991)
Tenant incentives paid		**—**	(487)	**(204)**	(9,746)
Current income tax expense	13(a)	**1,776**	1,998	**5,373**	6,830
Income taxes paid		**(2,014)**	(3,617)	**(5,697)**	(7,585)
Interest expense		**7,217**	4,838	**21,819**	14,926
Interest paid		**(6,174)**	(5,418)	**(20,261)**	(14,928)
Changes in working capital balances	14(b)	**(5,289)**	7,951	**(2,497)**	9,052
Cash provided by operating activities		**42,796**	40,576	**133,330**	123,129
INVESTING ACTIVITIES					
Investment properties:					
Property acquisitions	3	**(51,570)**	(74,369)	**(469,254)**	(482,029)
Proceeds from disposals, net		**12,610**	321,353	**38,238**	677,832
Capital expenditures					
— Maintenance or improvements		**(847)**	(1,611)	**(2,632)**	(16,611)
— Developments or expansions		**(7,203)**	—	**(11,884)**	(860)
Mortgage receivable proceeds	5	**—**	—	**16,845**	30,000
Acquisition deposits		**(1,325)**	(26,086)	**(1,325)**	(26,086)
Fixed asset additions		**(44)**	(35)	**(132)**	(88)
Increase in other assets		**—**	150	**—**	5
Cash (used in) provided by investing activities		**(48,379)**	219,402	**(430,144)**	182,163
FINANCING ACTIVITIES					
Monthly distributions paid		**(34,564)**	(31,144)	**(100,187)**	(93,985)
Special distribution paid	10	**—**	—	**(13,710)**	—
Repayment of lease obligations	2(c)	**(656)**	—	**(1,508)**	—
Proceeds from bank indebtedness		**—**	119,441	**—**	247,274
Repayments of bank indebtedness		**—**	(203,095)	**—**	(273,515)
Financing costs paid		**—**	—	**(25)**	(1,456)
Distributions to non-controlling interests		**—**	—	**(150)**	(10)
Proceeds from stapled unit offering, net of issuance costs	11(c)	**—**	—	**220,378**	—
Repurchase of stapled units	11(b)	**(3)**	—	**(40)**	(60,949)
Cash (used in) provided by financing activities		**(35,223)**	(114,798)	**104,758**	(182,641)
Effect of exchange rate changes on cash and cash equivalents		**(642)**	(2,645)	**(10,776)**	1,008
Net (decrease) increase in cash and cash equivalents during the period		**(41,448)**	142,535	**(202,832)**	123,659
Cash and cash equivalents, beginning of period		**496,862**	50,143	**658,246**	69,019
Cash and cash equivalents, end of period		**$455,414**	$ 192,678	**$ 455,414**	$ 192,678

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 industrial, warehouse and logistics properties in North America and Europe. The Trust's tenant base includes Magna International Inc. and its operating subsidiaries (together ''Magna'') as its largest tenant, in addition to tenants from various other industries.

These condensed combined financial statements were approved by the Board of Trustees of Granite REIT and Board of Directors of Granite GP on November 5, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Statement of Compliance

The condensed combined financial statements for the three and nine month periods ended September 30, 2019 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, 2018.

(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 and New Standards Adopted

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 years ended December 31, 2018 and 2017, except for the adoption of the following new standards and interpretations effective January 1, 2019. As required by IAS 34, the nature and effect of these changes are disclosed below:

Amendments to IFRS 3, *Business Combinations*

In connection with the combined financial statements for the nine month period ended September 30, 2019, the Trust determined to early adopt the amendments to IFRS 3, *Business Combinations* ("IFRS 3 Amendments") effective January 1, 2019 in advance of their mandatory effective date of January 1, 2020. The Trust adopted the IFRS 3 Amendments prospectively and therefore the comparative information presented for 2018 has not been restated. The IFRS 3 Amendments clarify the definition of a business in determining whether an acquisition is a business combination or an asset acquisition. The IFRS 3 Amendments have removed the requirement for an assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; the reference to an ability to reduce costs; and require, at a minimum, the acquired set of activities and assets to include an input and a substantive process to meet the definition of a business. The IFRS 3 Amendments also provide for an optional concentration test to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Following the adoption of the IFRS 3 Amendments, the Trust continues to account for business combinations in which control is acquired under the acquisition method. When a property acquisition is made, the Trust considers the inputs, processes and outputs of the acquiree in assessing whether it meets the definition of a business. When the acquired set of activities and assets lack a substantive process in place and will be integrated into the Trust's existing operations, the acquisition does not meet the definition of a business and is accounted for as an asset acquisition. An asset acquisition is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition, including transaction costs, is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognized. Subsequently, where the acquired asset represents an investment property, it is measured at fair value in accordance with IAS 40, *Investment Properties*.

As a result of the adoption of the IFRS 3 Amendments, Granite's income-producing property acquisitions are considered asset acquisitions rather than business combinations. Accordingly, for the three and nine month periods ended September 30, 2019, acquisition transaction costs of $1.6 million and $2.9 million, respectively, were first capitalized to the cost of the property and then expensed to net fair value gains/losses on investment properties as a result of measuring the property at fair value instead of directly expensing these amounts to acquisition transaction costs in the condensed combined statements of net income. There was no significant impact to net income, unitholders' equity or cash flows from the adoption of the IFRS 3 Amendments as at September 30, 2019 and for the three and nine month periods then ended.

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, *Leases* (''IFRS 16'') which replaced IAS 17, *Leases* and its associated interpretative guidance. For contracts that are or contain a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains substantially unchanged as the distinction between operating and finance leases is retained.

The Trust has applied IFRS 16 using the modified retrospective approach, and therefore the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated.

As a lessee

Definition of a lease

Previously, the Trust determined at contract inception whether an arrangement was or contained a lease under IAS 17. The Trust now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Trust applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and associated interpretative guidance were not reassessed as the practical expedient offered under the standard was applied. Therefore, the new definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

In accordance with IFRS 16, at inception or on modification of a contract that contains a lease component, the Trust allocates the consideration in the contract to each lease and non-lease component based on their relative stand-alone prices.

Accounting policy

The Trust recognizes a right-of-use asset and a lease obligation at the lease commencement date. The Trust presents right-of-use assets that do not meet the definition of investment property in “fixed assets” on the combined balance sheet, the same line item as it presents underlying assets of the same nature that it owns. The right-of-use asset is initially measured at cost and, subsequently, at cost less any accumulated depreciation and impairment, and adjusted for certain remeasurements of the lease obligation. When a right-of-use asset meets the definition of investment property, it is presented in “investment properties” on the combined balance sheet. The right-of-use asset is initially measured at cost and subsequently, it is measured at fair value in accordance with the Trust’s accounting policies.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Trust’s incremental borrowing rate. Generally, the Trust uses its incremental borrowing rate as the discount rate. The Trust presents lease liabilities in “lease obligations” on the combined balance sheet.

The lease obligation is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee or, as appropriate, a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Trust has applied judgment to determine 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. The Trust also applies judgment in determining the discount rate used to present value the lease obligations.

Transition

In accordance with IFRS 16, the Trust recognized right-of-use assets and lease obligations for applicable leases except for leases of low-value assets for which the Trust has elected not to recognize right-of-use assets and lease liabilities. The Trust recognizes the lease payments associated with these low-value asset leases as an expense on a straight-line basis over the lease term.

The Trust leases assets related to ground leases, office space and equipment. Lease obligations were measured at the present value of the remaining lease payments, discounted at the Trust's incremental borrowing rate as at January 1, 2019.

Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Trust recognized a right-of-use asset at a value equal to the lease obligation and, therefore, there was no impact to retained earnings as at January 1, 2019.

The Trust used the following additional practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and obligations for leases with less than 12 months of lease term;
- Applied the exemption not to allocate the consideration in a contract to each lease and non-lease component;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact on transition

As at September 30, 2019, the Trust had leases for the use of office space, office and other equipment and three ground leases for the land upon which four income-producing properties in Europe and Canada are situated. In accordance with IFRS 16, the Trust recognized these operating leases as right-of-use assets and recorded related lease liability obligations as follows:

	Fixed assets			Investment properties	Lease obligations
	Office space	Equipment	Total	Ground leases	
Balance at January 1, 2019	$1,780	$46	**$1,826**	**$11,801**	**$13,627**
Balance at September 30, 2019	$1,569	$73	**$1,642**	**$31,297**	**$32,811**

When measuring lease liabilities for leases that were classified as operating leases, the Trust discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 4.4%.

During the nine month period ended September 30, 2019, the Trust recorded an additional right-of-use asset and related lease obligation of $20.5 million for the ground lease associated with the acquisition of two income-producing properties in Mississauga, Ontario in April 2019. In addition, the Trust also recorded right-of-use assets and lease obligations of $39 thousand for equipment and $293 thousand for office space.

In accordance with IFRS 16, the Trust has recognized depreciation and interest costs, instead of operating lease expense. During the three and nine month periods ended September 30, 2019, the Trust recognized $0.1 million and $0.4 million of depreciation and amortization expense, respectively, and $0.4 million and

$0.9 million of interest expense from these leases, respectively. No depreciation is recognized for the right-of-use asset that meets the definition of investment property.

Future minimum lease payments relating to the right-of-use assets as at September 30, 2019 in aggregate and for the next five years and thereafter are as follows:

Remainder of 2019	$ —
2020	**604**
2021	**703**
2022	**402**
2023	**133**
2024 and thereafter	**30,969**
	$32,811

The lease commitments as at December 31, 2018 comprised $27.2 million related to two ground leases in Europe with annual payments of $0.5 million and $0.1 million expiring in 2049 and 2096, respectively, and $1.6 million related to certain other operating leases. On January 1, 2019, the Trust recognized lease obligations on the combined balance sheet of $13.6 million for these aforementioned lease commitments which include the impact from present value discounting of $15.4 million and certain other adjustments of $0.2 million.

As a lessor

The Trust leases its investment properties, including right-of-use assets, to tenants and has determined that the in-place leases as at September 30, 2019 are operating leases. The accounting policies applicable to the Trust as a lessor are in accordance with IAS 17. The Trust is not required to make any adjustments on transition to IFRS 16 for leases in which it is a lessor.

IFRIC 23, *Uncertainty Over Income Tax Treatments*

In June 2017, the IFRS Interpretations Committee issued IFRIC 23, *Uncertainty Over Income Tax Treatments* (“IFRIC 23”) which clarifies how the recognition and measurement requirements of IAS 12, *Income Taxes*, are applied where there is uncertainty over income tax treatments. This standard is effective for annual periods beginning on or after January 1, 2019. The adoption of this standard did not have an impact on the combined financial statements.

3. ACQUISITIONS

During the nine month periods ended September 30, 2019 and 2018, Granite acquired income-producing properties and development land consisting of the following:

Acquisitions During the Nine Months Ended September 30, 2019[(1)]

Property	Location	Date acquired	Property purchase price	Transaction costs	Total acquisition cost
Income-producing properties:					
201 Sunridge Boulevard	Wilmer, TX	March 1, 2019	**$ 58,087**	**$ 223**	**$ 58,310**
3501 North Lancaster Hutchins Road	Lancaster, TX	March 1, 2019	**106,120**	**222**	**106,342**
2020 & 2095 Logistics Drive[(2)]	Mississauga, ON	April 9, 2019	**174,106**	**487**	**174,593**
1901 Beggrow Street	Columbus, OH	May 23, 2019	**71,607**	**267**	**71,874**
Heirweg 3	Born, Netherlands	July 8, 2019	**25,704**	**1,627**	**27,331**
1222 Commerce Parkway	Horn Lake, MS	August 1, 2019	**24,492**	**116**	**24,608**
Development land:					
8320 Stedman Street	Houston, TX	July 1, 2019	**33,361**	**295**	**33,656**
			$493,477	**$3,237**	**$496,714**

(1) The income-producing properties acquired in 2019 have been accounted for as asset acquisitions reflecting the early adoption of the IFRS 3 Amendments effective January 1, 2019 (note 2(c)). During the nine month period ended September 30, 2019, the transaction costs of $3.2 million, which included land transfer tax, legal and advisory costs, were first capitalized to the cost of the respective property and then subsequently expensed to net fair value gains on investment properties as a result of measuring the properties at fair value.

(2) Includes right-of-use asset related to ground lease of $20.5 million (note 2(c)).

Acquisitions During the Nine Months Ended September 30, 2018[(1)]

Property	Location	Date acquired	Property purchase price
Income-producing properties:			
3870 Ronald Reagan Parkway	Plainfield, IN	March 23, 2018	$ 50,835
181 Antrim Commons Drive	Greencastle, PA	April 4, 2018	44,323
Ohio portfolio (four properties):			
10, 100 and 115 Enterprise Parkway and 15 Commerce Parkway	West Jefferson, OH	May 23, 2018	299,297
Joseph-Meyer-Straße 3	Erfurt, Germany	July 12, 2018	82,677
			$477,132

(1) The income-producing properties acquired in 2018 were accounted for as business combinations (note 2(c)) in accordance with the accounting policy followed by the Trust during the 2018 year and prior to the adoption and prospective application of the IFRS 3 Amendments effective January 1, 2019.

During the three and nine month periods ended September 30, 2018, the Trust recognized $7.6 million and $11.6 million of revenue, respectively, and $20.0 million and $23.4 million of net income, respectively, related to the aforementioned acquisitions. Had these acquisitions occurred on January 1, 2018, the Trust would have recognized proforma revenue and net income of approximately $23.4 million and $32.9 million, respectively, during the nine month period ended September 30, 2018.

The following table summarizes the total consideration paid for the income-producing property acquisitions and the fair value of the total identifiable net assets acquired at the acquisition dates:

Acquisitions During the Nine Months Ended September 30,	**2018**
Purchase consideration	
Cash on hand	$380,383
Cash sourced from credit facility	101,646
Total cash consideration paid	$482,029
Recognized amounts of identifiable net assets acquired measured at their respective fair values:	
Investment properties	$477,132
Working capital	4,897
Total identifiable net assets	$482,029

During the nine month period ended September 30, 2018, the Trust incurred $7.2 million of land transfer tax, legal and advisory costs associated with the aforementioned acquisitions. The Trust incurred an additional $0.4 million of costs related to pursuing other acquisition opportunities. These costs are included in acquisition transaction costs in the condensed combined statement of net income.

Acquisition Deposits

As at September 30, 2019, Granite had made deposits of $27.8 million relating to property acquisitions. A deposit of $1.3 million (US$1.0 million) was made to acquire an income-producing property located in the state of Georgia. Subsequent to September 30, 2019, Granite acquired the property for total consideration of $62.4 million (US$47.5 million) (note 18(b)). A deposit of $26.5 million (US$20.0 million) was also made in connection with a contractual commitment to acquire a property under development in the state of Texas. This commitment to purchase the property under development is subject to specific confidentiality provisions and customary closing conditions including certain purchase rights in favour of the tenant, which were waived subsequent to September 30, 2019 (note 18(d)), and is expected to close in the fourth quarter of 2019. The contractual commitment to purchase the developed property as at September 30, 2019 is included in the commitments and contingencies note (note 17(b)).

4. INVESTMENT PROPERTIES

As at	**September 30, 2019**	**December 31, 2018**
Income-producing properties	**$3,869,351**	$3,403,985
Properties under development	**39,456**	17,009
Land held for development	**29,472**	3,984
	$3,938,279	$3,424,978

Changes in investment properties are shown in the following table:

	Nine Months Ended September 30, 2019			Year Ended December 31, 2018		
	Income-producing properties	**Properties under development**	**Land held for development**	**Income-producing properties**	**Properties under development**	**Land held for development**
Balance, beginning of period	**$3,403,985**	**$17,009**	**$ 3,984**	$2,714,684	$ —	$ 18,884
Ground leases[1] (note 2(c))	**11,801**	**—**	**—**	—	—	—
Adjusted balance, beginning of period	**$3,415,786**	**$17,009**	**$ 3,984**	$2,714,684	$ —	$ 18,884
Additions						
— Capital expenditures:						
Maintenance or improvements	**2,473**	**—**	**—**	8,164	—	—
Developments or expansions	**3,475**	**14,711**	**—**	19,986	287	66
— Acquisitions (note 3)	**463,058**	**8,875**	**24,781**	542,998	—	1,232
— Leasing commissions	**602**	**—**	**—**	3,340	—	—
— Tenant incentives	**205**	**—**	**—**	816	—	—
Transfers to properties under development	**—**	**—**	**—**	(12,206)	16,473	(4,267)
Fair value gains, net	**196,282**	**(78)**	**792**	353,258	—	1,253
Foreign currency translation, net	**(151,445)**	**(1,061)**	**(85)**	147,336	249	196
Amortization of straight-line rent	**3,749**	**—**	**—**	4,274	—	—
Amortization of tenant incentives	**(3,857)**	**—**	**—**	(5,402)	—	—
Other changes	**143**	**—**	**—**	(972)	—	—
Classified as assets held for sale (note 5)	**(61,120)**	**—**	**—**	(372,291)	—	(13,380)
Balance, end of period	**$3,869,351**	**$39,456**	**$29,472**	$3,403,985	$17,009	$ 3,984

(1) Impact of adoption of IFRS 16, *Leases* effective January 1, 2019.

During the nine month period ended September 30, 2019, the Trust disposed of seven properties previously classified as assets held for sale for aggregate gross proceeds of $56.9 million (note 5). The fair value gains during the nine month period ended September 30, 2019, excluding the seven properties sold in the period, were $197.0 million. As at September 30, 2019, six properties with an aggregate fair value of $48.3 million were classified as assets held for sale (note 5).

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 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 $18.0 million (December 31, 2018 — $14.8 million) of net straight-line rent receivable 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 17).

Tenant minimum rental commitments payable to Granite on non-cancellable operating leases (excluding assets held for sale) as at September 30, 2019 are as follows:

Not later than 1 year	$ 241,429
Later than 1 year and not later than 5 years	802,622
Later than 5 years	556,366
	$1,600,417

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	September 30, 2019[1]			December 31, 2018[1]		
	Weighted average[2]	**Maximum**	**Minimum**	**Weighted average[2]**	**Maximum**	**Minimum**
Canada						
Discount rate	**5.97%**	**7.00%**	**5.00%**	5.63%	7.75%	5.00%
Terminal capitalization rate	**5.59%**	**7.00%**	**5.00%**	6.01%	7.00%	5.00%
United States						
Discount rate	**6.45%**	**9.50%**	**5.00%**	6.68%	10.00%	5.75%
Terminal capitalization rate	**6.37%**	**8.75%**	**5.25%**	6.46%	9.75%	5.25%
Germany						
Discount rate	**6.83%**	**8.25%**	**5.70%**	6.89%	8.25%	5.70%
Terminal capitalization rate	**6.46%**	**8.75%**	**5.00%**	6.89%	8.75%	5.25%
Austria						
Discount rate	**7.96%**	**10.00%**	**7.00%**	8.37%	10.00%	8.00%
Terminal capitalization rate	**7.34%**	**9.75%**	**6.75%**	7.88%	10.00%	7.00%
Netherlands						
Discount rate	**5.34%**	**6.00%**	**4.90%**	5.93%	6.50%	5.70%
Terminal capitalization rate	**6.33%**	**8.26%**	**5.60%**	6.48%	7.45%	6.00%
Other						
Discount rate	**8.16%**	**9.15%**	**6.75%**	8.23%	9.50%	6.75%
Terminal capitalization rate	**8.25%**	**9.50%**	**6.50%**	8.48%	10.00%	6.75%
Total						
Discount rate	**6.66%**	**10.00%**	**4.90%**	6.90%	10.00%	5.00%
Terminal capitalization rate	**6.42%**	**9.75%**	**5.00%**	6.81%	10.00%	5.00%

(1) Excludes assets held for sale at the respective period end (note 5).

(2) Weighted based on income-producing property fair value.

5. ASSETS HELD FOR SALE AND DISPOSITIONS

Assets Held for Sale

At September 30, 2019, six investment properties located in the United States and Canada are classified as assets held for sale. The six properties, having an aggregate fair value of $48.3 million, consist of the following:

Property	Location	Fair value
Michigan properties (five properties):		
6151 Bancroft Avenue	Alto, MI	
3501 John F Donnelly Drive	Holland, MI	
3575 128th Avenue	Holland, MI	
3601 John F Donnelly Drive	Holland, MI	
1800 Hayes Street	Grand Haven, MI	**$38,405**
200 Industrial Parkway	Aurora, ON	**9,879**
		$48,284

Dispositions

During the nine month period ended September 30, 2019, seven properties located in Canada and the United States previously classified as assets held for sale were disposed. The properties consist of the following:

Property	Location	Date disposed	Sale price
3 Walker Drive	Brampton, ON	January 15, 2019	**$13,380**
Iowa properties (four properties):			
403 S 8th Street	Montezuma, IA		
1951 A Avenue	Victor, IA		
408 N Maplewood Avenue	Williamsburg, IA		
411 N Maplewood Avenue	Williamsburg, IA	February 25, 2019	**22,323**
375 Edward Street	Richmond Hill, ON	February 27, 2019	**8,050**
330 Finchdene Square	Toronto, ON	September 20, 2019	**13,150**
			$56,903

The gross proceeds of $22.3 million (US$16.9 million) for the four properties in Iowa included a vendor take-back mortgage of $16.8 million (US$12.7 million). The mortgage receivable bore interest at 5.25% per annum and was repaid on June 18, 2019.

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

	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Balance, beginning of period	**$ 44,238**	$ 391,453
Fair value gains, net	**880**	196
Foreign currency translation, net	**(1,051)**	(3,466)
Disposals	**(56,903)**	(729,608)
Classified as assets held for sale from investment properties (note 4)	**61,120**	385,671
Other	**—**	(8)
Balance, end of period	**$ 48,284**	$ 44,238

During the three and nine month periods ended September 30, 2019, Granite incurred $0.7 million (2018 — $4.1 million) and $2.0 million (2018 — $5.4 million), respectively, of broker commissions and legal and advisory costs associated with the disposal or planned disposal of the assets held for sale which are included in loss on sale of investment properties on the condensed combined statements of net income.

6. OTHER ASSETS

Other assets consist of:

As at	September 30, 2019	December 31, 2018
Deferred financing costs associated with the revolving credit facility	**$ 963**	$ 1,172
Long-term receivables	**406**	448
Long-term proceeds receivable associated with a property disposal (note 7)	**—**	11,805
2024 Cross Currency Interest Rate Swap (note 8(b))	**1,515**	—
	$2,884	$13,425

7. CURRENT ASSETS

Other Receivable

As at September 30, 2019, other receivable includes $11.5 million (US$8.7 million) of proceeds receivable associated with the disposal of a property in South Carolina in September 2018 that is expected to be received in the first quarter of 2020. The estimated sale price for the property was determined using an income approach that assumed a forecast consumer price index inflation factor at the date of disposition. Accordingly, the proceeds receivable is subject to change and will be dependent upon the actual consumer price index inflation factor as at December 31, 2019. At December 31, 2018, the proceeds receivable was $11.8 million (US$8.7 million) and was recorded in other assets (note 6).

8. UNSECURED DEBT AND CROSS CURRENCY INTEREST RATE SWAPS

(a) Unsecured Debentures and Term Loans, Net

As at		September 30, 2019		December 31, 2018	
	Maturity Date	Amortized Cost[1]	Principal issued and outstanding	Amortized Cost[1]	Principal issued and outstanding
2021 Debentures	July 5, 2021	**$ 249,591**	**$ 250,000**	$ 249,424	$ 250,000
2023 Debentures	November 30, 2023	**398,665**	**400,000**	398,425	400,000
2022 Term Loan	December 19, 2022	**244,540**	**244,996**	251,853	252,414
2025 Term Loan	December 12, 2025	**298,852**	**300,000**	298,712	300,000
		$1,191,648	**$1,194,996**	$1,198,414	$1,202,414

[1] The amounts outstanding are net of deferred financing costs. The deferred financing costs are amortized using the effective interest method and are recorded in interest expense.

On October 10, 2019, Granite extended and refinanced its senior unsecured non-revolving term facility in the amount of US$185.0 million (the “2022 Term Loan”). The 2022 Term Loan, which had an original maturity date of December 19, 2022, has been extended two years to December 19, 2024 (the “2024 Term Loan”). The 2024 Term Loan bears interest at LIBOR plus an applicable margin determined by reference to the external credit rating of Granite REIT Holdings Limited Partnership. In conjunction with the extension, the cross currency interest rate swap associated with the 2022 Term Loan was terminated on September 24, 2019 and blended into a new cross currency interest rate swap (the "2024 Cross Currency Interest Rate Swap") (note 8(b)).

(b) Cross Currency Interest Rate Swaps

As at	September 30, 2019	December 31, 2018
Financial asset at fair value		
2024 Cross Currency Interest Rate Swap (note 6)	**$ 1,515**	$ —
Financial liabilities at fair value		
2021 Cross Currency Interest Rate Swap	**$ 3,209**	$ 26,877
2023 Cross Currency Interest Rate Swap	**20,107**	56,922
2022 Cross Currency Interest Rate Swap	**—**	3,826
2025 Cross Currency Interest Rate Swap	**6,938**	17,132
	$30,254	$104,757

On July 3, 2014, the Trust entered into a cross currency interest rate swap (the "2021 Cross Currency Interest Rate Swap") to exchange the 3.788% semi-annual interest payments from the debentures that mature in 2021 ("2021 Debentures") for Euro denominated payments at a 2.68% fixed interest rate. In addition, under the terms of the swap, the Trust will pay principal proceeds of €171.9 million in exchange for which it will receive $250.0 million on July 5, 2021.

On December 20, 2016, the Trust 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 debentures that mature in 2023 ("2023 Debentures") for Euro denominated payments at a 2.43% fixed interest rate. In addition, under the terms of the swap, the Trust will pay principal proceeds of €281.1 million in exchange for which it will receive $400.0 million on November 30, 2023.

On December 19, 2018, the Trust entered into a cross currency interest rate swap (the "2022 Cross Currency Interest Rate Swap") to exchange the LIBOR plus margin monthly interest payments from the 2022 Term Loan for Euro denominated payments at a 1.225% fixed interest rate. In anticipation of the 2022 Term Loan extension, the 2022 Cross Currency Swap was terminated on September 24, 2019 and blended into a new cross currency interest rate swap ("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 will pay principal proceeds of €168.2 million in exchange for which it will receive US$185 million on December 19, 2024.

On December 12, 2018, the Trust entered into a cross currency interest rate swap (the "2025 Cross Currency Interest Rate Swap") to exchange the CDOR plus margin monthly interest payments from the term loan that matures in 2025 ("2025 Term Loan") for Euro denominated payments at a 2.202% fixed interest rate. In addition, under the terms of the swap, the Trust will pay principal proceeds of €198.2 million in exchange for which it will receive $300.0 million on December 12, 2025.

The cross currency interest rate swaps noted above except for the 2024 Cross Currency Interest Rate Swap have been designated as net investment hedges of the Trust's investment in foreign operations. In addition, the Trust has on occasion designated its US dollar draws from the credit facility as net investment hedges of its investment in the US operations. The effectiveness of the hedges are assessed quarterly. As an effective hedge, the fair value gains or losses on the cross currency interest rate swaps and the foreign exchange gains or losses on the outstanding 2022 Term Loan are recognized in other comprehensive income. For the three and nine month periods ended September 30, 2019, the Trust has assessed the net investment hedge associated with each cross currency swap, except for the 2024 Cross Currency Interest Rate Swap, to be effective. In the three month period ended September 30, 2019, the Trust did not employ hedge accounting for the 2024 Cross Currency Interest Rate Swap and therefore the fair value gain of $0.1 million is recognized in fair value gains on financial instruments (note 12(f)) in the condensed combined statement of net income.

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

9. 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

On February 1, 2018, the Trust entered into an unsecured revolving credit facility in the amount of $500.0 million that is available by way of Canadian dollar, US dollar or Euro denominated loans or letters of credit and matures on February 1, 2023. The Trust has the option to extend the maturity date by one year to February 1, 2024 subject to the agreement of lenders in respect of a minimum of 66 2/3% of the aggregate amount committed under the facility. The credit facility provides the Trust with the ability to increase the amount of the commitment by an additional aggregate principal amount of up to $100.0 million with the consent of the participating lenders. As at September 30, 2019, the Trust had no amounts (December 31, 2018 — nil) drawn from the credit facility and $1.1 million (December 31, 2018 — $0.1 million) in letters of credit issued against the facility.

Accounts Payable and Accrued Liabilities

As at	September 30, 2019	December 31, 2018
Accounts payable	**$ 7,015**	$ 5,352
Accrued salaries, incentives and benefits	**4,502**	5,364
Accrued interest payable	**8,019**	6,606
Accrued construction payable	**8,570**	2,429
Accrued professional fees	**4,535**	2,910
Accrued employee unit-based compensation	**3,813**	3,193
Accrued trustee/director unit-based compensation	**2,925**	2,330
Accrued property operating costs	**5,974**	2,013
Accrued land transfer tax in connection with an acquisition	**—**	5,499
Accrued leasing commissions	**171**	407
Accrual associated with a property disposal	**1,987**	2,047
Other accrued liabilities	**4,146**	3,817
	$51,657	$41,967

In connection with the disposal of a property in South Carolina in September 2018, Granite has retained an obligation to make certain repairs to the building. Accordingly, as at September 30, 2019, a liability of approximately $2.0 million (December 31, 2018 — $2.0 million) is included in the accrual associated with a property disposal above. The estimated amount was determined using a third-party report but can change over time as the repairs are completed.

10. DISTRIBUTIONS TO STAPLED UNITHOLDERS

Total distributions declared to stapled unitholders in the three month period ended September 30, 2019 were $34.6 million (2018 — $31.1 million) or 69.9 cents per stapled unit (2018 — 68.1 cents per stapled unit). Total distributions declared to stapled unitholders in the nine month period ended September 30, 2019 were $101.1 million (2018 — $93.7 million) or $2.10 per stapled unit (2018 — $2.04 per stapled unit). Distributions payable at September 30, 2019 of $11.5 million, representing the September 2019 distribution, were paid on October 15, 2019. Distributions payable at December 31, 2018 of $24.3 million were paid on January 15, 2019 and represented the December 2018 monthly distributions of $10.6 million and the cash portion of a special distribution of $13.7 million (30.0 cents per stapled unit).

A special distribution was declared in December 2018 of $1.20 per stapled unit, which comprised of 30.0 cents per unit payable in cash and 90.0 cents per unit payable by the issuance of stapled units. On January 15, 2019, immediately following the issuance of the stapled units, the stapled units were consolidated such that each unitholder held the same number of stapled units after the consolidation as each unitholder held prior to the special distribution. The special distribution declared of $41.1 million was recorded to contributed surplus in December 2018, in accordance with IAS 32, *Financial Instruments: Presentation,* as the Trust was settling the distribution with a fixed number of its own equity instruments. In January 2019, upon the issuance of the stapled units, the stapled units account increased and contributed surplus decreased by $41.1 million, respectively.

On October 17, 2019, distributions of $12.6 million or 23.3 cents per stapled unit were declared and will be paid on November 15, 2019.

11. 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 September 30, 2019 and December 31, 2018, 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, until such director ceases to be a director. A reconciliation of the changes in the notional deferred share units ("DSUs") outstanding is presented below:

	2019		**2018**	
	Number (000s)	**Weighted Average Grant Date Fair Value**	**Number (000s)**	**Weighted Average Grant Date Fair Value**
DSUs outstanding, January 1	**44**	**$46.01**	28	$41.88
Granted	**13**	**55.02**	12	52.66
Settled	**(11)**	**51.57**	—	—
DSUs outstanding, September 30	**46**	**$47.19**	40	$45.18

Executive Deferred Stapled Unit Plan

The Trust has an Executive Share Unit Plan (the "Restricted Stapled Unit Plan") which is designed to provide equity-based compensation in the form of stapled units to executives and other employees. A reconciliation of the changes in notional stapled units outstanding under the Restricted Stapled Unit Plan is presented below:

	2019		2018	
	Number (000s)	**Weighted Average Grant Date Fair Value**	**Number (000s)**	**Weighted Average Grant Date Fair Value**
Restricted stapled units outstanding, January 1	**117**	**$50.34**	106	$43.32
New grants[1]	**84**	**61.83**	70	53.13
Forfeited	**(1)**	**47.06**	—	—
Settled in cash	**(35)**	**52.91**	—	—
Settled in stapled units	**(20)**	**52.91**	(64)	42.14
Restricted stapled units outstanding, September 30[1]	**145**	**$56.83**	112	$50.11

(1) New grants include 24,587 performance based units granted during the nine month period ended September 30, 2019 (2018 — nil). Total stapled units outstanding at September 30, 2019 include a total of 28,317 performance based units granted (September 30, 2018 — nil).

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
DSPs for trustees/directors[1]	**$ 386**	$ 277	**$1,269**	$ 840
Restricted Stapled Unit Plan for executives and employees	**1,276**	900	**4,062**	2,360
Unit-based compensation expense	**$1,662**	$1,177	**$5,331**	$3,200
Fair value remeasurement expense included in the above	**$ 437**	$ 237	**$1,470**	$ 691

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

(b) Normal Course Issuer Bid

On May 14, 2019, 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 4,853,666 of Granite's issued and outstanding stapled units. The NCIB commenced on May 21, 2019 and will conclude on the earlier of the date on which purchases under the bid have been completed and May 20, 2020. Pursuant to the policies of the TSX, daily purchases made by Granite through the TSX may not exceed 41,484 stapled units, subject to certain exceptions. Granite 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 18, 2018 to May 17, 2019.

During the nine month period ended September 30, 2019, Granite repurchased 700 stapled units (2018 — 1,233,459 stapled units) for consideration of less than $0.1 million (2018 — $60.9 million). The difference between the repurchase price and the average cost of the stapled units of less than $0.1 million (2018 — $5.2 million) was recorded to contributed surplus.

(c) Stapled Unit Offerings

On April 30, 2019, Granite completed an offering of 3,749,000 stapled units at a price of $61.50 per unit for gross proceeds of $230.6 million, including 489,000 stapled units issued pursuant to the exercise of the over-allotment option granted to the underwriters. Total costs related to the offering totaled $10.2 million and were recorded directly to stapled unitholders' equity.

Subsequent to September 30, 2019, Granite completed an offering of 4,600,000 stapled units at a price of $64.00 per unit for gross proceeds of $294.4 million, including 600,000 stapled units issued pursuant to the exercise of the over-allotment option granted to the underwriters (note 18(f)).

(d) Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of the following:

As at September 30,	2019	2018
Foreign currency translation gains on investments in subsidiaries, net of related hedging activities and non-controlling interests[1]	**$183,019**	$205,784
Fair value losses on derivatives designated as net investment hedges	**(33,459)**	(66,190)
	$149,560	$139,594

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

12. RECOVERIES, COSTS AND EXPENSES

(a) Tenant recoveries revenue consists of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Property taxes	**$5,668**	$5,055	**$15,833**	$15,091
Property insurance	**538**	625	**1,594**	1,671
Operating costs	**1,961**	915	**5,772**	3,381
	$8,167	$6,595	**$23,199**	$20,143

(b) Property operating costs consist of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Non-recoverable from tenants:				
Property taxes and utilities	**$ 232**	$ 348	**$ 987**	$ 747
Legal	**66**	99	**210**	358
Consulting	**38**	53	**74**	93
Environmental and appraisals	**—**	163	**370**	460
Repairs and maintenance	**165**	253	**572**	508
Ground rents	**—**	208	**—**	543
Other	**142**	226	**497**	571
	$ 643	$1,350	**$ 2,710**	$ 3,280
Recoverable from tenants:				
Property taxes and utilities	**$6,075**	$5,094	**$16,927**	$15,718
Property insurance	**589**	564	**1,743**	1,620
Repairs and maintenance	**826**	610	**2,005**	1,321
Property management fees	**507**	413	**1,420**	985
Other	**37**	107	**906**	524
	$8,034	$6,788	**$23,001**	$20,168
Property operating costs	**$8,677**	$8,138	**$25,711**	$23,448

(c) General and administrative expenses consist of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Salaries, incentives and benefits	**$2,801**	$3,720	**$10,184**	$11,784
Audit, legal and consulting	**998**	1,106	**3,475**	2,996
Trustee/director fees and related expenses	**308**	257	**949**	830
Unit-based compensation including distributions and revaluations	**1,443**	1,004	**4,647**	2,648
Other public entity costs	**397**	359	**1,587**	1,305
Office rents including property taxes and common area maintenance costs	**99**	224	**280**	679
Other	**856**	872	**2,290**	1,935
	$6,902	$7,542	**$23,412**	$22,177

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Interest and amortized issuance costs relating to debentures and term loans	**$6,671**	$4,485	**$20,472**	$13,607
Amortization of deferred financing costs and other interest expense and charges	**564**	1,463	**1,599**	3,310
Interest expense related to lease obligations (note 2(c))	**392**	—	**909**	—
	$7,627	$5,948	**$22,980**	$16,917
Less: Capitalized interest	**(74)**	—	**(74)**	—
	$7,553	$5,948	**$22,906**	$16,917

(e) For the nine month period ended September 30, 2018, foreign exchange gains included an $8.5 million foreign exchange gain realized from the remeasurement of the US dollar proceeds received from the sale of three investment properties in January 2018.

(f) Fair value gains on financial instruments consist of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Foreign exchange forward contracts, net	**$(1,866)**	$ (611)	**$(110)**	$ (81)
Cross currency interest rate swaps	**(80)**	(801)	**(80)**	(801)
	$(1,946)	$(1,412)	**$(190)**	$(882)

For the three and nine month periods ended September 30, 2019, the fair value gain of $0.1 million is associated with the fair value movement of the new 2024 Cross Currency Interest Rate Swap (note 8(b)). For the three and nine month periods ended September 30, 2018, the fair value gain of $0.8 million was associated with two cross currency interest rate swaps entered into to fund an acquisition. The Trust did not employ hedge accounting for these derivatives and therefore the change in fair value was recognized in fair value gains on financial instruments in the statements of net income.

(g) During the nine month period ended September 30, 2018, Granite entered into a settlement agreement related to a land use matter for a property in Ontario, Canada and was awarded a settlement amount of $2.3 million.

13. INCOME TAXES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Current income tax expense	**$ 1,776**	$ 1,998	**$ 5,373**	$ 6,830
Deferred income tax expense	**10,423**	14,288	**33,170**	40,372
Income tax expense	**$12,199**	$16,286	**$38,543**	$47,202

(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 September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Income before income taxes	**$126,827**	$174,148	**$330,176**	$426,676
Expected income taxes at the Canadian statutory tax rate of 26.5% (2018 — 26.5%)	**$ 33,609**	$ 46,149	**$ 87,496**	$113,069
Income distributed and taxable to unitholders	**(18,623)**	(28,900)	**(43,172)**	(65,498)
Net foreign rate differentials	**(2,163)**	(1,697)	**(6,227)**	(4,722)
Net change in provisions for uncertain tax positions	**430**	388	**1,238**	1,311
Net permanent differences	**(813)**	1,378	**(643)**	3,562
Net effect of change in tax rates	**—**	(1,351)	**—**	(1,351)
Withholding taxes and other	**(241)**	319	**(149)**	831
Income tax expense	**$ 12,199**	$ 16,286	**$ 38,543**	$ 47,202

14. DETAILS OF CASH FLOWS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Straight-line rent amortization	**$ (1,061)**	$ (720)	**$ (3,749)**	$ (3,449)
Tenant incentive amortization	**1,261**	1,361	**3,857**	4,078
Unit-based compensation expense (note 11(a))	**1,662**	1,177	**5,331**	3,200
Fair value gains on investment properties	**(78,226)**	(141,575)	**(197,876)**	(301,803)
Depreciation and amortization	**243**	80	**676**	238
Fair value gains on financial instruments	**(1,946)**	(1,412)	**(190)**	(882)
Loss on sale of investment properties	**652**	4,142	**2,035**	5,376
Amortization of issuance costs relating to debentures and term loans	**218**	136	**651**	406
Amortization of deferred financing costs	**78**	78	**234**	419
Deferred income taxes	**10,423**	14,288	**33,170**	40,372
Other	**(54)**	(106)	**(153)**	1,142
	$(66,750)	$(122,551)	**$(156,014)**	$(250,903)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Accounts receivable	**$(1,767)**	$ 258	**$(1,544)**	$(1,639)
Prepaid expenses and other	**(2,227)**	(1,731)	**(1,842)**	(1,193)
Accounts payable and accrued liabilities	**174**	9,761	**(672)**	7,581
Deferred revenue	**(1,519)**	(676)	**1,516**	3,968
Restricted cash	**50**	339	**45**	335
	$(5,289)	$ 7,951	**$(2,497)**	$ 9,052

(c) Non-cash investing and financing activities

The condensed combined statement of cash flows for the nine month period ended September 30, 2019 does not include the right-of-use asset and lease obligation of $20.5 million, respectively, associated with the acquisition of the leasehold interest in two Canadian properties (note 3) and the issuance and consolidation of stapled units associated with the special distribution in the amount of $41.1 million (note 10). In addition, during the nine month period ended September 30, 2019, 20 thousand stapled units (2018 — 64 thousand stapled units) with a value of $1.2 million (2018 — $3.2 million) were issued under the Restricted Stapled Unit Plan (note 11(a)) and are not recorded in the condensed combined statements of cash flows.

(d) Cash and cash equivalents consist of:

As at	**September 30, 2019**	**December 31, 2018**
Cash	**$455,414**	$534,975
Short-term deposits	**—**	123,271
	$455,414	$658,246

15. 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 September 30, 2019 and December 31, 2018:

As at	September 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Other assets	**$ 406[(1)]**	**$ 406**	$ 12,253[(1)]	$ 12,253
Other assets	**1,515[(2)]**	**1,515**	—	—
Other receivable	**11,458**	**11,458**	—	—
Accounts receivable	**5,744**	**5,744**	4,316	4,316
Prepaid expenses and other	**211[(3)]**	**211**	111[(3)]	111
Restricted cash	**425**	**425**	470	470
Cash and cash equivalents	**455,414**	**455,414**	658,246	658,246
	$ 475,173	**$ 475,173**	$ 675,396	$ 675,396
Financial liabilities				
Unsecured debentures, net	**$ 648,256**	**$ 670,465**	$ 647,849	$ 654,365
Unsecured term loans, net	**543,392**	**543,392**	550,565	550,565
Cross currency interest rate swaps	**30,254**	**30,254**	104,757	104,757
Accounts payable and accrued liabilities	**51,657**	**51,657**	41,957	41,957
Accounts payable and accrued liabilities	**—**	**—**	10[(4)]	10
Distributions payable	**11,522**	**11,522**	24,357	24,357
	$1,285,081	**$1,307,290**	$1,369,495	$1,376,011

(1) Long-term receivables included in other assets (note 6).
(2) The 2024 Cross Currency Interest Rate Swap included in other assets (note 6).
(3) Foreign exchange forward contracts included in prepaid expenses.
(4) Foreign exchange forward contracts included in accounts payable and accrued liabilities.

The fair values of the Trust's accounts receivable, restricted cash, 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 value of the other receivable associated with proceeds from a 2018 property disposal approximates its carrying amount as the amount is revalued at each reporting period. The fair values of the unsecured debentures are determined using quoted market prices. The fair values of the term loans approximate their carrying amounts as the term loans bear interest at rates comparable to the current market rates and were recently drawn. The fair values of the cross currency interest rate swaps are determined using market inputs quoted by their counterparties. The fair value of the foreign exchange forward contracts approximate their carrying value as the asset or liability is revalued at the reporting date.

The Trust periodically purchases foreign exchange forward contracts to hedge specific anticipated foreign currency transactions and to mitigate its foreign exchange exposure on its net cash flows. At September 30, 2019, the Trust held two outstanding foreign exchange forward contracts (December 31, 2018 — three contracts outstanding). The foreign exchange contracts are comprised of contracts to purchase US$20.0 million and sell $26.3 million. For the three and nine month periods ended September 30, 2019, the Trust recorded net fair value gains of $1.9 million (2018 — $0.6 million) and $0.1 million (2018 — $0.1 million), respectively, related to outstanding foreign exchange forward contracts (note 12(f)).

(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 September 30, 2019	**Level 1**	**Level 2**	**Level 3**
ASSETS AND LIABILITIES MEASURED OR DISCLOSED AT FAIR VALUE			
Assets measured at fair value			
Investment properties	**$ —**	**$ —**	**$3,938,279**
Assets held for sale	**—**	**—**	**48,284**
Short-term proceeds receivable associated with a property disposal included in other receivable (note 7)	**—**	**—**	**11,458**
Cross currency interest rate swap included in other assets	**—**	**1,515**	**—**
Foreign exchange forward contracts included in prepaid expenses and other	**—**	**211**	**—**
Liabilities measured or disclosed at fair value			
Unsecured debentures, net	**670,465**	**—**	**—**
Unsecured term loans, net	**—**	**543,392**	**—**
Cross currency interest rate swaps	**—**	**30,254**	**—**
Net assets (liabilities) measured or disclosed at fair value	**$(670,465)**	**$(571,920)**	**$3,998,021**

As at December 31, 2018	**Level 1**	**Level 2**	**Level 3**
ASSETS AND LIABILITIES MEASURED OR DISCLOSED AT FAIR VALUE			
Assets measured at fair value			
Investment properties	$ —	$ —	$3,424,978
Assets held for sale	—	—	44,238
Long-term proceeds receivable associated with a property disposal included in other assets (note 6)	—	—	11,805
Short-term proceeds receivable associated with a property disposal included in accounts receivable	—	—	231
Foreign exchange forward contracts included in prepaid expenses and other	—	111	—
Liabilities measured or disclosed at fair value			
Unsecured debentures, net	654,365	—	—
Unsecured term loans, net	—	550,565	—
Cross currency interest rate swaps	—	104,757	—
Foreign exchange forward contracts included in accounts payable and accrued liabilities	—	10	—
Net assets (liabilities) measured or disclosed at fair value	**$(654,365)**	**$(655,221)**	**$3,481,252**

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 and nine month periods ended September 30, 2019 and the year ended December 31, 2018, there were no transfers between the levels.

(c) Risk Management

Foreign exchange risk

As at September 30, 2019, 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 September 30, 2019, the Trust’s foreign currency denominated net assets are $3.0 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 $16.6 million and $12.4 million, respectively, to comprehensive income.

16. 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 September 30, 2019**			
	Granite REIT	**Granite GP**	**Eliminations/ Adjustments**	**Granite REIT and Granite GP Combined**
ASSETS				
Non-current assets:				
Investment properties	**$3,938,279**			**$3,938,279**
Investment in Granite LP[1]	**—**	**20**	**(20)**	**—**
Other non-current assets	**37,614**			**37,614**
	3,975,893	**20**	**(20)**	**3,975,893**
Current assets:				
Assets held for sale	**48,284**			**48,284**
Other current assets	**22,447**	**60**		**22,507**
Intercompany receivable[2]	**—**	**8,871**	**(8,871)**	**—**
Cash and cash equivalents	**454,809**	**605**		**455,414**
Total assets	**$4,501,433**	**9,556**	**(8,891)**	**$4,502,098**
LIABILITIES AND EQUITY				
Non-current liabilities:				
Unsecured debt, net	**$1,191,648**			**$1,191,648**
Other non-current liabilities	**381,327**			**381,327**
	1,572,975			**1,572,975**
Current liabilities:				
Intercompany payable[2]	**8,871**		**(8,871)**	**—**
Other current liabilities	**72,633**	**9,536**		**82,169**
Total liabilities	**1,654,479**	**9,536**	**(8,871)**	**1,655,144**
Equity:				
Stapled unitholders' equity	**2,845,540**	**20**		**2,845,560**
Non-controlling interests	**1,414**		**(20)**	**1,394**
Total liabilities and equity	**$4,501,433**	**9,556**	**(8,891)**	**$4,502,098**

(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, 2018			
	Granite REIT	Granite GP	Eliminations/ Adjustments	Granite REIT and Granite GP Combined
ASSETS				
Non-current assets:				
Investment properties	$3,424,978			$3,424,978
Investment in Granite LP[1]	—	17	(17)	—
Other non-current assets	53,785			53,785
	3,478,763	17	(17)	3,478,763
Current assets:				
Assets held for sale	44,238			44,238
Other current assets	7,462	46		7,508
Intercompany receivable[2]	—	7,130	(7,130)	—
Cash and cash equivalents	657,432	814		658,246
Total assets	**$4,187,895**	**8,007**	**(7,147)**	**$4,188,755**
LIABILITIES AND EQUITY				
Non-current liabilities:				
Unsecured debt, net	$1,198,414			$1,198,414
Other non-current liabilities	408,722			408,722
	1,607,136			1,607,136
Current liabilities:				
Intercompany payable[2]	7,130		(7,130)	—
Other current liabilities	76,644	7,990		84,634
Total liabilities	1,690,910	7,990	(7,130)	1,691,770
Equity:				
Stapled unitholders' equity	2,495,501	17		2,495,518
Non-controlling interests	1,484		(17)	1,467
Total liabilities and equity	**$4,187,895**	**8,007**	**(7,147)**	**$4,188,755**

(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 September 30, 2019**			
	Granite REIT	**Granite GP**	**Eliminations/ Adjustments**	**Granite REIT and Granite GP Combined**
Revenue	**$ 68,817**			**$ 68,817**
General and administrative expenses	**6,902**			**6,902**
Interest expense and other financing costs	**7,553**			**7,553**
Other costs and expenses, net	**7,055**			**7,055**
Share of (income) loss of Granite LP	**—**	**(1)**	**1**	**—**
Fair value gains on investment properties, net	**(78,226)**			**(78,226)**
Fair value gains on financial instruments	**(1,946)**			**(1,946)**
Loss on sale of investment properties	**652**			**652**
Income before income taxes	**126,827**	**1**	**(1)**	**126,827**
Income tax expense	**12,199**			**12,199**
Net income	**114,628**	**1**	**(1)**	**114,628**
Less net income attributable to non-controlling interests	**101**		**(1)**	**100**
Net income attributable to stapled unitholders	**$ 114,527**	**1**	**—**	**$ 114,528**

Income Statement	**Three Months Ended September 30, 2018**			
	Granite REIT	**Granite GP**	**Eliminations/ Adjustments**	**Granite REIT and Granite GP Combined**
Revenue	$ 63,819			$ 63,819
General and administrative expenses	7,542			7,542
Interest expense and other financing costs	5,948			5,948
Other costs and expenses, net	9,191			9,191
Share of (income) loss of Granite LP	—	(2)	2	—
Fair value gains on investment properties, net	(141,575)			(141,575)
Fair value gains on financial instruments	(1,412)			(1,412)
Acquisition transaction costs	5,835			5,835
Loss on sale of investment properties	4,142			4,142
Income before income taxes	174,148	2	(2)	174,148
Income tax expense	16,286			16,286
Net income	157,862	2	(2)	157,862
Less net income attributable to non-controlling interests	106		(2)	104
Net income attributable to stapled unitholders	**$ 157,756**	**2**	**—**	**$ 157,758**

Income Statement	Nine Months Ended September 30, 2019			
	Granite REIT	Granite GP	Eliminations/ Adjustments	Granite REIT and Granite GP Combined
Revenue	**$ 200,147**			**$ 200,147**
General and administrative expenses	**23,412**			**23,412**
Interest expense and other financing costs	**22,906**			**22,906**
Other costs and expenses, net	**19,684**			**19,684**
Share of (income) loss of Granite LP	**—**	**(3)**	**3**	**—**
Fair value gains on investment properties, net	**(197,876)**			**(197,876)**
Fair value gains on financial instruments	**(190)**			**(190)**
Loss on sale of investment properties	**2,035**			**2,035**
Income before income taxes	**330,176**	**3**	**(3)**	**330,176**
Income tax expense	**38,543**			**38,543**
Net income	**291,633**	**3**	**(3)**	**291,633**
Less net income attributable to non-controlling interests	**185**		**(3)**	**182**
Net income attributable to stapled unitholders	**$ 291,448**	**3**	**—**	**$ 291,451**

Income Statement	Nine Months Ended September 30, 2018			
	Granite REIT	Granite GP	Eliminations/ Adjustments	Granite REIT and Granite GP Combined
Revenue	$ 187,614			$ 187,614
General and administrative expenses	22,177			22,177
Interest expense and other financing costs	16,917			16,917
Other costs and expenses, net	11,579			11,579
Share of (income) loss of Granite LP	—	(4)	4	—
Fair value gains on investment properties, net	(301,803)			(301,803)
Fair value gains on financial instruments	(882)			(882)
Acquisition transaction costs	7,574			7,574
Loss on sale of investment properties	5,376			5,376
Income before income taxes	426,676	4	(4)	426,676
Income tax expense	47,202			47,202
Net income	379,474	4	(4)	379,474
Less net income attributable to non-controlling interests	180		(4)	176
Net income attributable to stapled unitholders	**$ 379,294**	**4**	**—**	**$ 379,298**

Statement of Cash Flows	Three Months Ended September 30, 2019			
	Granite REIT	Granite GP	Eliminations/ Adjustments	Granite REIT and Granite GP Combined
OPERATING ACTIVITIES				
Net income	**$114,628**	**1**	**(1)**	**$114,628**
Items not involving operating cash flows	**(66,750)**	**(1)**	**1**	**(66,750)**
Changes in working capital balances	**(5,660)**	**371**		**(5,289)**
Other operating activities	**207**			**207**
Cash provided by operating activities	**42,425**	**371**	**—**	**42,796**
INVESTING ACTIVITIES				
Property acquisitions	**(51,570)**			**(51,570)**
Proceeds from disposals, net	**12,610**			**12,610**
Investment property capital additions				
— Maintenance or improvements	**(847)**			**(847)**
— Developments or expansions	**(7,203)**			**(7,203)**
Acquisition deposits	**(1,325)**			**(1,325)**
Other investing activities	**(44)**			**(44)**
Cash used in investing activities	**(48,379)**	**—**	**—**	**(48,379)**
FINANCING ACTIVITIES				
Distributions paid	**(34,564)**			**(34,564)**
Other financing activities	**(659)**			**(659)**
Cash used in financing activities	**(35,223)**	**—**	**—**	**(35,223)**
Effect of exchange rate changes	**(642)**			**(642)**
Net (decrease) increase in cash and cash equivalents during the period	**$ (41,819)**	**371**	**—**	**$ (41,448)**

Statement of Cash Flows	Three Months Ended September 30, 2018			
	Granite REIT	Granite GP	Eliminations/ Adjustments	Granite REIT and Granite GP Combined
OPERATING ACTIVITIES				
Net income	$ 157,862	2	(2)	$ 157,862
Items not involving operating cash flows	(122,551)	(2)	2	(122,551)
Changes in working capital balances	8,192	(241)		7,951
Other operating activities	(2,686)			(2,686)
Cash provided by (used in) operating activities	40,817	(241)	—	40,576
INVESTING ACTIVITIES				
Property acquisitions	(74,369)			(74,369)
Proceeds from disposals, net	321,353			321,353
Investment property capital additions				
— Maintenance or improvements	(1,611)			(1,611)
Acquisition deposit	(26,086)			(26,086)
Other investing activities	115			115
Cash provided by investing activities	219,402	—	—	219,402
FINANCING ACTIVITIES				
Distributions paid	(31,144)			(31,144)
Other financing activities	(83,654)			(83,654)
Cash used in financing activities	(114,798)	—	—	(114,798)
Effect of exchange rate changes	(2,645)			(2,645)
Net increase (decrease) in cash and cash equivalents during the period	**$ 142,776**	**(241)**	**—**	**$ 142,535**

Statement of Cash Flows	Nine Months Ended September 30, 2019			
	Granite REIT	Granite GP	Eliminations/ Adjustments	Granite REIT and Granite GP Combined
OPERATING ACTIVITIES				
Net income	**$ 291,633**	**3**	**(3)**	**$ 291,633**
Items not involving operating cash flows	**(156,014)**	**(3)**	**3**	**(156,014)**
Changes in working capital balances	**(2,288)**	**(209)**		**(2,497)**
Other operating activities	**208**			**208**
Cash provided by (used in) operating activities	**133,539**	**(209)**	**—**	**133,330**
INVESTING ACTIVITIES				
Property acquisitions	**(469,254)**			**(469,254)**
Proceeds from disposals, net	**38,238**			**38,238**
Investment property capital additions				
— Maintenance or improvements	**(2,632)**			**(2,632)**
— Developments or expansions	**(11,884)**			**(11,884)**
Acquisition deposits	**(1,325)**			**(1,325)**
Other investing activities	**16,713**			**16,713**
Cash used in investing activities	**(430,144)**	**—**	**—**	**(430,144)**
FINANCING ACTIVITIES				
Distributions paid	**(100,187)**			**(100,187)**
Other financing activities	**204,945**			**204,945**
Cash provided by financing activities	**104,758**	**—**	**—**	**104,758**
Effect of exchange rate changes	**(10,776)**			**(10,776)**
Net decrease in cash and cash equivalents during the period	**$(202,623)**	**(209)**	**—**	**$(202,832)**

Statement of Cash Flows	Nine Months Ended September 30, 2018			
	Granite REIT	Granite GP	Eliminations/ Adjustments	Granite REIT and Granite GP Combined
OPERATING ACTIVITIES				
Net income	$ 379,474	4	(4)	$ 379,474
Items not involving operating cash flows	(250,903)	(4)	4	(250,903)
Changes in working capital balances	9,466	(414)		9,052
Other operating activities	(14,494)			(14,494)
Cash provided by (used in) operating activities	123,543	(414)	—	123,129
INVESTING ACTIVITIES				
Property acquisitions	(482,029)			(482,029)
Proceeds from disposals, net	677,832			677,832
Investment property capital additions				
— Maintenance or improvements	(16,611)			(16,611)
— Developments or expansions	(860)			(860)
Acquisition deposit	(26,086)			(26,086)
Other investing activities	29,917			29,917
Cash provided by investing activities	182,163	—	—	182,163
FINANCING ACTIVITIES				
Distributions paid	(93,985)			(93,985)
Other financing activities	(88,656)			(88,656)
Cash used in financing activities	(182,641)	—	—	(182,641)
Effect of exchange rate changes	1,008			1,008
Net increase (decrease) in cash and cash equivalents during the period	**$ 124,073**	**(414)**	**—**	**$ 123,659**

17. 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) At September 30, 2019, the Trust's contractual commitments related to construction and development projects, and the purchase of a property in the United States amounted to approximately $338.7 million.

(c) At September 30, 2019, the Trust owns a property located in Canada for which the tenant has a purchase option to acquire the property from Granite at a stipulated price included in the lease agreement. On July 24, 2019, the tenant exercised its purchase option to acquire the property in Canada at the stipulated price included in the lease agreement. At September 30, 2019, the property is classified as an asset held for sale in the condensed combined financial statements and was sold in the fourth quarter of 2019 (note 18(g)).

18. SUBSEQUENT EVENTS

(a) On October 4, 2019, Granite acquired an income-producing property located in Greenwood, Indiana at a purchase price of $39.6 million (US$29.7 million), which was funded with cash on hand.

(b) On October 18, 2019, Granite acquired an income-producing property located in Pooler, Georgia at a purchase price of $62.4 million (US$47.5 million), which was funded with cash on hand.

(c) On October 10, 2019, Granite extended and refinanced the 2022 Term Loan. The 2022 Term Loan, which had an original maturity date of December 19, 2022, has been extended two years to December 19, 2024 (note 8(a)). In anticipation of the 2022 Term Loan extension, the 2022 Cross Currency Swap was terminated on September 24, 2019 and blended into a new cross currency interest rate swap. The new 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 (note 8(b)).

(d) On October 15, 2019, the tenant at the recently developed property in Dallas, Texas waived its rights under the lease to purchase the property. As a result, Granite is committed to acquiring the property and expects to close the acquisition in the fourth quarter of 2019 (note 3).

(e) On October 17, 2019, the Trust declared monthly distributions for October 2019 of $12.6 million (note 10).

(f) On October 31, 2019, Granite completed an offering of 4,000,000 stapled units at a price of $64.00 per unit for gross proceeds of approximately $256 million. On October 28, 2019, the syndicate of underwriters elected, pursuant to the terms of the underwriting agreement in respect of the offering, to exercise its over-allotment option in full, resulting in the issuance of an additional 600,000 stapled units on October 31, 2019 for additional gross proceeds of $38.4 million. The aggregate gross proceeds raised pursuant to the offering, including the exercise of the over-allotment option (the ''Offering''), were $294.4 million. The net proceeds received by Granite after deducting the underwriters' fees and the estimated expenses of the Offering were approximately $281.6 million. Subsequent to the Offering and as at November 5, 2019, Granite had 54,052,708 stapled units issued and outstanding.

Granite intends to use the net proceeds from the Offering to fund a portion of Granite's recently announced acquisition in Texas, commitments under existing development projects, potential future acquisitions and for general trust purposes.

(g) On November 4, 2019, the property in Aurora, Ontario that was classified as an asset held for sale as at September 30, 2019 was sold for gross proceeds of $10.0 million, which approximated its carrying value (note 5).

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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, 2018 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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