



Driving Unitholder Value

2015 ANNUAL REPORT



Consolidating Canada's Automotive
Dealership Properties

Brand and Geographic Diversification

Strong, Reliable Cash Flow

AUTOMOTIVE PROPERTIES REIT PORTFOLIO OVERVIEW

29

properties

45

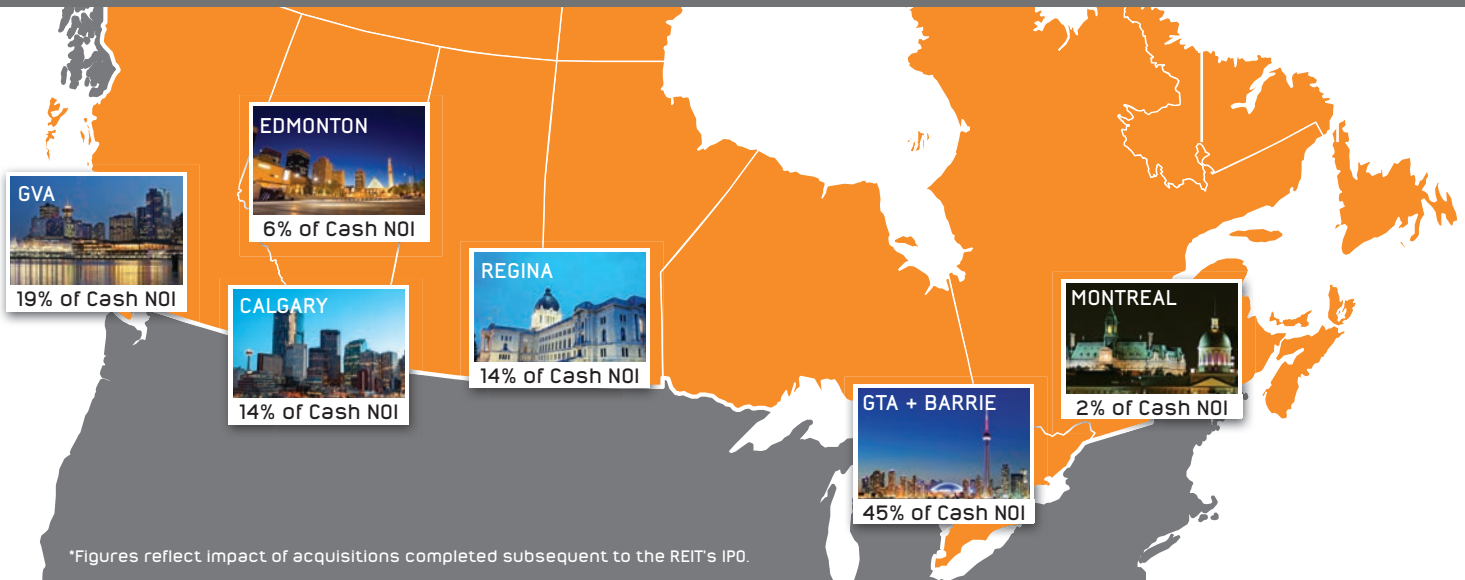
rental buildings
on ~100 acres

>1M

square feet of GLA

100%

triple-net leases
14.6 years weighted
average lease term



AUTOMOTIVE DEALERSHIP PROPERTY ACQUISITIONS COMPLETED SINCE IPO



Porsche Centre and Jaguar
Land Rover, Edmonton

- Built: 2014
- GLA: ~44,800 sq. ft.
- Lease Term: 17 years
- Purchase Price: ~\$23.0 million/6.6% cap rate



Audi Barrie, Innisfil

- Built: 2015
- GLA: ~25,000 sq. ft.
- Lease Term: 19 years
- Purchase Price: ~\$11.1 million/7.1% cap rate



Toyota Woodland, Montréal

- Built: 2007/2008
- GLA: ~50,000 sq. ft.
- Lease Term: 16 years
- Purchase Price: ~\$7.2 million/7.3% cap rate

FINANCIAL HIGHLIGHTS

(\$thousands, except per unit amounts and as otherwise noted)

For the Operating Year ended December 31, 2015^{1,2}

	Actual	Adjusted Forecast
Revenue from investment properties	\$ 13,300	\$ 13,241
Cash NOI	10,410	10,381
FFO	8,054	8,049
AFFO	6,875	6,871
Per Unit Amounts		
Distributions	\$ 0.357	\$ 0.357
AFFO	0.381	0.381
AFFO payout ratio	93.7%	93.7%

¹ The REIT generated an additional \$5,828 of net proceeds as a result of the underwriters' partial exercise of the over-allotment option granted at the time of the IPO, resulting in an additional 620,000 REIT Units outstanding.

² The Financial Forecast, included in the REIT's IPO prospectus assumed a full six months of operations for the period ended December 31, 2015. However, the REIT did not commence operations until July 22, 2015. In order to facilitate comparison with actual results, the Financial Forecast has been adjusted (the "Adjusted Forecast") to reflect the 163-day period from the closing of the REIT's IPO on July 22, 2015 to December 31, 2015 (the "Operating Year").



To Our Unitholders:

We are pleased to present Automotive Properties REIT's (the "REIT") 2015 annual report, our first as a public entity. We completed our initial public offering ("IPO") on the Toronto Stock Exchange on July 22, 2015, becoming Canada's only publicly traded vehicle focused exclusively on the ownership of automotive dealership properties. Through our IPO, we issued a total of 8,120,000 units at a price of \$10.00 per unit, resulting in gross proceeds of \$81.2 million. The Dilawri Group ("Dilawri"), Canada's largest automotive dealership group, retained a 55% equity ownership position in the REIT.

We used the net proceeds of the IPO to partially fund the \$357.7 million acquisition of a portfolio of 26 high-quality automotive dealership properties from Dilawri (the "Initial Properties"), encompassing nearly one million square feet of gross leasable area, in the Greater Vancouver Area, Calgary, Regina and the Greater Toronto Area. The remainder of the purchase price for the Initial Properties was funded through our credit facilities.

Our strategy to own and invest in automotive dealership properties is supported by compelling industry fundamentals. First, the Canadian automotive retail industry is large and has a history of long-term growth. The industry generated record sales of approximately \$128 billion in 2015, up 2.5% from 2014, representing the largest component of retail products and merchandise sales in Canada. Over the last 20 years, retail automotive sales grew at a compound annual rate of 4.5%. This long-term industry growth is one of the factors that makes high-quality automotive dealership businesses an attractive tenant profile for us.

Second, the Canadian automotive retail industry is highly fragmented and industry consolidation is gaining momentum. We estimate that the top 10 automotive dealership groups in Canada comprise in aggregate less than 10% of the overall automotive dealership market and that there are more than 3,100 automotive dealerships outside of this group of large multi-location operators. From 2009 to 2013, the number of automotive dealership groups with five or more dealerships increased by 24%. We believe that this industry consolidation is being driven by the increasing sophistication of the automotive dealership business and growing capital requirements. We provide a unique opportunity for automotive dealership owners to monetize their real estate while retaining ownership and control over their core dealership businesses. This provides them with financial liquidity to advance their individual strategic objectives, whether it be succession planning, directly investing in upgrading their dealerships, or facilitating acquisitions during this period of industry consolidation. We believe that industry consolidation will provide a large number of opportunities for us to partner with automotive dealership groups by acquiring their underlying real estate.

In addition to third-party acquisition opportunities, we also have an attractive pipeline of opportunities from Dilawri, with a right of first offer to acquire any REIT-suitable properties that Dilawri acquires or develops. Over the last five years, Dilawri has, on average, opened or acquired five new automotive dealerships per year, including two to three automotive dealership properties.

We have made strong progress in advancing our acquisition program. In late December 2015, we completed our first two acquisitions. These acquisitions effectively demonstrate our ability to execute two key elements of our acquisition strategy. The acquisition of the Toyota Woodland property in Montreal marked our entry into Canada's second largest metropolitan market and represented our first acquisition with Dilawri under the Strategic Alliance Agreement. Our acquisition of Go Auto's Porsche Centre Edmonton and Jaguar Land Rover Edmonton property demonstrates our ability and desire to diversify our tenant base by partnering with large, third-party automotive dealership owners. Go Auto is one of the largest automotive dealership groups in Canada. These transactions also enhanced our geographic and manufacturer diversification.



Subsequent to year end, we completed the acquisition of the Audi Barrie property, a newly constructed dealership located in Innisfil, near Barrie, Ontario. Audi Barrie was one of three properties in Dilawri's development pipeline at the time of the IPO. This transaction highlights the execution of the third pillar of our acquisition strategy, which is the opportunity to capitalize on our right of first offer to acquire REIT-suitable properties from Dilawri's development and dealership acquisition pipeline, pursuant to the Strategic Alliance Agreement.

Each of these acquisitions is expected to be accretive to our Adjusted Funds from Operations ("AFFO") per unit. Upon closing, each of the dealership businesses entered into long-term, triple-net leases with contractual fixed rent escalators, similar to the leases in place with our Initial Properties. Our portfolio currently has a weighted average lease term of approximately 14.6 years. Our highly stable tenant base and attractive lease terms support the stability of our cash flows and funds available for distribution to our unitholders.

As we completed the IPO in late July, our 2015 fiscal year consisted of the 163-day period from July 22, 2015 to December 31, 2015. The Initial Properties comprised nearly 100% of our income producing real estate assets during the fiscal 2015 period. We are pleased to report that our Property Revenue, Net Operating Income ("NOI"), Cash NOI, Funds from Operations and AFFO for the 163-day period were all in-line with the Adjusted Forecast. The Financial Forecast presented in our IPO Prospectus assumed a full six months of operations for the period ended December 31, 2015 and was therefore adjusted to reflect the 163-day period in order to facilitate comparison with our actual results.

We declared and distributed a total of \$6.4 million to unitholders during our fiscal 2015 period, or 35.7 cents per unit, representing an AFFO payout ratio of 93.7%, which was also in line with the Adjusted Forecast.

Looking ahead, we will continue to focus on building our acquisition pipeline. We are targeting prime dealership properties with cash flow stability in strategic markets across Canada that can further enhance our brand, tenant and geographic diversification.

On behalf of the Board of Trustees and management of Automotive Properties REIT, thank you for your confidence and support. We look forward to reporting to you on our continued progress in **driving unitholder value**.

Sincerely,

Kapil Dilawri
Chair of the Board

Milton Lamb
President and Chief Executive Officer



Automotive Properties Real Estate Investment Trust

Management's Discussion and Analysis

December 31, 2015

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SECTION 1 - GENERAL INFORMATION AND CAUTIONARY STATEMENTS

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Automotive Properties Real Estate Investment Trust (the "REIT") is intended to provide readers with an assessment of the performance of the REIT for the period ended December 31, 2015. The REIT commenced operations on July 22, 2015 upon completion of its Initial Public Offering ("IPO"), as prior thereto the REIT generated no revenue and incurred no expenses. As described in this MD&A, the REIT's financial forecast that was included in its IPO prospectus (the "Financial Forecast") has been adjusted herein to reflect the REIT's operations for the Operating Year (defined below). This MD&A also outlines the REIT's capital structure, operating strategies and business outlook. All dollar amounts in this MD&A are presented in thousands of Canadian dollars, except per unit amounts, unless otherwise noted.

This MD&A should be read in conjunction with the audited consolidated financial statements of the REIT and accompanying notes for the three months and period ended December 31, 2015 ("Q4 2015") and the REIT's operating year ("Operating Year"), which is defined as the 163-day period from the closing of the REIT's IPO on July 22, 2015 to December 31, 2015. Further information about the REIT can be found in the REIT's annual information form dated March 21, 2016 (the "AIF"). The AIF, along with other continuous disclosure documents required by the Canadian securities regulators, can be found on the SEDAR website at www.sedar.com and on the REIT's website at: www.automotivepropertiesreit.ca.

The REIT

On July 22, 2015, the REIT raised gross proceeds of approximately \$75,000 pursuant to the IPO through the issuance of 7,500,000 Units of the REIT ("REIT Units") at a price of \$10.00 per REIT Unit. On August 18, 2015, the REIT raised additional gross proceeds of approximately \$6,200 through the issuance of 620,000 REIT Units at a price of \$10.00 per REIT Unit pursuant to the partial exercise by the underwriters of the over-allotment option in connection with the IPO, increasing the gross proceeds from the IPO to approximately \$81,200. In connection with the IPO, the REIT indirectly acquired, through its subsidiary, Automotive Properties Limited Partnership (the "Partnership"), a portfolio of 26 properties (the "Initial Properties") from the Dilawri Group (as defined below). The REIT holds its interest in the Initial Properties through the Partnership, which is consolidated by the REIT in its financial statements.

The Dilawri Group includes 893353 Alberta Inc. ("Dilawri"), which is the entity that indirectly owned the Initial Properties immediately prior to the acquisition of them by the REIT, as well as its affiliates (other than its shareholders and controlling persons) (the "Dilawri Group").

The purchase price of the Initial Properties was \$357,742, a valuation that was supported by independent appraisals. The purchase consideration for the Initial Properties included \$258,409 in cash and the issuance to the applicable members of the Dilawri Group of an aggregate of 9,933,253 Class B limited partnership units of the Partnership (the "Class B LP Units" and, with the REIT Units, "Units"), which are economically equivalent to, and exchangeable generally on a one-for-one basis into REIT Units and accompanied by an equivalent number of special voting units (the "Special Voting Units") in the REIT, at a price of \$10.00 per Class B LP Unit. The cash component of the purchase consideration was satisfied through net proceeds from the IPO and a drawdown on the REIT's Credit Facilities (as defined below). The Credit Facilities, as well as the components of the REIT's equity are more fully described in "Liquidity and Capital Resources" in this MD&A.

Dilawri currently has an effective interest in the REIT, through its 9,933,253 Class B LP Units, of approximately 55%. Dilawri has advised the REIT that it intends to retain a significant interest in the REIT for the foreseeable future.

Concurrent with the acquisition of the Initial Properties, the REIT entered into leases with the applicable members of the Dilawri Group pertaining to the entirety of the Initial Properties, including the two properties that are partially occupied by third parties. Portions of the properties occupied by entities unrelated to Dilawri were subleased by Dilawri to these third party tenants.

On December 23, 2015, the REIT acquired the Toyota Woodland property (“Toyota Woodland”), a 49,737 square foot automotive dealership property located at 1000 – 1009 Woodland Avenue in Montréal, Québec, for \$7,200 representing a capitalization rate of approximately 7.3% on forecast net operating income. This was the first acquisition to be undertaken by the REIT with the Dilawri Group pursuant to the Strategic Alliance Agreement entered into with Dilawri at closing of the IPO. Details of the Strategic Alliance Agreement are described under “Related Party Transactions” in this MD&A. The Dilawri Group is the operating tenant of Toyota Woodland and has entered into a 16-year lease with the REIT. The REIT funded the purchase through a \$3,000 drawdown on its existing revolving credit facility and \$4,200 of cash on hand.

On December 30, 2015, the REIT acquired the Porsche Centre and Jaguar Land Rover (“JLR”) Edmonton property (“Porsche JLR Edmonton”), a 44,779 square foot automotive dealership property occupied by two third party dealerships and located at 17007 111th Avenue N.W. in Edmonton, Alberta, for \$23,000, representing a capitalization of approximately 6.6% on forecast net operating income. This was the REIT’s first acquisition of a dealership property with a third party dealer as a tenant. On closing of the transaction, the tenants entered into a 17-year triple-net lease with the REIT. The REIT funded the purchase through a \$7,200 drawdown on its existing revolving credit facility, expanding an existing credit facility by \$15,000 and drawing down that amount, and \$800 of cash on hand.

Subsequent to year-end, on January 14, 2016, the REIT acquired the Audi Barrie property, a newly constructed, 25,000 square foot automotive dealership property located on 3.1 acres at 2484 Doral Drive in Innisfil, near Barrie, Ontario, for approximately \$11,100, representing a capitalization rate of approximately 7.1% on forecast net operating income. Audi Barrie was one of three development properties owned by the Dilawri Group at the time of the IPO and was acquired pursuant to the REIT’s right of first offer to acquire any REIT-suitable properties from the Dilawri Group, pursuant to the Strategic Alliance Agreement. On closing, the Dilawri Group tenant entered into a 19-year lease with the REIT. The REIT funded the purchase through a \$7,150 new mortgage with a Canadian chartered bank and a \$3,950 drawdown on its existing revolving credit facility.

The Dilawri Group is the REIT’s most significant tenant and will be for the foreseeable future, with members of the Dilawri Group occupying 96% of the REIT’s GLA (as defined below) including third parties occupying the subleases and remaining 4% occupied by Porsche JLR Edmonton, at December 31, 2015. For the Operating Year, the rent from the portions of the properties occupied by the Dilawri Group represented approximately 88% of the REIT’s Cash NOI (as defined below). The remaining terms of the leases with the applicable members of the Dilawri Group (the “Dilawri Leases”) range from 10.5 to 18.5 years, with a weighted average lease term of approximately 14.7 years, on the overall portfolio, including the acquisition closed in 2015.

The REIT is externally administered by Dilawri pursuant to the Administration Agreement. The Strategic Alliance Agreement with Dilawri allows the REIT to benefit from a preferential relationship with Dilawri as Dilawri develops and acquires automotive dealerships in the future. These agreements are described under “Related Party Transactions” in this MD&A.

This MD&A is dated as at March 21, 2016.

Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the REIT’s future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the REIT. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the REIT or the real estate or automotive dealership industry are forward-looking statements. In some cases, forward-looking information can be identified by such terms such as “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “predict”, “potential”, “continue”, “likely”, “schedule”, “objectives”, or the negative thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the following:

- the REIT's relationship with the Dilawri Group, Dilawri's shareholders and certain other related persons and entities (collectively, the "Dilawri Organization"), including in respect of (i) the Dilawri Organization's retained interest in the REIT and its current intention with respect thereto, (ii) the services to be provided to the REIT (whether directly or indirectly) by Dilawri pursuant to the Administration Agreement, (iii) expected transactions to be entered into between Dilawri and the REIT (including the REIT's acquisition of certain interests in properties held by the Dilawri Group); (iv) substantial completion of the Development Properties (as defined below) and occupancy and leasing arrangements relating thereto; and (v) the Strategic Alliance Agreement;
- the REIT's intention with respect to, and ability to execute, its external and internal growth strategies;
- the REIT representing a unique alternative for automotive dealership operators considering a monetization or recapitalization of their business;
- the REIT's capital expenditure requirements and capital expenditures to be made by the REIT and the Dilawri Group;
- the REIT's distribution policy and the distributions to be paid to Unitholders;
- the REIT's debt strategy;
- the REIT's access to available sources of debt and/or equity financing;
- the REIT's ability to meet its stated objectives;
- the REIT's ability to expand its asset base and make accretive acquisitions;
- the ability of the REIT to continue to qualify as a "mutual fund trust" and as a "real estate investment trust", as defined in the *Income Tax Act* (Canada) (the "ITA");
- the REIT's expectation that general and administrative expenses will be within the annualized Financial Forecast in 2016; and
- the reduction in the scope of services to be provided to the REIT under the Administration Agreement and the transition by the REIT to directly employing its senior management.

The REIT has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that the Canadian economy will remain stable over the next 12 months, that inflation will remain relatively low, that interest rates will remain stable, that tax laws remain unchanged, that conditions within the automotive dealership real estate industry and the automotive dealership industry generally, including competition for acquisitions, will be consistent with the current climate, that the Canadian capital markets will provide the REIT with access to equity and/or debt at reasonable rates when required and that the Dilawri Organization will continue its involvement with the REIT.

Although the forward-looking statements contained in this MD&A are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the REIT's control, that may cause the REIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors discussed under "Risks and Uncertainties" in this MD&A.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. The forward-looking statements made in this MD&A relate only to events or information as of the date of this MD&A. Except as required by law, the REIT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future

events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Non-IFRS Measures

The REIT prepares its financial statements according to International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). This MD&A contains certain financial measures which are not defined under IFRS and may not be comparable to similar measures presented by other real estate investment trusts or enterprises.

Funds from operations (“FFO”), adjusted funds from operations (“AFFO”), AFFO payout ratio, net operating income (“NOI”) cash net operating income (“Cash NOI”), earnings before income tax, depreciation, and amortization (“EBITDA”) are key measures of performance used by real estate businesses. Gross book value, indebtedness and tangible net worth are measures of financial position defined by agreements to which the REIT is a party. These measures, as well as any associated “per Unit” amounts are not defined by IFRS and do not have standardized meanings prescribed by IFRS, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. The REIT believes that AFFO is an important measure of economic performance and is indicative of the REIT’s ability to pay distributions, while FFO, NOI, Cash NOI, and EBITDA are important measures of operating performance of real estate businesses and properties. The IFRS measurement most directly comparable to FFO, AFFO, NOI, Cash NOI, and EBITDA is net income.

“FFO” is defined consistently with the definition presented in the White Paper on funds from operations prepared by the Real Property Association of Canada. FFO is calculated as net income in accordance with IFRS, adjusted by removing the impact of (i) fair value adjustments on investment properties; (ii) other fair value adjustments including fair value adjustments on redeemable or exchangeable units; (iii) gains and losses on the sale of investment properties; (iv) amortization of tenant incentives; and (v) distributions on redeemable or exchangeable units treated as interest expense.

“AFFO” is defined as FFO subject to certain adjustments, to (a) remove the impact of: (i) amortization of fair value mark-to-market adjustments on debt and amortization of financing costs and indemnity payable in respect of the third party tenant portfolio sublease structure; (ii) adjusting for any differences resulting from recognizing property rental revenues or expenses (including ground lease rental payments) on a straight-line basis; (iii) depreciation; and (iv) non-cash compensation incentive plans; and (b) deduct a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions. Other adjustments may be made to AFFO as determined by the trustees of the REIT (the “Trustees”) in their sole discretion.

“AFFO payout ratio” is defined as the ratio of AFFO to distributions payable in a period.

“NOI” is defined as rental revenue from properties less property operating expenses as presented in the statement of income prepared in accordance with IFRS. Accordingly, NOI excludes certain expenses included in the determination of net income such as general and administrative expenses, fair value adjustments and amortization.

“Cash NOI” is defined as NOI prior to the effects of straight-line adjustments.

FFO, AFFO, AFFO payout ratio, NOI and Cash NOI should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the REIT’s performance. The REIT’s method of calculating FFO, AFFO, AFFO payout ratio, NOI and Cash NOI may differ from other issuers’ methods and, accordingly, may not be comparable to measures used by other issuers. See “Results of Operations” in this MD&A for a reconciliation of these measures to net income.

“EBITDA” is defined as earnings before, income tax, depreciation, and amortization.

“GBV” means, at any time, the greater of: (A) the book value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, less the amount of any receivable reflecting interest rate

subsidies on any debt assumed by the REIT; and (B) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents, (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations. "Debt to GBV" means the ratio of Indebtedness to GBV at a particular time.

"Indebtedness" of the REIT means (without duplication) (i) any obligation for borrowed money (including, for greater certainty, the full principal amount of convertible debt, notwithstanding its presentation under IFRS), (ii) any obligation incurred in connection with the acquisition of property, assets or businesses, (iii) any obligation issued or assumed as the deferred purchase price of property, (iv) any capital lease obligation (as defined in the Declaration of Trust), and (v) any obligations of the type referred to in clauses (i) through (iv) of another entity, the payment of which the REIT has guaranteed or for which the REIT is responsible or liable; provided that, (A) for the purpose of clauses (i) through (v) an obligation will constitute Indebtedness of the REIT only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS, (B) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, distributions payable to Unitholders or holders of other securities excluded from the definition of Indebtedness pursuant to clause (C) below, accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith, deferred revenues, intangible liabilities, deferred income taxes, deferred financing costs, tenant deposits and indebtedness with respect to the unpaid balance of installment receipts where such indebtedness has term not in excess of 12 months, and (C) REIT Units and Class B LP Units, exchangeable securities and other equity securities that constitute debt under IFRS do not constitute Indebtedness.

"Net Asset Value" means total assets less Indebtedness, accounts payable and accrued liabilities and adjusted for interest rate swaps. The net balance is then divided by the total of Unitholders equity plus the market value of Class B LP Units at a particular time.

"Debt to GBV" means the ratio of Indebtedness to GBV at a particular time.

SECTION 2 – OVERVIEW, STRATEGY AND OBJECTIVES

Overview

The REIT is an unincorporated, open-ended real estate investment trust, offering exposure to a unique real estate asset class. At December 31, 2015, the REIT's portfolio consisted of 28 retail automotive dealership properties on 88 acres located in the Greater Vancouver Area ("GVA"), Calgary, Regina, the Greater Toronto Area ("GTA"), Montréal and Edmonton. The properties encompass approximately 1,052,828 square feet of gross leasable area ("GLA"), and are occupied by retail automotive dealerships, service centres and ancillary businesses. The REIT's automotive dealership business tenants represent the largest, most recognizable global automotive brands ranging from mass market vehicle brands through to the ultra-luxury segment, with a focus on European and Asian brands. The REIT Units are listed on the Toronto Stock Exchange under the symbol "APR.UN".

Canada's automotive retail industry is characterized by strong industry fundamentals. According to Statistics Canada, at over 6.0% of gross domestic product in 2014, the automotive retail industry then represented the largest component of retail sales and merchandise in Canada. Industry sales totaled a record \$120 billion in 2014, representing 24% of Canada's overall retail sales of products and merchandise. The table below illustrates new automobile sales in Canada for the 2015 calendar year, reflecting an increase of 2.6% over 2014.

	12 Months Ended December 31,			
	2015	YoY Unit increase / decrease	YoY % increase / decrease	2014
Alberta	242,356	(34,835)	-12.6%	277,191
British Columbia and the Territories	211,517	13,614	6.9%	197,903
Manitoba	57,809	26	0.0%	57,783
New Brunswick	44,612	1,956	4.6%	42,656
Newfoundland and Labrador	34,960	(480)	-1.4%	35,440
Nova Scotia	54,971	1,085	2.0%	53,886
Ontario	778,671	45,953	6.3%	732,718
Prince Edward Island	7,978	423	5.6%	7,555
Quebec	451,807	24,986	5.9%	426,821
Saskatchewan	55,273	(3,161)	-5.4%	58,434
Total Canada	1,939,954	49,567	2.6%	1,890,387

(Source: Statistics Canada)

The REIT's lead tenant is the Dilawri Group, the largest automotive dealership group in Canada. Building on a strong track record of development and active management, revenues of the Dilawri Group were approximately \$2 billion over the 12 month period ended December 31, 2015, compared to approximately \$1.6 billion in 2014. The Dilawri Leases are structured as triple-net leases under which the tenant is responsible for all costs relating to repair and maintenance, realty taxes, property insurance, utilities and all non-structural capital improvements. The REIT's overall portfolio has a weighted average lease term of 14.7 years and Dilawri indemnifies its individual dealerships' rental obligations. The recently acquired Porsche JLR Edmonton property, is indemnified by the parent of the dealership.

The Dilawri Leases include a fixed rent escalator of 1.5% per annum, which translates to an approximate 2.4% increase in AFFO per annum. The Porsche JLR Edmonton lease includes an annual rent escalator of 1.0%, after the end of the 5th year of the term.

The REIT's portfolio of best-in-class dealership properties, strong industry fundamentals and an attractive leasing profile support the stability of Unitholder distributions. The REIT is currently paying monthly cash distributions to Unitholders of \$0.067 per Unit, representing \$0.80 per Unit on an annualized basis.

The primary strategy of the REIT is to create long-term value for Unitholders by generating sustainable tax-efficient cash flow and capital appreciation, while maintaining a strong balance sheet and practicing prudent financial management. The objectives of the REIT are to:

- provide Unitholders with stable, predictable and growing monthly cash distributions on a tax-efficient basis;
- enhance the value of the REIT's assets in order to maximize long-term Unitholder value; and
- expand the REIT's asset base while also increasing the REIT's AFFO per Unit, including through accretive acquisitions.

Management intends to grow the value of the REIT's real estate portfolio while also increasing AFFO per Unit through accretive acquisitions and steady growth in rental rates. The REIT expects to be well-positioned to capitalize on significant acquisition opportunities presented by third parties due to the fragmented nature of the automotive dealership market. The REIT also expects to leverage its strategic arrangement with the Dilawri Group to acquire properties from the Dilawri Group that meet the REIT's investment criteria. Management intends to focus on obtaining new properties which have the potential to contribute to the REIT's ability to generate stable, predictable and growing monthly cash distributions to Unitholders.

Growth Strategies

The REIT has a well-defined, long-term growth strategy which includes both external and internal elements.

External Growth

Accretive Acquisitions of Third Party Properties

Management believes that the REIT is well-positioned to capitalize on opportunities for accretive acquisitions from third party vendors due to certain features of the Canadian automotive dealership industry:

- *Fragmented ownership* – Management estimates that the top 10 dealership groups in Canada own only 9% of the approximately 3,500 automotive dealerships in Canada;
- *Increasing momentum of consolidation* – The proportion of automotive dealerships in Canada that are owned by operators with fewer than five locations has declined from 71% in 2009 to 65% in 2013. The REIT is uniquely positioned to work with the large dealership groups in unlocking the value of the underlying real estate as they accumulate dealerships. *Source: DesRosiers Automotive Consultants*
- *Capital redeployment needs* – According to PricewaterhouseCoopers LLP's 2012 Automotive Trendsetter Report, 91% of dealers surveyed said that they own the properties underlying their dealerships. Monetizing the underlying real estate would allow dealers to retain control of their dealership while redeploying capital into other areas of their business; and
- *Succession planning issues* – Management believes that for the majority of independent dealers, the dealership and its underlying real estate together represent the single largest proportion of their wealth. Selling the underlying real estate to the REIT can help them address succession planning issues, particularly if the transaction can be effected on a tax efficient basis. This is especially important given the aging demographics of the Canadian dealership owners.

Management believes that the REIT represents a unique alternative for automotive dealership operators considering a sale or recapitalization of their business, as the REIT is at present the only publicly listed vehicle in Canada exclusively focused on automotive dealership properties.

The REIT seeks to acquire properties that meet its specific investment criteria. Acquisition opportunities are evaluated based on a number of factors, including valuation, expected financial performance, stability of cash flows, physical features, and existing leases, functionality of design, geographic market, location and opportunity for future value enhancement.

As described above under "The REIT", in line with this strategy, the REIT acquired Porsche JLR Edmonton from a third party in December 2015.

Right of First Offer to Acquire REIT-Suitable Properties from the Dilawri Group

Management believes that its relationship with the Dilawri Group provides the REIT with additional opportunities to add quality automotive dealership properties to the portfolio in an accretive manner. Pursuant to the Strategic Alliance Agreement, which is further described under "Related Party Transactions", the REIT has the right of first offer on properties that are suitable for use as an automotive dealership that are acquired, developed, redeveloped, refurbished, repositioned or held for sale by the Dilawri Group.

As described above under "The REIT", in line with this strategy, the REIT acquired the Toyota Woodland and Audi Barrie properties under the Strategic Alliance Agreement in December 2015 and January 2016, respectively.

The Dilawri Group has two properties under development, representing an aggregate of approximately 75,000 square feet of GLA that it will offer to sell to the REIT upon substantial completion. One of the properties is located in Barrie, Ontario and one is located in Calgary, Alberta. They are currently in various stages of development and it is expected that they will be substantially complete in the next 12 months. If acquired by the REIT, these properties are expected to be 100% leased to members of the Dilawri Group on substantially the same terms as the Initial Properties.

Internal Growth

Management believes that the REIT is well-positioned to achieve organic increases in cash flow and, as a result, increase the values of its properties over time. These increases are expected to come from the following sources:

- Each of the Dilawri Leases contains annual contractual basic rent escalations in the amount of 1.5% per annum (translating into approximately 2.4% AFFO growth per annum) during the initial lease term and any renewal term. These leases are structured as triple-net leases under which the tenant is responsible for all costs relating to repair and maintenance, realty taxes, property insurance, utilities and non-structural capital improvements so that rent escalations are expected to flow directly to NOI; and
- Contractual rent escalators that are expected, wherever possible, to be negotiated into new leases entered into by the REIT. For example, the lease in respect of the recently acquired Porsche JLR Edmonton property has an annual rent accelerator of 1.0% after the end of the 5th year of the term.

SECTION 3 – FINANCIAL OVERVIEW AND KEY PERFORMANCE INDICATORS

The financial results described herein relate to Q4 2015 and the Operating Year, as defined above. The Financial Forecast has been adjusted in this MD&A to reflect the actual commencement of the REIT's operations on July 22, 2015 versus the July 1, 2015 date included in the original Financial Forecast. See the "Adjusted Forecast" in the "Results of Operations" section of this MD&A for further information.

The REIT performed in line with the Adjusted Forecast and management's expectations in both Q4 2015 and the Operating Year. In Q4 2015, the REIT's properties generated AFFO of \$3,787, or \$0.210 per Unit; and Cash NOI was \$5,865 on \$7,498 of revenue. In the Operating Year, the REIT generated AFFO of \$6,875, or \$0.381 per Unit; and Cash NOI was \$10,410 on \$13,300 of revenue.

In Q4 2015, the REIT declared total distributions of \$3,629, or \$0.201 per Unit, to holders of REIT Units and Class B LP Units (collectively, "Unitholders"), representing a payout ratio of 95.7% of AFFO. During the Operating Year, the REIT declared total distributions of \$6,445, or \$0.357 per Unit, to Unitholders, representing a payout ratio of 93.7% of AFFO. The payout ratio is higher than the Financial Forecast due to the fact that on August 18, 2015, the REIT raised additional gross proceeds of approximately \$6,200 through the issuance of 620,000 REIT Units at a price of \$10.00 per REIT Unit pursuant to the partial exercise by the underwriters of the over-allotment option in connection with the IPO.

The REIT's financial position at the end of the Operating Year reflects completion of its \$75,000 IPO (and related over-allotment option exercise) and the acquisition of the Initial Properties for \$357,742, as well as the acquisition of the Toyota Woodland and Porsche JLR properties for a cumulative amount of \$30,200. The purchase price of the Initial Properties was \$357,742, a valuation that was supported by independent appraisals. The purchase consideration for the Initial Properties included \$258,409 in cash and the issuance to the applicable members of the Dilawri Group of an aggregate of 9,933,253 Class B LP Units, which are economically equivalent to, and exchangeable generally on a one-for-one basis into REIT Units and accompanied by an equivalent number of Special Voting Units, at a price of \$10.00 per Class B LP Unit. The cash component of the purchase consideration was satisfied through net proceeds from the IPO and a drawdown on the REIT's Credit Facilities. The Credit Facilities, as well as the components of the REIT's equity, are more fully described under "Liquidity and Capital Resources" in this MD&A.

As a result of these activities, the REIT's total assets stand at \$393,839 at the end of the Operating Year, representing a Debt to GBV ratio of 55.0%, with a weighted average in place interest rate on its debt of 3.15% and term of 6.3 years. Management believes that this positions the REIT well in order to execute on its business strategy, in line with the objectives set out at the time of the IPO.

Overall, management is satisfied with the REIT's financial results for Q4 2015 and the Operating Year.

Key Performance Indicators

Performance is measured by management by these and other key indicators:

	As at December 31, 2015 ⁽¹⁾			
Portfolio				
Number of properties	28			
Gross leasable area ("GLA")	1,052,828			
Average in-place base rent per sq. ft.	\$24.72			
Weighted average remaining lease term (years)	14.7			
	For the three months ended December 31, 2015		For the Operating Year ended December 31, 2015	
	Actual	Financial Forecast ⁽²⁾	Actual ⁽³⁾	Adjusted Forecast ⁽³⁾
Operating Results				
Revenue from Investment properties	\$ 7,498	\$ 7,458	\$ 13,300	\$ 13,241
Cash NOI	5,865	5,844	10,410	10,381
FFO	4,454	4,532	8,054	8,049
AFFO	3,787	3,868	6,875	6,871
Fair value adjustment to investment properties	(1,249)	-	(94)	-
Per Unit amounts				
Distributions per Unit	\$ 0.201	\$ 0.201	\$ 0.357	\$ 0.357
FFO	0.247	0.251	0.446	0.446
AFFO	0.210	0.214	0.381	0.381
Payout ratio (%)				
FFO	81.4%	80.0%	80.0%	80.0%
AFFO	95.7%	93.9%	93.7%	93.7%
				As at December 31, 2015
Balance Sheet Metrics				
Total assets	\$393,839			
Units outstanding	18,053,253			
Market capitalization (includes Class B LP units)	\$148,939			
Weighted average effective interest rate on debt	3.15%			
Proportion of debt at fixed rates through swaps	95%			
Weighted average interest term remaining (years)	6.3			
Interest coverage ratio	3.5X			
Debt Service Coverage	2.1X			
Debt to GBV	55.0%			

(1) Includes the 26 Initial Properties from the IPO, and the recently acquired Edmonton and Montreal properties.

(2) The REIT generated an additional \$5,828 of net proceeds as a result of the underwriters' partial exercise of the over-allotment option granted at the time of the IPO, resulting in an additional 620,000 of REIT Units outstanding.

(3) The Financial Forecast assumed a full three months of operations for the period ended September 30, 2015. However, the REIT did not commence operations until July 22, 2015. As a result, the Financial Forecast has been adjusted to reflect the Operating Year ended December 31, 2015 (the "Adjusted Forecast") in order to facilitate comparison with actual results. Refer to "Adjusted Forecast" in the "Results of Operations" section of this MD&A.

SECTION 4 - PROPERTY PORTFOLIO

Property Portfolio Summary

City or Region	Number of Properties	GLA (Sq Ft)	Average rental rate psf during 2015	Weighted Average Lease Term (yrs) ⁽¹⁾	% of Cash NOI for current quarter
GVA	6	153,950	\$35.65	16.8	21%
Calgary	4	177,787	21.16	14.5	16%
Regina	8	183,529	19.56	13.8	15%
Montréal	1	49,737	10.62	16.0	0%
Edmonton	1	44,779	34.00	17.0	0%
GTA	8	442,597	25.15	13.8	48%
Total Portfolio	28	1,052,379	\$24.72	14.7	100%

(1) As at December 31, 2015.

Appendix "A" in this MD&A contains a summary list and description of the REIT's properties as of December 31, 2015.

Portfolio Overview

At December 31, 2015, the REIT's portfolio consists of 28 properties, including the 26 Initial Properties and the recently acquired Toyota Woodland property acquired under the Strategic Alliance Agreement and Porsche JLR Edmonton property acquired from a third party. 25 of the REIT's properties are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility. Two properties are jointly occupied by Dilawri and third parties for use as automotive dealerships and complementary retail uses. 27 properties are entirely leased to entities within the Dilawri Group, with the Dilawri Group subletting those portions of the properties that are occupied by third parties. At December 31, 2015, the Porsche JLR Edmonton property was the only property not leased to a member of the Dilawri Group. Consequently, the Dilawri Group is the REIT's lead tenant and provides 99% of the REIT's rental income at the date of this MD&A (100% at December 31, 2015). As the REIT grows, management intends to continue to diversify the REIT's tenant base, but management expects that the Dilawri Group will provide a significant proportion of the REIT's rental revenue for the foreseeable future.

Collectively, the REIT's properties contain 38 automotive dealership facilities and one automotive repair facility occupying 42 individual buildings as well as four ancillary retail buildings. The Dilawri Group is the sole occupant of 31 of the 38 automotive dealership facilities and the one automotive repair facility, with third party automotive dealers occupying Porsche JLR Edmonton, Honda, Hyundai, Kia and Toyota dealerships at Dixie Auto Mall, located in Mississauga, Ontario and the Ford dealership at Markham Honda and Ford, located in Markham, Ontario. The four retail buildings are located on contiguous lots within the Dixie Auto Mall and are occupied by several national retail tenants including Cara Operations Limited (operating as Montana's Cookhouse and Kelsey's Restaurant) and Enterprise Rent-a-Car.

Dixie Auto Mall includes an industrial property with approximately 53,000 square feet of GLA which is not included as part of the portfolio as it is not an asset over which the REIT has control. This property was acquired by the REIT for nominal consideration on July 22, 2015 from a member of the Dilawri Group. This property has been leased to the applicable Dilawri Tenant for nominal consideration pending severance approvals at which time the property will be transferred to that member of the Dilawri Group for the same nominal consideration that the REIT paid for its acquisition.

Profile of the Dilawri Leases

The remaining terms of the Dilawri Leases range from 10.5 years to 18.5 years, with a weighted average lease term of 14.5 years. The weighted average annual basic rent payable under the Dilawri Leases for the Initial Properties for the first year of the lease terms is approximately \$25.01 per square foot. As of December 31, 2015, the weighted average annual basic rent payable under the Dilawri Leases, including Toyota Woodland, is approximately \$24.31 per square

foot. The basic annual rental rates of these leases increase by 1.5% annually, which equates to approximately 2.4% of the REIT's forecasted AFFO commencing with the second year of the lease.

Material terms of the Dilawri Leases include the following:

- Requirements to obtain the REIT's consent for certain changes in use that might affect or impair the value of the properties;
- Options on the part of Dilawri to extend the leases for successive five-year periods as long as Dilawri meets certain conditions;
- The leases are triple-net to the REIT, with the tenant responsible for costs relating to the properties, including property taxes and non-structural repairs and maintenance;
- Rights on the part of Dilawri to cease operations under certain circumstances, provided it continues to comply with the other terms of the leases; and
- Other terms with respect to alterations, environmental covenants, assignment and subletting, damage and destruction and tenant expansion.

Profile of Porsche JLR Edmonton

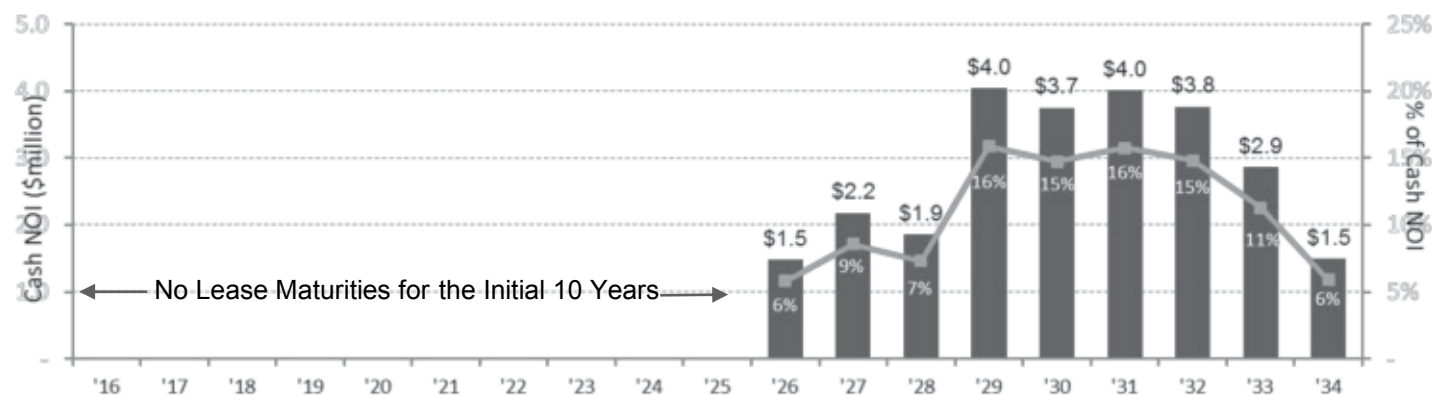
Porsche JLR Edmonton is the REIT's first acquisition of a dealership property with third party dealerships as the REIT's tenants. On closing of the transaction, the tenants entered into a 17-year triple-net lease with the REIT, with annual 1.0% rent escalations beginning at the end of the 5th year of the lease term.

Overall, at December 31, 2015, the REIT's properties have a weighted average base rental rate of \$24.72 per square foot.

Profile of Overall Lease Maturity

The lease portfolio matures between 2026 and 2034 as set out in the chart below:

Lease Maturity Profile



A full description of the material terms of the Dilawri Leases is contained in the AIF.

Property Use and Brand Diversification

Sales for an individual automotive dealership are heavily influenced by the popularity of the automobile brands being marketed, and these in turn, are often cyclical for each brand as new models are introduced and existing models are updated and refreshed. In addition, prospects for both mass market and luxury brands can vary with economic cycles. Management believes that the portfolio's broad brand diversification contributes to the quality and stability of the

REIT's cash flows. The table below sets out the breakdown of brands operating at the REIT's properties as of December 31, 2015.

Manufacturer / Brand	REIT Auto Dealership GLA (Sq. Feet)	% of REIT Auto Dealership GLA	% of REIT Auto Dealership Rent	No. of REIT Locations
Honda ⁽¹⁾	210,974	20.6%	20.1%	7
Porsche ⁽²⁾	84,569	8.2%	12.1%	2
Acura	86,113	8.3%	9.3%	4
Nissan	84,008	8.1%	8.7%	3
BMW ⁽³⁾	100,180	9.7%	7.6%	2
Toyota	94,556	9.2%	6.5%	3
Mazda	47,501	4.6%	5.0%	2
Hyundai	49,734	4.8%	4.7%	3
Audi	29,300	2.8%	4.2%	1
Infiniti	26,314	2.5%	3.8%	2
Volkswagen	39,209	3.8%	3.8%	1
General Motors	35,504	3.4%	3.6%	1
Ford	39,287	3.8%	2.7%	1
Chrysler ⁽⁴⁾	40,957	4.0%	2.2%	1
Mitsubishi Motors	14,750	1.4%	1.5%	2
Kia	13,890	1.3%	1.1%	1
Various ⁽⁵⁾	35,757	3.5%	3.1%	1
Total	1,032,603	100.0%	100.0%	37

Notes:

- (1) *Includes Honda Used Car and Regina Collision Centre. Regina Honda/Acura split 75% & 25% of 30,900 sq feet*
- (2) *Includes Porsche JLR Edmonton*
- (3) *Includes MINI.*
- (4) *Includes Dodge, FIAT, Jeep and RAM.*
- (5) *Represents the Dilawri Distinctive Collection property in Calgary, which currently has franchise agreements with Aston Martin and Bentley. In addition, Distinctive Collection sells a variety of used vehicles, including Audi, BMW, Lamborghini, Maserati, McLaren, and Mercedes-Benz.*

Description of the REIT's Key Tenant

The following chart summarizes certain relevant financial information of the Dilawri Group as provided to the REIT by Dilawri (all figures are approximations and are not audited or reviewed) as at December 31, 2015:

Dilawri Group's Financial Information (approximations)	
Combined Revenues (unaudited)	\$ 2.0 billion
EBITDA (unaudited)	\$ 76.6 million
Pro Forma Adjusted Rent Coverage Ratio (unaudited)	3.4
Term Debt (unaudited)	\$ 139.6 million
Term Debt to EBITDA Ratio (unaudited)	1.8

Although the REIT has no reason to believe that the above financial information of the Dilawri Group contains a misrepresentation, Dilawri is a private company that is independent of, and operates entirely independently from, the REIT and, consequently, neither the REIT, its management nor its Trustees in their capacities as such have been involved in the preparation of this financial information. Readers are cautioned, therefore, not to place undue reliance on that financial information.

Dilawri Additional and Non-ASPE Measure

Dilawri uses "EBITDA" in its financial statements which is an additional ASPE (as defined below) measure. "EBITDA" is defined as the earnings of the Dilawri Group before interest, taxes, depreciation and amortization, all as reflected in the non-consolidated combined financial statements of the Dilawri Group prepared in accordance with the recognition, measurement and disclosure principles of ASPE. The REIT believes that EBITDA is an important measure of operating performance as it shows Dilawri's earnings before interest, taxes, depreciation and amortization. Dilawri's method of calculating EBITDA may differ from other issuers' calculations and, accordingly, may not be comparable to measures used by other issuers.

Reference to "Pro Forma Adjusted Rent Coverage Ratio", "Term Debt" and "Term Debt to EBITDA Ratio", which are key measures of performance used by automotive dealership businesses, refer to the *Pro Forma* Adjusted Rent Coverage Ratio, Term Debt and Term Debt to EBITDA Ratio of the Dilawri Group on a non-consolidated combined basis. Pro Forma Adjusted Rent Coverage Ratio, Term Debt and Term Debt to EBITDA Ratio are not defined by Canadian accounting standards for private enterprises ("ASPE") or IFRS and do not have standardized meanings prescribed by ASPE or IFRS. All of the Dilawri financial measures disclosed herein have been prepared in accordance with ASPE. The REIT believes that such measures are important measures of economic performance and are indicative of Dilawri's ability to satisfy its obligations under the Dilawri Leases.

"**Pro Forma Adjusted Rent Coverage Ratio**" is calculated by Dilawri as EBITDA (amount of \$76.6 million) for the December 31st, 2015 calendar plus rent paid by the Dilawri Group for the 2015 calendar to third parties and the REIT, less rent received from third parties sub-letting (net amount \$31.2 million). That resultant figure is divided by rent paid by the Dilawri Group for the 2015 calendar to third parties and the REIT, less rent received from third parties sub-letting (net amount \$31.2 million),

"**Term Debt**" is calculated by Dilawri as the Dilawri Group's total debt reflected in its non-consolidated combined financial statements as at December 31, 2015 prepared in accordance with the recognition, measurement and disclosure principles of ASPE.

"**Term Debt to EBITDA Ratio**" is defined as the ratio of Term Debt to EBITDA

SECTION 5 – RESULTS OF OPERATIONS

Results of Operations - For the three months ended December 31, 2015

Net Income and Comprehensive Income

<i>Cdn \$000</i>	Period from June 1 (date of formation) to September 30, 2015	Q4 2015	Financial Forecast
Net Property Income			
Rental revenue from investment properties	\$ 5,802	\$ 7,498	\$ 7,458
Property costs	(754)	(980)	(979)
NOI	5,048	6,518	6,479
Other Income (Expenses)			
General and administrative expenses	(299)	(481)	(374)
Interest expense and other financing charges	(1,149)	(1,583)	(1,573)
Distribution expense on Class B LP Units	(1,549)	(1,997)	(1,987)
Fair value adjustment on Class B LP Units	2,583	14,800	-
Fair value adjustment on interest rate swap	(3,817)	(355)	-
Fair value adjustment on investment properties	1,155	(1,249)	-
Net Income and Comprehensive Income	\$ 1,972	\$ 15,653	\$ 2,545
Units Outstanding (thousands)	18,053	18,053	18,053
Per Unit	\$ 0.109	\$ 0.862	\$ 0.141

Property Revenue and Property Costs

Rental revenue is based on rents from leases entered into with tenants on closing of the applicable acquisitions, all of which are triple-net leases and as such include recoverable realty taxes. The Dilawri Leases have remaining lease terms ranging from approximately 11 to 19 years, with an average remaining lease term of 14.5 years and an annual basic rent escalation of 1.5% in each year during the initial term. The Porsche JLR Edmonton property has an initial 17-year term and an annual base rent escalator of 1.0% after the 5th year of the term.

Two of the Initial Properties are subject to land leases. Land lease expense includes straight line rent on the land leases over the expected lease term and recoverable realty taxes that have been paid by the REIT. The property revenue and costs are in-line with the Financial Forecast.

General and Administrative Expenses

The REIT has two broad categories of general and administrative expenses consisting of: i) public entity costs, and ii) outsourced costs. The public entity costs reflect the expenses related to ongoing operations of the REIT (including professional fees and fees payable to members of the REIT's Board of Trustees (the "Board")) and will fluctuate depending on when such expenses are incurred. The outsourced costs are largely related to the services provided by Dilawri pursuant to the Administration Agreement. The Administration Agreement provides for services to the REIT to be on a cost-recovery basis with a fixed fee during the Forecast Period (as defined below) and, as such, it is not expected that such costs will fluctuate materially from quarter to quarter prior to July 2016.

General and Administrative expenses in the Operating Year were above the Adjusted Forecast level due to year-end audit, accounting, and legal fees that were incurred in Q4 2015 instead of being amortized on a straight-line basis

over the 12 months of operations, as identified in the Financial Forecast. In the first half of 2016, the REIT expects nominal increases in general and administrative expenses, on an overall basis these increases will be offset by interest expense savings.

Interest Expense and Other Financing Charges

Interest expenses include amounts payable to lenders under the Credit Facilities as well as amortization of upfront costs and costs to hedge the Credit Facilities at fixed rates. Interest expense was marginally lower than forecast as the weighted average fixed rate of interest on the REIT's hedges was 3.15% compared to the 3.2% forecasted.

Changes in Fair Values of Class B LP Units and Interest Rate Swaps

The Class B LP Units and the interest rate hedges (see "Liquidity and Capital Resources" section in this MD&A) are required under relevant accounting standards to be presented at fair value on the balance sheet. The resulting changes in these items are recorded in net income and comprehensive income.

Changes in Fair Values of Investment Properties

During Q4 2015, the weighted average capitalization rate on the REIT's properties was unchanged at 6.5%. The table outlines the details of the change in fair values:

As at	December 31, 2015
Balance, beginning of period	\$359,400
Acquisitions of Toyota Woodland and Porsche JLR Edmonton ⁽ⁱ⁾	30,846
Fair value adjustment on investment properties	(1,249)
Straight-line rent and lease adjustment	653
Balance, end of period	\$389,650

- (i) The purchase price of the acquisitions includes acquisition costs of \$644. Subsequent to acquisition such amounts were not included in the determination of the fair value of investment properties.

As at September 30, 2015, an independent appraiser undertook the valuation of the Initial Properties by using an income approach whereby a current capitalization rate was applied to the net operating income, which a property can reasonably be expected to produce over its remaining economic life. In determining the appropriateness of the methodology applied and the assumptions used, the relative uncertainty of the timing and amount of expected net operating income and the impact such uncertainty would have in arriving at a reliable estimate of fair value is considered. The capitalization rate was assessed at 6.5%.

The REIT reviewed the market capitalization letter prepared by the independent appraiser as at December 31, 2015, the overall implied capitalization rate remained at 6.5%.

Minimum rental commitments on non-cancellable tenant operating leases are as follows:

Within 1 year	\$26,152
After 1 year, but not more than 5 years	108,360
More than 5 years	294,668
	<u>\$429,180</u>

NOI, Cash NOI, FFO and AFFO

The REIT uses the following non-IFRS key performance indicators: NOI, Cash NOI, FFO, AFFO and AFFO Payout Ratio. The REIT believes these non-IFRS measures and ratios provide useful supplemental information to both management and investors in measuring the financial performance and financial condition of the REIT for the reasons outlined below.

These measures and ratios do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures and ratios presented by other publicly traded real estate investment trusts, and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

The calculations of these measures and the reconciliation to net income and comprehensive income are set out in the tables below.

<i>(\$000s, except per Unit amounts)</i>	Q4 2015	Financial Forecast
Calculation of NOI		
Property revenue	\$7,498	\$7,458
Property costs	980	979
NOI (including straight-line adjustments)	6,518	6,479
Reconciliation of net income to FFO and AFFO		
Net income and comprehensive income	15,653	2,545
Adjustments:		
Change in fair value – Class B LP Units	(14,800)	-
Change in fair value – Interest rate swaps	355	-
Change in fair value – Investment properties	1,249	-
Distributions on Class B LP Units	1,997	1,987
FFO	4,454	4,532
Adjustments:		
Amortization of deferred financing costs and indemnity fee	50	34
Straight-line adjustment (rent and land lease)	(653)	(635)
Structural reserve	(63)	(63)
AFFO	3,788	3,868
NOI (including straight-line adjustments)	6,518	6,479
Adjustments:		
Straight-line adjustment (rent and land lease)	(653)	(635)
Cash NOI	\$5,865	\$5,844
<i>Number of Units outstanding (including Class B LP Units)</i>	<i>18,053,253</i>	<i>18,053,253</i>
FFO per Unit	\$0.247	\$0.251
AFFO per Unit	\$0.210	\$0.214
Distributions per Unit	\$0.201	\$0.201
AFFO payout ratio	95.7%	93.9%

AFFO and FFO are consistent with the Financial Forecast and management's expectations.

Cash Flow From Operating Activities Compared to AFFO

AFFO is not defined by IFRS and, therefore, may not be comparable to similar measures presented by other real estate investment trusts. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles AFFO to cash generated from (utilized in) operating activities.

	Q4 2015
Cash generated from operating activities	\$ 6,321
Add (deduct):	
Structural reserve	(63)
Changes in non-cash operating activities	(2,520)
Amortization of deferred financing costs and indemnity fee	50
AFFO	\$ 3,788

Results of Operations - For the Operating Year ended December 31, 2015

Adjusted Forecast

The Financial Forecast assumed a full three months of operations for the period ended September 30, 2015. However, the REIT did not commence operations until July 22, 2015. As a result, the Financial Forecast has been adjusted to reflect the Operating Year ended December 31, 2015 (the "Adjusted Forecast") in order to facilitate comparison with actual results. The adjustments to the Financial Forecast are set out in the tables below:

<i>Income and Comprehensive Income</i>	Financial Forecast	Adjustments	Adjusted Forecast
Property revenue ⁽¹⁾	\$14,916	\$(1,675)	\$13,241
Property costs	1,958	(224)	1,734
Net operating income	12,958	(1,451)	11,507
General and administrative expense	748	(86)	662
Interest expense and other financing charges	3,157	(361)	2,796
Class B LP Unit distributions	3,974	(437)	3,537
Income before undernoted	5,079	(567)	4,512
Change in fair value of investment properties and financial instruments	(480)	-	(480)
Net income and comprehensive income	\$4,599	\$(567)	\$4,032
<i>NOI, FFO and AFFO</i>	IPO Forecast	Adjustments	Adjusted Forecast
Reconciliation of net income to FFO and AFFO			
Net income and comprehensive income	\$4,599	\$(567)	\$4,032
Adjustments:			
Change in fair value of investment properties	480	-	480
Distributions on Class B LP Units	3,974	(437)	3,537
FFO	9,053	(1,004)	8,049
Adjustments:			
Amortization of deferred financing costs	32	(4)	28
Straight-line adjustment (rent and land lease)	(1,270)	144	(1,126)
Structural reserve ⁽²⁾	(126)	13	(113)
Amortization of indemnity fee ⁽³⁾	36	(3)	33
AFFO	7,725	(854)	6,871
NOI (including straight-line adjustments)	12,958	(1,451)	11,507
Adjustments:			
Straight-line adjustment (rent and land lease)	(1,270)	144	(1,126)
Cash NOI	\$11,688	(1,307)	\$10,381
<i>Number of Units outstanding (including Class B LP Units)</i> ⁽⁴⁾	17,433,253	-	18,053,253
FFO per Unit	\$0.519		\$0.446
AFFO per Unit	\$0.443		\$0.381
Distributions per Unit	\$0.399		\$0.357
AFFO payout ratio	90.0%		93.7%

Notes:

- (1) The adjusted property revenue is calculated as total revenue forecasted of \$23,951 for the twelve month rental revenue period divided by 365 days and multiplied by 10 days in July, and adding August to December monthly rental revenue. Also included is the prorated amounts for realty tax and straight-line rent adjustments. The two acquisitions for 2015 (Toyota Woodland closed December 23, 2015 and Porsche JLR Edmonton closed December 30th, 2015) do not have a material impact on the Financial Forecast, no adjustments were made to the forecast.
- (2) Structural reserve is based on management's determination of a prudent reserve in the event of capital expenditures that are not the responsibility of the applicable tenant.
- (3) In consideration of the applicable Dilawri Tenants leasing the entirety of the Dixie Auto Mall and Markham Honda and Ford (and thereby bearing occupancy, rental and other risks associated with the portions of those properties to be subleased to third party tenants), the REIT paid to such Dilawri Tenants an indemnity fee in the aggregate amount of \$1,800.
- (4) The REIT generated an additional \$6,200 in proceeds as a result of the underwriters' partial exercise of the over-allotment option granted at the time of the IPO, resulting in an additional 620,000 units outstanding.

Net Income and Comprehensive Income

<i>Cdn \$000</i>	Period from June 1 (date of formation) to December 31, 2015	Adjusted Forecast ⁽¹⁾
Net Property Income		
Rental revenue from investment properties	\$ 13,300	\$ 13,241
Property costs	(1,734)	(1,734)
NOI	11,566	11,507
Other Income (Expenses)		
General and administrative expenses	(780)	(662)
Interest expense and other financing charges	(2,732)	(2,796)
Distribution expense on Class B LP Units	(3,546)	(3,537)
Fair value adjustment on Class B LP Units	17,383	-
Fair value adjustment on interest rate swap	(4,172)	-
Fair value adjustment on investment properties	(94)	(480)
Net Income and Comprehensive Income	\$ 17,625	\$ 4,032

- (1) The Financial Forecast has been adjusted to reflect the start of operations occurring on July 22, 2015 in order to facilitate comparison with actual results for all line items. The adjusted property revenue is calculated as total revenue forecasted of \$23,951 for the twelve month rental revenue period divided by 365 days and multiplied by 10 days in July, and adding August to December monthly rental revenue. Also included is the prorated amounts for realty tax and straight-line adjustment.

Property Revenue and Property Costs

Rental revenue is based on rents from leases entered into with the tenants on closing of the applicable acquisition which are triple-net leases and as such include recoverable realty taxes. The Dilawri Leases have remaining lease terms ranging from approximately 10.5 to 18.5 years, with an average remaining lease term of 14.7 years and an annual basic rent escalation of 1.5% in each year during the initial term. The Porsche JLR Edmonton lease has a 17-year terms and an annual rent escalator of 1.0% starting after the end of the 5th year of the term.

Two of the Initial Properties are subject to land leases. Land lease expense includes straight line rent on the land leases over the expected lease term and recoverable realty taxes that have been paid by the REIT. The property revenue and costs are in-line with the Adjusted Forecast.

General and Administrative Expenses

The REIT has two broad categories of general and administrative expenses consisting of: i) public entity costs, and ii) outsourced costs. The public entity costs reflect the expenses related to ongoing operations of the REIT (including professional fees and fees payable to members of the Board) and will fluctuate depending on when such expenses are incurred. The outsourced costs are largely related to the services provided by Dilawri pursuant to the Administration Agreement. The Administration Agreement provides for services to the REIT to be on a cost-recovery basis with a fixed fee during the Forecast Period (as defined below) and, as such, it is not expected that such costs will fluctuate materially from quarter to quarter prior to July, 2016.

General and Administrative expenses in the Operating Year were above the Adjusted Forecast level due to year-end audit, accounting, and legal fees that were incurred in Q4 2015 instead of being amortized on a straight-line basis over the 12 months of operations, as identified in in the Financial Forecast. In the first half of 2016, the REIT expects nominal increases in general and administrative expenses, on an overall basis these increases will be offset by interest expense savings.

Interest Expense and Other Financing Charges

Interest expenses include amounts payable to lenders under the Credit Facilities as well as amortization of upfront costs and costs to hedge the Credit Facilities at fixed rates. Interest expense was marginally lower than forecast as the weighted average fixed rate of interest on the REIT's hedges was 3.15% compared to the 3.2% forecasted.

Changes in Fair Values of Class B LP Units and Interest Rate Swaps

The Class B LP Units and the interest rate hedges (see "Liquidity and Capital Resources" in this MD&A) are required under relevant accounting standards to be presented at fair value on the balance sheet. The resulting changes in these items are recorded in net income and comprehensive income.

Changes in Fair Values of Investment Properties

During the Operating Year, the weighted average capitalization rate on the REIT's properties decreased from 6.6% to 6.5%. The table outlines the details of the change in fair values:

	2015
Balance, beginning of period	\$—
Acquisition of Initial Properties ⁽ⁱ⁾	357,742
Subsequent Acquisitions	30,846
Fair value adjustment on investment properties	(94)
Straight-line rent	1,156
Balance, end of period	\$389,650

- (i) The purchase price of the Initial Properties includes acquisition cost of \$3,562 and an initial portfolio premium of \$480. Subsequent to acquisition such amounts were not included in the determination of the fair value of investment properties and were charged to net income in the third quarter, as part of the net change in fair value of investment properties.

As part of the IPO, the Initial Properties were externally valued by an independent nationally-recognized appraiser. At that time the overall implied capitalization rate was 6.6%. As at September 30th, 2015, the same independent appraiser undertook the valuation of the Initial Properties by using an income approach whereby a current capitalization rate is applied to the net operating income, which a property can reasonably be expected to produce over its remaining economic life. In determining the appropriateness of the methodology applied and the assumptions used, the relative

uncertainty of the timing and amount of expected net operating income and the impact such uncertainty would have in arriving at a reliable estimate of fair value is considered. The capitalization rate was assessed at 6.5%.

The REIT reviewed the market capitalization letter prepared by the independent appraiser as at December 31, 2015, the overall implied capitalization rate remained at 6.5%.

A 25 basis point decrease or increase in capitalization rates would result in an increase or decrease in the fair value of investment properties of approximately \$13,100.

Minimum rental commitments on non-cancellable tenant operating leases are as follows:

Within 1 year	\$26,152
After 1 year, but not more than 5 years	108,360
More than 5 years	294,668
	<u>\$429,180</u>

NOI, Cash NOI, FFO and AFFO

The REIT uses the following non-IFRS key performance indicators: NOI, Cash NOI, FFO, AFFO and AFFO Payout Ratio. The REIT believes these non-IFRS measures and ratios provide useful supplemental information to both management and investors in measuring the financial performance and financial condition of the REIT for the reasons outlined below.

These measures and ratios do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures and ratios presented by other publicly traded real estate investment trusts, and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

The calculations of these measures and the reconciliation to net income and comprehensive income are set out in the tables below.

<i>(\$000s, except per Unit amounts)</i>	Period from June 1 (date of formation) to December 31, 2015	Adjusted Forecast ⁽¹⁾
Calculation of NOI		
Property revenue	\$13,300	\$13,241
Property costs	1,734	1,734
NOI (including straight-line adjustments)	11,566	11,507
Reconciliation of net income to FFO and AFFO		
Net income and comprehensive income	17,625	4,032
Adjustments:		
Change in fair value – Class B LP Units	(17,383)	-
Change in fair value – Interest rate swaps	4,172	-
Change in fair value – Investment properties	94	480
Distributions on Class B LP Units	3,546	3,537
FFO	8,054	8,049
Adjustments:		
Amortization of deferred financing costs and indemnity fee	90	61
Straight-line adjustment (rent and land lease)	(1,156)	(1,126)
Structural reserve	(113)	(113)
AFFO	6,875	6,871
NOI (including straight-line adjustments)	11,566	11,507
Adjustments:		
Straight-line adjustment (rent and land lease)	(1,156)	(1,126)
Cash NOI	\$10,410	\$10,381
<i>Number of Units outstanding (including Class B LP Units)</i>	<i>18,053,253</i>	<i>18,053,253</i>
FFO per Unit	\$0.446	\$0.446

AFFO per Unit	\$0.381	\$0.381
Distributions per Unit	\$0.357	\$0.357
AFFO payout ratio	93.7%	93.7%

1) The Financial Forecast assumed that the first quarter of operations would be a full three months. The Financial Forecast has been adjusted to reflect the start of operations occurring on July 22, 2015 in order to facilitate comparison with actual results. Also, the REIT generated an additional \$6,200 in proceeds as a result of the underwriters' partial exercise of the over-allotment option granted at the time of the IPO, resulting in an additional 620,000 REIT Units outstanding.

AFFO and FFO are consistent with the Adjusted Forecast and management's expectations.

Cash Flow From Operating Activities Compared to AFFO

AFFO is not defined by IFRS and, therefore, may not be comparable to similar measures presented by other real estate investment trusts. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles AFFO to cash generated from (utilized in) operating activities.

		Period from June 1 (date of formation) to December 31, 2015
Cash generated from operating activities	\$	9,451
Add (deduct):		
Structural reserve		(113)
Changes in non-cash operating assets		(2,553)
Amortization of deferred financing costs and indemnity fee		90
AFFO	\$	6,875

SECTION 6 – LIQUIDITY AND CAPITAL RESOURCES

Capital Structure

<i>Debt⁵</i>	Key Terms					As at December 31, 2015
	Term (yrs)	Hedged Term (yrs)	Interest Rate	Payments & Interest/ Amortization	Effective Interest Rate	
Facility 1	(1)	3 to 10	(1)	(1)	3.1%	\$ 143,515
Facility 2	4.5	3 to 10	BA + 150 bps, Prime +25 bps	P&I, 20 yrs	3.1%	59,074
Facility 3	3.5	n/a	Fixed 3.5 %	P&I, 20 yrs	3.5%	13,874
						<u>\$ 216,463</u>
Financing fees						(585)
Average /Total		<u>6.3</u>				<u>\$ 215,878</u>

<i>Equity</i>	Number of Units Outstanding	Book Value – December 31, 2015
Class B LP Units	9,933,253	\$ 81,950
REIT Units	8,120,000	87,520
	<u>18,053,253</u>	<u>\$ 169,470</u>

Cash	\$1,769
Cash Balance	\$1,769

<i>Key Financing Metrics and Debt Covenants^{(2),(5)}</i>	Debt Covenant	Declaration of Trust ⁽³⁾	As at for the period ended December 31, 2015
Interest coverage	-	-	3.5
Debt to GBV	<65% ⁽⁴⁾	<65% ⁽⁴⁾	55.0%
Unitholders' Equity (including Class B LP Units)	>\$120,000	-	\$169,470
Debt Service Coverage	>1.35	-	2.1
AFFO payout ratio	<100%	-	93.7%

(1) \$118,315 of this facility matures 5 years from July 22, 2015.

\$15,000 of this facility matures 5 years from December 30, 2015.

\$10,200 of this facility is revolving bearing interest at prime + 25 bps or CDOR plus 1.50%.

(2) The calculations of these ratios, which are non-IFRS measures, are set out under "Financing Metrics and Debt Covenants" below.

- (3) The Declaration of Trust contains other operating covenants that do not relate to leverage or debt service/coverage. The Declaration of Trust is available on www.sedar.com and is described in the IPO Prospectus (as defined below). Management believes that the REIT is in compliance with these operating covenants.
- (4) Including convertible debentures. Excluding convertible debentures, the maximum ratio is 60%.
- (5) The debt agreements for Facility 1 and Facility 2, which are available on www.sedar.com, have other covenants that do not directly relate to the REIT's consolidated financial position. Management believes that the REIT is in compliance with all such covenants and with debt agreement covenants for Facility 3.

In order to maintain or adjust its capital structure, the REIT may increase or decrease the amount of distributions paid to Unitholders, issue new Units and debt, or repay debt. Factors affecting such decisions include:

- complying with the guidelines set out in the REIT's Declaration of Trust;
- complying with debt covenants;
- ensuring sufficient liquidity is available to support the REIT's financial obligations and to execute its operating and strategic plans;
- maintaining financial capacity and flexibility through access to capital to support future development; and
- minimizing the REIT's cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

Principal mortgage repayments are as follows:

2016	\$8,222
2017	8,313
2018	8,487
2019	20,377
2020	8,152
Thereafter	<u>162,912</u>
Total	<u>\$216,463</u>

Management believes the REIT's liquidity position at December 31, 2015, which includes approximately \$12,300 of undrawn credit facilities and cash on hand of \$1,769, is sufficient to carry out its obligations, discharge liabilities as they come due and fund distributions to Unitholders. Capital requirements in the next three years are low, given that there are no debt maturities during that time and capital expenditure requirements are expected to be insignificant. Capital required for investing activities will be addressed through additional borrowings or issuances of equity as acquisition and development opportunities arise.

Debt Financing

The REIT's overall borrowing policy is to obtain secured credit facilities, principally on a fixed rate or effectively fixed rate basis, which will allow the REIT to (i) achieve and maintain staggered maturities to lessen exposure to re-financing risk in any particular period, (ii) achieve and maintain fixed rate maturities to lessen exposure to interest rate fluctuations, and (iii) extend loan commitment periods and fixed rate periods as long as possible when borrowing conditions are favourable. Subject to market conditions and the growth of the REIT, management currently intends to target Indebtedness of approximately 55%-60% of GBV. Management expects that the ratio of Debt to GBV may increase, at least temporarily, following an acquisition by the REIT of one or more additional properties. Interest rates and loan maturities will be reviewed on a regular basis by management and the Trustees to ensure appropriate debt management strategies are implemented.

Pursuant to its Declaration of Trust, the REIT may not incur or assume any Indebtedness, if after giving effect to the incurring or assumption of such Indebtedness, the total Indebtedness of the REIT would be more than 65% of GBV, including convertible debentures.

The REIT intends to finance its ongoing operations with a combination of primarily fixed rate non-revolving secured debt with staggered maturities and floating rate secured short-term revolving debt

Secured Credit Facilities

Facility 1

A non-revolving loan facility in the amount \$118,315 bearing interest at bankers' acceptance ("BA") rate plus 150 basis points (bps) or Canadian prime rate ("Prime") plus 25 bps, maturing 5 years from July 22, 2015, repayable in equal quarterly principal payments (commencing December 31, 2015) based on a 25 year amortization. The REIT entered into floating-to-fixed interest rate swaps on August 7, 2015 for terms of 3 to 10 years which resulted in a weighted average effective interest rate of 3.1%.

Facility 1 was amended on December 30, 2015 to add a non-revolving loan facility in the amount of \$15,000 bearing interest at BA rate plus 150 bps or Prime plus 25 bps, maturing 5 years from December 30, 2015 repayable in equal quarterly principal payments (commencing March 31, 2016) based on a 25 year amortization. The REIT entered into a floating-to-fixed interest rate swap on December 30, 2015 for a term of 7 years which resulted in a weighted average effective interest rate of 3.17%.

The REIT has a \$15,000 revolving Credit Facility bearing interest at Prime plus 25 bps or CDOR plus 1.50% maturing 3 years from July 22, 2015, with a \$10,200 drawn balance at December 31, 2015.

Facility 2

A non-revolving loan facility in the amount \$59,074 bearing interest at BA rate plus 150 bps or Prime plus 25 bps, maturing 5 years from July 22, 2015 repayable in monthly blended payments based on a 20 year amortization. The REIT entered into floating-to-fixed interest rate swaps on August 7, 2015 for terms of 3 to 10 years which resulted in a weighted average effective interest rate of 3.1%.

The REIT has a \$7,500 revolving Credit Facility bearing interest at Prime plus 25 bps maturing 5 years from July 22, 2015, with no drawn balance.

Facility 3

A non-revolving loan facility in the amount of \$13,874 bearing interest at 3.5% maturing 4 years from July 22, 2015 repayable in monthly blended payments based on a 20 year amortization.

Financing Fees

As part of the implementation of these Credit Facilities, the REIT incurred financing fees of \$641. These financing fees are accounted for using the effective interest method, \$585 remains unamortized at December 31, 2015.

Hedging Arrangements

The REIT entered into interest rate swaps on August 7, 2015 and December 30, 2015 to limit its exposure to fluctuations in the interest rates on variable rate financings for Facility 1 and 2. Gains or losses arising from the change in the fair value of the interest rate derivative contracts are recognized in the consolidated statements of net income and comprehensive income.

The following table sets out the combined borrowings under Facility 1 and Facility 2, and the expected term to maturity of the related interest rate swaps.

Term (yrs)	Amount (\$000s)	Total Swapped Fixed Rate Debt (%)
3	44,347	23.1
5	42,573	22.1
7	61,121	31.8
10	44,348	23.0
6.3	192,389	100.0

Term years as at December 31, 2015

As at December 31, 2015, the fair value of the Interest rate swaps was a net financial liability of \$4,172.

Unitholder's Equity (including Class B LP Units)

Unitholders' equity consists of two classes described below:

REIT Units

The REIT is authorized to issue an unlimited number of REIT Units. As of December 31, 2015, the REIT had a total of 8,120,000 REIT Units outstanding. Each REIT Unit is transferable and represents an equal, undivided beneficial interest in the REIT and any distributions from the REIT, whether of net income, net realized capital gains (other than such gains allocated and distributed to redeeming Unitholders) or other amounts and, in the event of the termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. All REIT Units rank among themselves equally without discrimination, preference or priority. Each Unit entitles the holder thereof to receive notice of, to attend and to one vote at all meetings of Unitholders or in respect of any written resolution of Unitholders.

REIT Units are redeemable at the holder's option subject to certain limitations and restrictions. As a result, the Units are liabilities by definition but qualify for presentation as equity as a result of certain limited exceptions within IAS 32.

Class B LP Units

As of December 31, 2015, 9,933,253 Class B LP Units of the Partnership were outstanding, all of which were held by the Dilawri Group. The Class B LP Units are economically equivalent to REIT Units, receive distributions equal to the distributions paid on REIT Units and will be exchangeable at the holder's option into REIT Units. One Special Voting Unit in the REIT is also issued to the holder of each Class B LP Unit issued (such Special Voting Unit does not have any entitlement in the REIT with respect to distributions, but does generally entitle the holder to that number of votes at any meeting of Unitholders to which a holder of the number of REIT Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled). Under IFRS, the Class B LP Units are classified as financial liabilities and measured at fair value through profit and loss (FVTPL). The fair value of the Class B LP Units will be measured every period by reference to the traded value of the REIT Units, with changes in measurement recorded in interest expense and other financing charges. Distributions on the Class B LP Units will be recorded in interest expense and other financing charges in the period in which they become payable.

Distributions

Unitholders are entitled to receive distributions from the REIT (whether of net income, net realized capital gains or other amounts) if, as and when declared by the Trustees. Upon the termination or winding-up of the REIT, Unitholders will participate equally with respect to the distribution of the remaining assets of the REIT after payment of all liabilities. Such distribution may be made in cash, as a distribution in kind, or both, all as the Trustees in their sole discretion may determine. REIT Units have no associated conversion or retraction rights. No person is entitled, as a matter of right, to any pre-emptive right to subscribe for or acquire any Unit, except for Dilawri as set out in the exchange agreement entered into in conjunction with the IPO (the "Exchange Agreement"), or as otherwise agreed to by the REIT pursuant to a binding written agreement.

In determining the amount of the monthly cash distributions paid to Unitholders, the Board applies discretionary judgment to forward-looking cash flow information, which includes forecasts and budgets and many other factors including provisions in the Declaration of Trust, the macro-economic and industry-specific environment, debt maturities and covenants and taxable income.

The Board regularly reviews the REIT's rate of distributions to ensure an appropriate level of cash distributions.

Net income prepared in accordance with IFRS recognizes certain revenues and expenses at time intervals that do not match the receipt or payment of cash. Therefore, in applying judgment, consideration is given to AFFO (which is the product of the cash generated from, and required for, operating activities) and other factors when establishing cash distributions to Unitholders.

Financing Metrics and Debt Covenants

The calculations of financial metrics and debt covenants are set out in the table below:

<i>Calculations of financial metrics and debt covenants</i>	As at, or for the Operating Year ended December 31, 2015	
Net Asset Value		
Investment properties, IFRS value	\$	389,650
Cash, prepaid and other assets		4,189
Accounts payable and accrued liabilities		(4,319)
Credit facilities		(215,878)
Net Asset Value before interest rate swaps		\$ 173,642
Interest rate swaps		(4,172)
Total Net Asset Value	\$	169,470
Units outstanding, December 31, 2015 (thousands)		18,053
Interest coverage		
Cash NOI	\$	10,410
General and administrative expenses		(780)
Income before interest expense and fair value adjustments	(A)	\$ 9,630
Interest expense and other financing charges	(B)	\$ 2,732
Interest coverage ratio	(A/B)	3.5X
Debt to GBV		
<i>Indebtedness outstanding :</i>		
Facilities (excludes deferred financing costs)	\$	216,463
Bank indebtedness		-
Indebtedness	(C)	\$ 216,463
<i>Gross Book Value</i>		
Total assets	(D)	\$ 393,839
Debt to GBV	(C/D) X 100	55.0%
Unitholders' Equity		
Unitholders' Equity (excludes Class B LP Units)	\$	\$87,520
Value of Class B LP Units		81,950
Total Equity	\$	\$ 169,470
Debt Service Coverage		
Consolidated net income	\$	17,625
Interest expense and other financing charges		2,732
Distribution expense on Class B LP units		3,546

Fair value adjustments, net		(13,117)	
EBITDA	E		10,786
Principal payments on debt		2,527	
Interest payments on debt		2,676	
Debt Service	F		5,203
Debt Service Ratio	E/F		2.1 X
<i>AFFO payout ratio</i>			
AFFO	G		\$ 6,875
Distributions on REIT Units		\$ 2,899	
Distributions on Class B LP Units		3,546	
	H		\$ 6,445
AFFO payout ratio	H/G X 100		93.7%

SECTION 7 – RELATED PARTY TRANSACTIONS

The REIT's controlling Unitholder and lead tenant is the Dilawri Group, which, as at December 31, 2015, held an approximate 55% effective interest in the REIT, on a fully-diluted basis, through ownership of all of the issued and outstanding Class B LP Units.

In the normal course of its operations, the REIT enters into various transactions with related parties and the REIT's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions.

In consideration of the applicable Dilawri Tenants leasing the entirety of two of the Initial Properties with third party tenants (and thereby bearing occupancy, rental and other risks associated with the portions of those properties to be subleased to third party tenants for the initial lease terms of 12 and 15 years for those properties), the REIT paid to such Dilawri Tenants an indemnity fee in the aggregate amount of \$1,000 at time of closing of the IPO (amortizable over the term of the leases).

In addition, the REIT paid Dilawri \$1,800 as part of the purchase price with respect to the recoverable land transfer taxes associated with the acquisitions in respect of recoverable land transfer taxes associated with the acquisition that may become payable by Dilawri over the next 3 years. Subsequently, this amount was adjusted to \$896 and the remaining balance of \$904 was paid back to the REIT from Dilawri. In addition, the REIT paid Dilawri \$700 for IPO related transaction costs.

Administration Agreement

Pursuant to the Administration Agreement, Dilawri has agreed to provide, or cause to be provided, if and as requested by the REIT and, in each case, subject to the overriding supervision and direction of the Trustees, the REIT with:

- i. the REIT's President and Chief Executive Officer, Chief Financial Officer and Corporate Secretary, as approved by the REIT;
- ii. certain administrative and other support services, including assisting the President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary with the standard functions of a public company, including financial reporting, investor relations, quarterly conference calls, ongoing disclosure obligations, Unitholder correspondence, annual and special meetings of the Unitholders, compliance with the Declaration of Trust and providing office space for the REIT; and

- iii. such other services as may from time to time be agreed in writing by the REIT and Dilawri for which Dilawri will be compensated on terms to be agreed prior to the provision of such services.

Subject to the provisions above, Dilawri has agreed to provide these services to the REIT on a cost-recovery basis only. Dilawri has agreed to provide the above-noted services for a fixed fee equal to \$700 during the Forecast Period (being the period from July 1, 2015 to June 30, 2016) (the "Forecast Period"). Following the Forecast Period, the REIT will reimburse Dilawri for costs incurred in connection with the provision of the above services so long as such costs are identified in the then current annual budget of the REIT or are otherwise approved by the REIT.

The term of the Administration Agreement is for five years commencing on closing of the IPO and will be automatically renewed for further one-year terms, provided that the Administration Agreement or any of the services thereunder may be terminated by the REIT at any time during the term (except during the Forecast Period) upon 90 days' prior written notice to Dilawri, or in the event of a material breach or material default of Dilawri's obligations under the Administration Agreement or insolvency of Dilawri, in all cases without payment of any termination fees. Dilawri has the right to terminate the Administration Agreement upon not less than 180 days' prior written notice to the REIT once the REIT's fully-diluted market capitalization based on the volume weighted average price of the REIT Units on the principal exchange or market on which the REIT Units are listed or quoted for trading over a 20 business day period, exceeds \$500,000 or in the event of a material breach or material default of the REIT's obligations under the Administration Agreement or insolvency of the REIT, in all cases without payment of any termination fees. For clarity, after the expiry of the Forecast Period, the REIT may terminate the Administration Agreement in part in respect of one or more particular services, in each case, upon 90 days' prior written notice, without payment of any termination fees. As part of any termination of the Administration Agreement, the REIT will be permitted to solicit employees of the Dilawri Group who provide services to the REIT under the Administration Agreement.

Management expects the scope of the services to be provided pursuant to the Administration Agreement to decrease over time as the REIT develops the capacity and financial wherewithal to undertake more of the services internally and transitions to directly employing its President and Chief Executive Officer, Chief Financial Officer and Corporate Secretary and other senior management.

General and administrative expenses include \$311 paid by the REIT to Dilawri pursuant to the Administration Agreement.

Strategic Alliance Agreement

In connection with the IPO, the REIT and the Dilawri Group entered into the Strategic Alliance Agreement which establishes a preferential and mutually beneficial business and operating relationship between the REIT and the Dilawri Group. The Strategic Alliance agreement will be in effect so long as the Dilawri Organization and the applicable transferors of the Initial Properties own, control or direct, in the aggregate, an effective interest of at least 10% (on a fully-diluted basis) in the REIT. The Strategic Alliance Agreement provides, among other things, that (i) subject to certain exceptions, the REIT has the right to purchase any property in Canada or the United States acquired by a member of the Dilawri Group that Dilawri determines, acting reasonably, to be a REIT-Suitable Property (as defined in the Strategic Alliance Agreement), and any property owned by a member of the Dilawri Group that a member of the Dilawri Group develops, redevelops, refurbishes, or repositions into a property that Dilawri determines, acting reasonably, is a REIT-Suitable Property, each on terms (including the terms of the lease pursuant to which the applicable member of the Dilawri Group will lease the relevant property from the REIT) and at prices to be agreed between the REIT and Dilawri, (ii) subject to certain exceptions, Dilawri has a right of first offer to purchase any property owned by the REIT in which a member of the Dilawri Group is a tenant or which the REIT acquired from a member of the Dilawri Group or pursuant to the Strategic Alliance Agreement that the REIT seeks to sell or otherwise dispose of on terms and at prices to be agreed between the REIT and Dilawri, (iii) without the prior written approval of a majority of the REIT's independent Trustees, subject to certain exceptions, Dilawri and its directors and executive officers will not be permitted during the term of the Strategic Alliance Agreement, directly or indirectly, to create another real estate investment trust or publicly-traded real estate business with investment criteria similar to that of the REIT or materially engage (contractually or otherwise) with another real estate investment trust or publicly-traded real estate business with investment criteria similar to that of the

REIT, except in the normal course of business to lease or acquire property for use by Dilawri or its directors or executive officers, as applicable, and (iii) during the term of the Strategic Alliance Agreement, neither the REIT nor Dilawri will intentionally solicit any specific tenant of a property that is owned by the other to vacate that property in favour of a property in which it has an ownership or operating interest and that the Dilawri Group will not intentionally solicit any employee of the REIT.

Refer to the AIF for additional information on related party agreements and arrangements with Dilawri.

SECTION 8 – OUTLOOK

The Canadian automotive retail industry is a large and stable business with a track record of long-term growth. At over 6.0% of Gross Domestic Product (“GDP”), the automotive retail industry is the largest component of retail sales and merchandise in Canada. Over the last 20 years, Canadian automobile retail sales grew at a compound annual rate of 4.5%. For calendar year 2015, this steady growth has continued, with sales of new automobiles up 2.6% to 1,939,954 units, compared to 1,890,387 units for 2014, which was itself a record year for automobile sales in Canada (*Source: Statistics Canada*). Management expects continued steady sales levels for 2016.

Management believes that the stable and growing sales levels within the Canadian automotive retail sector support the ability of the automobile dealerships within the REIT’s portfolio to meet their current lease obligations and the contractual annual rent escalations that the REIT has in place. Further, given the large size of the industry, there are ample opportunities for the REIT to acquire additional properties on an accretive basis in support of stable and growing Unitholder distributions. The Canadian automotive dealership industry is highly fragmented. The top 10 dealership groups in aggregate comprise less than 10% of the overall market. There are more than 3,100 automobile dealerships that fall outside this group of larger multi-location operators. Industry consolidation is now gaining momentum. According to Desrosiers Automotive Consultants, from 2009 to 2013, the number of groups with five or more automobile dealerships increased by 24%. This consolidation trend is being driven by the increasing sophistication of the auto dealership business, growing capital requirements and economies of scale. To this end, the REIT has been actively expanding its automotive dealer and industry relationships to build its acquisition pipeline.

As the only Canadian REIT focused on automotive real estate, the REIT provides a unique opportunity for automotive dealership owners to monetize the real estate underlying their dealerships while retaining ownership and control of their core automotive dealership businesses. This provides them with liquidity to advance their individual strategic objectives, whether it be succession planning, directly investing in upgrading their dealerships, or redeploying to take advantage of the industry consolidation. Finally, the REIT has an attractive pipeline of opportunities from Dilawri with a right of first offer to acquire any and all REIT-suitable properties that Dilawri elects to sell. The Dilawri Group has two remaining development properties as outlined in the IPO prospectus, representing an aggregate of approximately 75,000 square feet of GLA that it will offer for sale to the REIT upon substantial completion. One of the properties is located in Barrie, Ontario and one is located in Calgary, Alberta. They are currently in various stages of development and it is expected that they will be substantially complete in the next 12 months. If acquired by the REIT, these properties are expected to be 100% leased to the Dilawri Group on substantially the same terms as the Initial Properties.

SECTION 9 – OTHER DISCLOSURES

Commitments and Contingencies

As part of the IPO, the REIT and Dilawri have entered into an Administration Agreement which covers various operational and administrative services to be provided to the REIT by Dilawri. The REIT will pay an amount of \$700 for the first year for such services. The Administration Agreement is for a 5 year period and will be automatically renewed for one year terms on a cost recovery basis.

The REIT, as lessee, is committed under long-term land leases that are classified as operating leases with expiry dates to 2033 with minimum annual rentals as follows:

Within 1 year.....	\$576
After 1 year, but not more than 5 years.....	2,421
More than 5 years.....	<u>9,626</u>
Total.....	<u>\$12,623</u>

Disclosure Controls and Internal Controls Over Financial Reporting

The REIT's certifying officers have designed, and assessed the design of disclosure controls and procedures ("DC&P") to provide reasonable assurance that (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by the REIT in its annual filings, interim filings and other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.. Also, the REIT's certifying officers have designed, and assessed the design of internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

The REIT has used the Internal Control – Integrated Framework (2013) from The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in order to assess the effectiveness of the REIT's internal control over financial reporting. There are no material weaknesses relating to the design of either DC&P or ICFR at December 31, 2015. There have been no changes to the REIT's ICFR during Q4 2015 and the Operating Year that has materially affected, or is reasonably likely to materially affect, the REIT's ICFR.

Management does recognize that any controls and procedures no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure or internal controls and procedures occur and/or mistakes happen, the REIT intends to take whatever steps are necessary to minimize the consequences thereof.

Consistent with National Instrument 52-109–*Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the REIT has filed a certificate on Form 52-109F1.

SECTION 10 – RISKS & UNCERTAINTIES, CRITICAL JUDGEMENTS & ESTIMATES

The following risks are a subset of the key risks that affect the REIT's business and operations. They should be read in conjunction with the full set of risks inherent in the REIT's business, as included in the REIT's Annual Information Form for the year ended December 31, 2015.

Significant Ownership by the Dilawri Organization

As at December 31, 2015, Dilawri has an approximate 55.0% effective interest in the REIT on a fully-diluted basis through ownership, direction or control of all of the Class B LP Units. Each Class B LP Unit has attached to it, a Special Voting Unit of the REIT, providing for voting rights in the REIT.

In addition, the Declaration of Trust grants Dilawri the right to nominate certain Trustees of the REIT based on the Dilawri Organization's direct and indirect interest in the REIT. = For so long as the Dilawri Organization maintains a significant effective interest in the REIT, the Dilawri Organization will have the ability to exercise certain influence with respect to the affairs of the REIT and significantly affect the outcome of the votes of Unitholders, and may have the ability to prevent certain fundamental transactions. As a result, the Dilawri Organization has the ability to influence many matters affecting the REIT.

Accordingly, the REIT Units may be less liquid and trade at a relative discount compared to such REIT Units in circumstances where the Dilawri Organization did not have the ability to influence or determine matters affecting the REIT. Additionally, the Dilawri Organization's significant effective interest in the REIT may discourage transactions involving a change of control of the REIT, including transactions in which an investor, as a holder of the REIT Units (a

“REIT Unitholder”), might otherwise receive a premium for its REIT Units over the then-current market price. Further, the Dilawri Organization’s significant effective interest in the REIT may discourage competing bids if Dilawri or another member of the Dilawri Organization bids for the REIT.

Pursuant to the Exchange Agreement, each Class B LP Unit is exchangeable at the option of the holder for one REIT Unit (subject to customary anti-dilution adjustments). If the Dilawri Organization exchanges some or all of its Class B LP Units for REIT Units and subsequently sells such REIT Units in the public market (following the expiration of the contractual hold period of 18 months following closing of the IPO), the market price of the REIT Units may decrease. Moreover, despite the fact that Dilawri has advised the REIT that the Dilawri Organization’s current intention is to retain a significant interest in the REIT for the foreseeable future, the perception in the public market that these sales will occur could also produce such an effect.

The Dilawri Group as Key Tenant

For the Operating Year, the rent from the portions of the properties occupied by the Dilawri Group represented approximately 88% of the REIT’s Cash NOI. Consequently, revenues will be dependent on the ability of the Dilawri Group to meet its rent obligations and the REIT’s ability to collect rent from the Dilawri Group. If the Dilawri Group were to terminate its tenancies, default on or cease to satisfy its payment obligations, it would have a material adverse effect on the REIT’s financial condition and results of operations and its ability to make cash distributions to REIT Unitholders.

The REIT has entered into leases with the applicable members of the Dilawri Group in respect of each of the Initial Properties, including the Third Party Tenant Portfolio, as well as the Toyota Woodland property (collectively, the “Dilawri Properties”). Under such leases, Dilawri provided an indemnity for the lease obligations of each other member of the Dilawri Group. The Dilawri Group is the REIT’s most significant tenant and will be for the foreseeable future, with members of the Dilawri Group occupying 96% of the REIT’s GLA including third parties occupying the subleases and remaining 4% occupied by Porsche JLR Edmonton, at December 31, 2015. As of the date of this MD&A, the initial terms of the Dilawri Leases range from approximately 10.5 to 18.5 years, with a weighted average lease term as at December 31, 2015 of approximately 14.5 years. Therefore, the REIT’s net income could also be materially adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of Dilawri or the Dilawri Group, as the REIT’s largest tenant.

Acquisition of Future Properties from the Dilawri Group

The REIT’s ability to expand its asset base and increase AFFO per Unit through acquisitions will be significantly affected by the REIT’s ability to leverage its relationship with the Dilawri Group to access opportunities to acquire additional properties that satisfy the REIT’s investment criteria, including pursuant to the Strategic Alliance Agreement. Dilawri has agreed to offer to sell to the REIT the “Development Properties” (being one property located in Barrie, Ontario and one property located in Calgary, Alberta, in which the Dilawri Group currently holds 100% interests and which are under development as automotive dealerships and which, upon substantial completion thereof, will be REIT-Suitable Properties (as defined in the Strategic Alliance Agreement), having an aggregate of approximately 72,000 square feet of GLA (the “Development Properties”) upon substantial completion thereof. As the REIT’s acceptance of such offer will be conditional on market conditions and the REIT’s due diligence, there can be no assurance that the REIT will approve such opportunities and acquire either or both of the Development Properties or do so on terms favourable to the REIT. In addition, there can be no assurance that the right of first offer granted to the REIT by Dilawri to acquire the Dilawri Group’s interests in other properties will be exercised or that the Dilawri Group will dispose of interests in its properties. The inability of the REIT to expand its asset base by virtue of its relationship with the Dilawri Group or pursuant to the rights of first offer may have a material adverse effect on the REIT’s business, cash flows, financial condition and results of operations and its ability to make cash distributions to REIT Unitholders.

Sale Provisions Under the Strategic Alliance Agreement

Pursuant to the Strategic Alliance Agreement, the REIT has granted a right of first offer in favour of Dilawri in the event that the REIT intends to sell or otherwise to dispose of any of its properties in which a member of the Dilawri Group is a tenant or, where a member of the Dilawri Group is not a tenant, which the REIT acquired from a member of the Dilawri Group or pursuant to the Strategic Alliance Agreement. In the event that the REIT desires to sell or otherwise dispose of a property, the existence of this right of first offer in favour of Dilawri could limit the number of purchasers of such property, make it more difficult to sell such property and/or decrease the potential purchase price that could be obtained for such property, which, in turn, could have a material adverse effect on the REIT. This right survives termination of the Strategic Alliance Agreement.

Potential Conflicts of Interest with Dilawri

Other than pursuant to the Strategic Alliance Agreement, Dilawri is not limited or restricted in any way from owning, acquiring, constructing, developing or redeveloping properties, and may itself compete with the REIT in seeking tenants and for the purchase, development and operation of desirable properties to be used as automotive dealerships.

Dilawri's continuing business may lead to conflicts of interest between Dilawri and the REIT. In addition, the ongoing employment relationships between the applicable subsidiary of Dilawri and each of Milton Lamb (President and Chief Executive Officer of the REIT) and Andrew Kalra (Chief Financial Officer and Corporate Secretary of the REIT), and the development and other services to be performed by Mr. Lamb, and the services provided by Mr. Kalra, respectively, for Dilawri may lead to conflicts of interest between such persons and the REIT. The REIT may not be able to resolve any such conflicts and, even if it does, the resolution may be less favourable to the REIT than if it were dealing with a party that was not a holder of a significant interest in the REIT. The agreements that the REIT has entered into with the Dilawri Group to date may be amended upon agreement between the parties, subject to applicable law and approval of the Trustees who are "independent" pursuant to National Instrument 58-101 — *Disclosure of Corporate Governance Practices*. Because of the Dilawri Organization's significant holdings in the REIT, the REIT may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to the REIT as those the REIT could secure with a party that was not a significant effective REIT Unitholder. There can be no assurance that actual or potential conflicts of interest will be resolved in favour of the REIT.

Risk Factors Related to the Real Estate Industry and the Business of the REIT

Real Property Ownership and Tenant Risks

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (such as the availability, terms and cost of mortgage financing and other types of credit), local economic conditions (such as an oversupply of properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

There is no assurance that the operations of the REIT will be profitable or that cash from operations will be available to make distributions to REIT Unitholders. Real estate, like many other types of long-term investments, experiences significant fluctuation in value and, as a result, specific market conditions may result in occasional or permanent reductions in the value of the REIT's portfolio. The marketability and value of the REIT's portfolio will depend on many factors, including, without limitation: (i) changes in general economic conditions (such as the availability, terms and cost of mortgage financing and other types of credit); (ii) local economic conditions (such as business layoffs, industry slowdowns, changing demographics and other factors); (iii) local real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (iv) changes in occupancy rates; (v) the attractiveness of properties to potential tenants or purchasers; (vi) competition with other landlords with similar available space; (vii) the ability of the REIT to provide adequate maintenance at competitive costs; (viii) changes in exchange rates; (ix) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (x) the financial condition of borrowers and of tenants, buyers and sellers of real estate assets; (xi) changes in real estate tax rates and other operating expenses; (xii) the imposition of rent controls; (xiii) energy and supply shortages; (xiv) various uninsured or uninsurable risks; and (xv) natural disasters. There can be no assurance of profitable operations because the costs of operating the portfolio, including debt service, may exceed gross rental income therefrom, particularly since certain expenses related to real estate, such as property taxes, utility costs, maintenance costs and insurance, tend to increase even if there is a decrease in the REIT's income from such investments.

The Properties generate income through rent payments made by the Dilawri Group and third parties. The REIT depends on tenants who lease its properties to pay rent, maintain its properties and meet their other lease obligations. All of the REIT's properties rely on the Dilawri Group and third parties under a triple-net lease, which subjects the REIT to additional risk related to the financial strength of the Dilawri Group and such third parties relative to multi-tenant properties. Furthermore, as the Dilawri Group will head lease all of the premises currently leased to third party tenants (with the exception of the Porsche JLR property which is leased by the REIT to a third party tenant), the Dilawri Group, not the REIT, will have control over the re-leasing of such premises. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. In addition, historical occupancy rates and rents are not necessarily an accurate prediction of future occupancy rates for the REIT's properties. The REIT's cash flows and financial position would be materially adversely affected if its tenants (and especially the Dilawri Group) were to become unable to meet their obligations under their leases or if a significant amount of available space in the REIT's properties was not able to be leased on economically favourable lease terms.

The REIT also depends on the tenant to keep the property adequately insured. If the tenant does not have enough insurance and there is a loss, the REIT could incur all or some of the cost to repair or replace the property. In addition, if the tenant fails to pay real estate taxes when due, the REIT may be required to pay these taxes. If a tenant fails to pay rent or perform any other obligation under the lease, the tenant could be in default under the lease. In the event of default by a tenant, the REIT may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. Any such process may be costly, time consuming and could divert the attention of management from the day-to-day-business of the REIT. Further, the REIT may be unsuccessful collecting the money that is owed by a defaulting tenant. In addition, the Dilawri Leases may narrow the field of potential tenants at a property and could contribute to difficulties in leasing space to new tenants. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and thereby cause a reduction in the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to REIT Unitholders.

The above list of ways in which the REIT depends on its tenants is not exhaustive. Other actions by the REIT's tenants could have an adverse effect on its cash flows, financial condition or results of operations and its ability to make cash distributions to REIT Unitholders.

Asset Class and Manufacturer Diversification

The REIT's investments are not widely diversified by asset class. Substantially all of the REIT's investments are in automotive dealership properties. A lack of asset class diversification increases risk because automotive dealership properties are subject to their own set of risks, such as the risks associated with automotive manufacturers. Furthermore, Honda and Acura dealerships collectively represent approximately 30% of the gross automotive dealership rent paid to the REIT in 2015 and over 30% of the REIT's GLA as at December 31, 2015. Because Acura is a division of Honda, any material adverse changes to the business of this one manufacturer may adversely affect the ability of the Dilawri Group to meet its rent obligations, which in turn may have a material adverse effect on the REIT.

Geographic Concentration

The REIT's properties are all located in Canada, in the provinces of Ontario, Saskatchewan, Alberta, British Columbia and Québec. As a result, the market value of the REIT's properties, the income generated by the REIT and the REIT's performance are particularly sensitive to changes in the economic condition and regulatory environments of Ontario, Saskatchewan, Alberta, British Columbia and Québec. Adverse changes in the economic condition or regulatory environment of Ontario, Saskatchewan, Alberta, British Columbia or Québec may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and its ability to make cash distributions to REIT Unitholders.

Competition

The REIT competes with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Some of the properties of the REIT's competitors may be newer or better located than the REIT's properties. Certain of these competitors may have greater financial and other resources and greater operating flexibility than the REIT. An increase in the availability of funds for investment or an increase in interest in real estate property investments may increase the competition for real estate property investments, thereby increasing purchase prices and reducing the yield on them. The existence of competing managers and owners could have a material adverse effect on the REIT's ability to lease space and on the rents the REIT is able to charge, and could materially adversely affect revenues and the REIT's ability to meet its obligations and its ability to make cash distributions to REIT Unitholders.

Capital Expenditures and Fixed Costs

Certain significant expenditures, including property taxes, maintenance costs, debt service payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long-term, the REIT must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the REIT may not be able to recover from its tenants. In addition, property tax reassessments based on updated appraised values may occur, which the REIT may not be able to fully recover from its tenants. As a result, the REIT will bear the economic cost of such structural defects and/or taxes not recoverable from tenants which may adversely impact the REIT's financial condition and results from operations and decrease the amount of cash available for distribution to REIT Unitholders. Numerous factors, including the age of the relevant building, the materials used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment

or modernization. In addition, the timing and amount of capital expenditures may indirectly affect the amount of cash available for distribution to REIT Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

If the actual costs of maintaining or upgrading a property exceed the REIT's estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if the REIT is not permitted to increase rents due to legal or other constraints, the REIT will incur additional and unexpected costs. If competing properties of a similar type are built in the area where one of the REIT's properties is located or similar properties located in the vicinity of one of the REIT's properties are substantially refurbished, the net operating income derived from, and the value of, the REIT's property could be reduced. Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that the REIT earns from such properties. Any such event could have a material adverse effect on the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to REIT Unitholders.

Liquidity

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and for making distributions to REIT Unitholders.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As an owner of real property in Canada, the REIT is subject to various Canadian federal, provincial, territorial and municipal laws relating to environmental matters. In the event that the REIT acquires properties in the United States, it will also be subject to various U.S. federal, state and other environmental laws. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by the REIT with respect to the release of such substances from or to the REIT's properties. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Additional liability may be incurred by the REIT with respect to the release of such substances from the REIT's properties to properties owned by third parties, including properties adjacent to the REIT's properties or with respect to the exposure of persons to such substances. These laws also govern the maintenance and removal of materials containing asbestos in the event of damage, demolition or renovation of a property and also govern emissions of, and exposure to, asbestos fibres in the air. Certain of the REIT's properties contain or might contain materials containing asbestos. The costs of investigation, removal and remediation of such substances, materials and/or contamination from the REIT's properties may be substantial and could materially adversely affect the REIT's financial condition and results of operations. The presence of such substances, materials and/or contamination or the failure to remediate them may also materially adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in significant claims against the REIT by public or private parties.

The REIT is also exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of hazardous materials or contamination can materially adversely affect the value of a property and the REIT's ability to lease or sell such property.

All of the REIT's properties have, or have had, tenants that would or currently use, hazardous, toxic or other regulated substances. For example, automotive repair and/or service operations are currently located at each of the REIT's properties.

The REIT's operating policy is to obtain, or be able to rely on, a phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have phase II environmental site assessment work completed where recommended in a phase I environmental site assessment. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of such properties, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties, which could materially adversely affect the REIT's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to REIT Unitholders.

The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters that may have a material adverse effect on the REIT's business, financial condition or results of operation and decrease or eliminate the amount of cash available for distribution to REIT Unitholders. In addition, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition, may have a material adverse effect on the REIT's financial condition and results of operation and decrease or eliminate the amount of cash available for distribution to REIT Unitholders.

Financing Risks

The REIT has outstanding Indebtedness of approximately \$216.5 million as of December 31, 2015. Although a portion of the cash flow generated by the REIT's properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest payments and principal repayments upon an applicable maturity date. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could materially adversely affect the REIT's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to REIT Unitholders.

The REIT is subject to the risks associated with debt financing, including the risk that any outstanding indebtedness will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. To the extent that the REIT incurs variable rate indebtedness (such as under the revolving credit facilities), this will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be materially adversely affected and decrease the amount of cash available for distribution to REIT Unitholders. The Credit Facilities also contain covenants that require the REIT to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, the REIT's ability to make distributions to REIT Unitholders may be limited or suspended. In particular, Facility 1 limits distributions by the REIT to an amount not to exceed 95% of its consolidated funds from operations and Facility 2 limits distributions by the REIT to an amount not to exceed 100% of its consolidated adjusted funds from operations. Such maximum payout ratios could limit the amount of distributions payable by the REIT from time to time. In addition, the Credit Facilities contain restrictions concerning the change of control of the REIT and the Partnership (and/or requiring the REIT to remain publicly-traded) which may discourage transactions involving a change of control of the REIT, including transactions in which an investor, as a holder of the REIT Units, might otherwise receive a premium for its REIT Units over the then-current market price. Facility 1 also contains a limit on the amount the REIT can spend in any year on capital improvements to its properties. Although the REIT does not anticipate spending significant sums on capital improvements given that the Dilawri Leases are "triple net" leases, such a limit could impact the REIT's ability to expand or otherwise make substantial structural improvements to its properties.

Degree of Leverage

The REIT's ratio of Indebtedness to GBV is approximately 55% as of December 31, 2015. The REIT's degree of leverage could have important consequences to REIT Unitholders, including: (i) the REIT's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general trust purposes, making the REIT more vulnerable to a downturn in business or the economy in general and (ii) a portion of the REIT's cash flow is dedicated to the payment of the principal of and interest on, its Indebtedness, thereby reducing the amount of funds available for distributions to REIT Unitholders. Under the Declaration of Trust, the maximum amount of Indebtedness cannot exceed 60% of GBV (or 65% including convertible Indebtedness).

Interest Rate Risk

The REIT required extensive financial resources to complete the IPO and the acquisition of the Initial Properties and will require extensive financial resources to implement its future growth strategy. When concluding financing agreements or extending such agreements, the REIT will depend on its ability to agree on terms, including in respect of interest payments and, if applicable, amortization that will not impair the REIT's desired AFFO and that do not restrict its ability to make distributions to REIT Unitholders. In addition to the revolving credit facilities, the REIT may enter into future financing agreements with variable interest rates if the current historical low level of interest rates continue. Given the historically low interest rates, there is a risk that interest rates will increase. An increase in interest rates could result in a significant increase in the amount paid by the REIT to service debt, resulting in a decrease in or the elimination of distributions to REIT Unitholders, which could materially adversely affect the trading price of the REIT Units. In addition, increasing interest rates may put competitive pressure on the levels of distributable income made by the REIT to REIT

Unitholders, increasing the level of competition for capital faced by the REIT, which could have a material adverse effect on the trading price of the REIT Units.

The REIT has implemented hedging programs in respect of Facility 1 and Facility 2 in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to REIT Unitholders. However, to the extent that the REIT fails to adequately manage its variable interest rate risks, its financial results, and its ability to pay distributions to REIT Unitholders and interest payments under the Credit Facilities and any other variable rate financings, may be materially adversely affected. Increases in interest rates generally cause a decrease in demand for real property. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by lenders, could have a material adverse effect on the REIT's ability to sell any of its properties.

Appraisal

The REIT retained an independent professional appraiser to provide independent estimates of the fair market value range in respect of the Initial Properties. Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals represent only the analysis and opinion of qualified experts as of the effective date of such appraisals and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised values of the Initial Properties are correct as of the date of this MD&A or that such valuations actually reflect an amount that would be realized upon a current or future sale of any of the Initial Properties or that any projections included in the appraisals will be attainable. As prices in the real estate market fluctuate over time in response to numerous factors, the values of the Initial Properties reflected in the appraisals may be an unreliable indication of their current market values.

A publicly-traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the REIT Units may trade at a premium or a discount to values implied by the above-mentioned appraisals.

General Insured and Uninsured Risks

The Dilawri Leases require Dilawri (or the applicable member of the Dilawri Group) to carry general liability, umbrella liability and/or excess liability insurance with limits which are typically obtained for similar real estate properties and otherwise acceptable to the Board that names the REIT as an additional insured. For property risks, the Dilawri Leases require Dilawri (or the applicable member of the Dilawri Group) to carry "All Risks" property insurance, including but not limited to, flood, earthquake and loss of rental income insurance (with at least a 12 month indemnity period) that names the REIT as an additional insured. The REIT also carries customary insurance covering its Trustees and officers as well as prospectus liability insurance. There are, however, certain types of risks (generally of a catastrophic nature, such as from war or nuclear accident) which are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. The REIT does not carry title insurance on the REIT's properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance, the REIT could lose all or part of its investment in, and anticipated profits and cash flows from, such property.

While the REIT, as an additional insured on Dilawri's policies, will have insurance to cover a substantial portion of the cost of natural disasters, such insurance includes customary deductible amounts and certain items may not be covered by insurance. Future natural disasters may materially adversely affect the REIT's operations and properties and, more specifically, may cause the REIT to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and its ability to make distributions to REIT Unitholders.

Risk Related to Insurance Renewals

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When Dilawri's current insurance policies expire, it may encounter difficulty in obtaining or renewing property or casualty insurance at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. If Dilawri or the REIT is unable to obtain adequate insurance for certain risks, it could result in an event of default under the Dilawri Leases and/or could cause the REIT to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require the REIT to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur, or if Dilawri or the REIT were unable to obtain adequate insurance, and its properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make cash distributions to REIT Unitholders.

Financial Forecast

The forecasted results contained in the (final) long form prospectus of the REIT dated July 10, 2015 (the "IPO Prospectus") were prepared at the time of the IPO using assumptions with an effective date of July 1, 2015, that reflected management's intended course for the periods covered, given the judgment of management as to the most probable set of economic conditions. There can be no assurance that the assumptions reflected in the forecast will prove to be accurate. In fact, as a result of the acquisitions of additional properties by the REIT and certain other events that occurred subsequent to the IPO, certain assumptions reflected in the financial forecast are out of date. Actual results for the remainder of the Forecast Period will vary from the forecasted results and those variations may be material. There is no representation by the REIT that actual results achieved during the remainder of the Forecast Period will be the same, in whole or in part, as those forecasted in the IPO Prospectus. See "Forward-Looking Statements".

Current Economic Environment

Continued concerns about the uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of unemployment, volatile energy costs, geopolitical issues and the availability and cost of credit have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could materially adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have a material adverse effect on the ability of the REIT's operators to maintain occupancy rates in the REIT's properties, which could harm the REIT's financial condition. If these economic conditions continue, the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT.

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel, including certain executive officers and the Trustees. The inability to attract and retain qualified and experienced personnel or the loss of the services of any key personnel could have a material adverse effect on the REIT and materially adversely affect the REIT's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to REIT Unitholders. The REIT does not have key person insurance on any of its executive officers. Further, pursuant to the Administration Agreement, the roles and responsibilities of the REIT's President and Chief Executive Officer and Chief Financial Officer and Corporate Secretary are currently performed by employees of a subsidiary of Dilawri. Therefore, Dilawri's inability to attract and retain qualified and experienced personnel or the loss of the services of any such key personnel could have a material adverse effect on the REIT, its financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to REIT Unitholders.

Derivative Risks

The REIT has swap facilities in place as part of Facility 1 and Facility 2. See "Section 6 – Liquidity and Capital Resources – Debt Financing". The REIT may also use other derivative instruments, including futures, forwards, options and additional swaps, to manage the interest rate risks inherent in its operations and Credit Facilities. There can be no assurance that any hedging activities of the REIT will be effective. Further, these activities, although intended to mitigate price volatility, would expose the REIT to other risks. For example, the REIT would be subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there would be a risk of loss by the REIT of margin deposits in the event of the bankruptcy of the dealer with whom the REIT has an open position in an option or futures or forward contract. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these contracts involves judgment and use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. The ability of the REIT to close out its positions may also be affected by exchange-imposed daily trading limits on options and futures contracts. If the REIT is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have a material adverse effect on the REIT's ability to use derivative instruments to effectively hedge the interest rate risks inherent in its operations.

Joint Venture Arrangements

The REIT may, directly or indirectly, invest in a joint venture arrangement, thereby acquiring a non-controlling interest in certain investments. Although the REIT may not have control over these investments and therefore may have a limited ability to protect its position therein, such joint venture arrangements are expected to contain terms and conditions which are commercially reasonable. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the REIT (including relating to the sale of properties held in the joint venture or the timing of the termination and liquidation of such joint venture) or may be in a position to take action contrary to the REIT's investment objectives. The REIT also may, in certain circumstances, be liable for the actions of its third party co-venturers.

Land Leases

Two of the REIT's properties are subject to land leases. To the extent that the properties in which the REIT has or will have an interest are located on leased land, including these properties, the land leases may be subject to periodic rate resets which may fluctuate and may result in significant rental rate adjustments which could adversely impact the REIT's financial condition and operating results and decrease the amount of cash available for distribution.

Litigation Risks

In the normal course of the REIT's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT and, as a result, could have a material adverse effect on the REIT's assets, liabilities, business, financial condition and results of operations. Even if the REIT prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT's business operations, which could have a material adverse effect on the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to REIT Unitholders.

Investments in Debt Instruments

Under the Declaration of Trust, the REIT may hold direct or indirect investments in mortgages and mortgage bonds (including participating or convertible mortgages). Adverse changes to the financial condition of a mortgagor with respect to a mortgage held directly or indirectly by the REIT could have an adverse impact on the REIT's ability to collect principal and interest payments from such mortgagor and therefore, cause a reduction in the REIT's ability to make distributions to REIT Unitholders and in the value of that investment.

Based upon applicable laws governing the REIT's investments in debt instruments and the loans underlying the REIT's debt securities, the REIT's investments in debt may also be adversely affected by: (i) the operation of applicable laws regarding the ability to foreclose mortgage loans or to exercise other creditors' rights provided in the underlying loan documents; (ii) lender liability with respect to the negotiation, administration, collection or foreclosure of mortgage loans; (iii) penalties for violations of applicable usury limitations; and (iv) the impact of bankruptcy or insolvency laws.

Further, the REIT will not know whether the values of the properties securing the mortgage loans will remain at the levels existing on the dates of origination of those mortgage loans. If the values of the underlying properties fall, the risk to the REIT will increase because of the lower value of the security associated with such loans.

Risk Factors Related to the Automotive Dealership Industry

Automotive Dealership Tenant Risks

All of the REIT's annual base minimum rent as of the date of this MD&A will be received from the Dilawri Group and third party operators of automotive dealerships. Further, the REIT's external growth strategy is intended to primarily target acquisitions of automotive dealership properties. Therefore, the REIT will be affected and may be harmed by changes in the automotive dealership industry and the automotive production market.

An automotive dealership tenant's ability to pay rent and perform its other obligations under a lease will be dependent to a significant extent on its relationship with the automotive manufacturer. The automotive dealership tenants or their related dealership groups generally operate dealerships that sell the products of more than one manufacturer. The sales mix of makes and models of motor vehicles tends to change periodically; therefore, current sales of the makes or models of one manufacturer may not reflect the level of future sales of that manufacturer's products. A reduction in supply, particularly of certain models, could lower motor vehicle sales, which in turn could negatively impact service and parts

sales. Other factors which can affect sales include the manufacturer's financial condition, marketing and incentive programs and expenditures; ability and desire to finance the sale of vehicles or provide warranties to consumers on vehicles sold; vehicle design; production capabilities and management of the manufacturer; strikes and other labour actions by unions; negative publicity; product recalls; or litigation. The automotive dealership tenant may be unable to pay rent or meet other lease obligations if a dealership's motor vehicle supply is reduced. Further, the REIT depends on its tenants to maintain good relationships with automotive manufacturers and to comply with their franchise agreements. Manufacturers exercise a certain degree of control over dealerships, and the franchise agreements between the dealership groups and the manufacturers provide for termination or non-renewal for a variety of causes. The REIT has no rights under the franchise agreements. If a manufacturer terminates or declines to renew one or more franchise agreements or negotiates terms for renewal that are better for the manufacturer, the tenant may be unable to pay rent and perform its other obligations under its lease with the REIT. These factors, as well as other events involving the automotive dealership tenant/manufacturer relationship, could adversely affect the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to REIT Unitholders.

Furthermore, the business of the REIT's automotive dealership tenants is heavily dependent on consumer demand and preferences. Such tenants' revenues will be materially and adversely affected if there is a severe or sustained downturn in overall levels of consumer spending. Retail vehicle sales are cyclical and historically have experienced periodic downturns characterized by oversupply and weak demand. These cycles are often dependent on general economic conditions and consumer confidence, as well as the level of discretionary personal income and credit availability. A sustained downturn in the sale of vehicles could have a material adverse effect on the REIT's automotive dealership tenants which, in turn, could materially adversely affect the financial performance of the REIT and its ability to make cash distributions to REIT Unitholders.

Competitive Environment

The automotive dealership industry in Canada is highly competitive. If Dilawri or another automotive dealership tenant is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be negatively affected. The REIT's automotive dealership tenants are subject to competitive pressures from new entrants into the marketplace, from the expansion or renovation of existing competitors and from new sales channels such as the Internet. The inability of these tenants to effectively predict market activity or compete effectively with their current or future competitors or new sales channels could result in, among other things, reduced market share and lower pricing in response to competitors' pricing activities. Failure by any automotive dealership tenant, particularly the Dilawri Group, to sustain its competitive position could negatively affect its financial performance which, consequently, could materially adversely affect the financial performance of the REIT and its ability to make cash distributions to REIT Unitholders.

Economic Environment

Economic factors that impact motor vehicle consumer spending patterns could deteriorate or remain unpredictable due to global, national or regional economic volatility. These factors include high levels of unemployment and household debt, increased interest rates, inflation, foreign exchange rates and commodity prices (including gasoline) and access to consumer credit. Any of these factors could negatively affect the automotive dealership tenants' revenue and margins. Inflationary trends are unpredictable and changes in the rate of inflation or deflation will affect consumer prices, which in turn could negatively affect the financial performance of the automotive dealership tenants, including the Dilawri Group, which, consequently, could materially adversely affect the financial performance of the REIT and its ability to make cash distributions to REIT Unitholders.

Risk Factors Related to the Structure of the REIT

Reliance on the Partnership

The REIT is dependent on the business of the Partnership for NOI. The cash distributions made to REIT Unitholders are dependent on the ability of the Partnership to make distributions in respect of the limited partnership units of the Partnership. The ability of the Partnership to make distributions or make other payments or advances to the REIT will depend on the Partnership's results of operations and may be restricted by, among other things, applicable tax and other laws and regulations and may be subject to contractual restrictions contained in any instruments governing the indebtedness of the Partnership, and any other agreements governing the Partnership. If the Partnership is unable to make distributions or other payments or advances to the REIT, such failure could have a material adverse effect on the REIT's financial condition or results of operations and its ability to make cash distributions to REIT Unitholders.

Return on Investment and Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, is entirely dependent on the operations and assets

of the REIT, and is subject to various factors, including financial performance, obligations under the Credit Facilities, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. The REIT Units are equity securities of the REIT and are not traditional fixed income securities. Unlike fixed-income securities, there is no obligation of the REIT to distribute to REIT Unitholders any fixed amount and there is no promise to return the initial purchase price of a REIT Unit on a certain date in the future, and reductions in, or suspensions of, cash distributions may occur at any time that would reduce the yield of a REIT Unit. The market value of the REIT Units will deteriorate if the REIT is unable to meet its distribution and AFFO targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. Therefore, the rate of return over a defined period for a REIT Unitholder may not be comparable to the rate of return on a fixed income security that provides a "return on capital" over the same period.

Tax-Related Risk Factors

Mutual Fund Trust Status — The REIT intends to comply with the requirements under the ITA at all relevant times such that it maintains its status as a "unit trust" and a "mutual fund trust" for purposes of the ITA. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency respecting mutual fund trusts will not be changed in a manner that adversely affects REIT Unitholders. Should the REIT cease to qualify as a mutual fund trust under the ITA, the consequences could be material and adverse.

Non-Resident Ownership — Under current law, a trust may lose its status under the ITA as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of non-resident persons, except in limited circumstances. Accordingly, the Declaration of Trust provides that (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships, or (iii) a combination of non-residents and such partnerships (all within the meaning of the ITA) ("Non-Residents") may not be the beneficial owners of more than 49% of the REIT Units (determined on a basic or a fully-diluted basis). The Trustees also have various powers that can be used for the purpose of monitoring and controlling the extent of Non-Resident ownership of the REIT Units.

The restriction on the issuance of REIT Units by the REIT to Non-Residents may adversely affect the REIT's ability to raise financing for future acquisitions or operations. In addition, the Non-Resident ownership restriction could adversely impact the liquidity of the REIT Units and the market price at which REIT Units can be sold.

REIT Exception — Unless the the exclusion from the definition of "SIFT trust" in the ITA for a trust qualifying as a "real estate investment trust" under the ITA applies to the REIT (the "REIT Exception"), the rules applicable to SIFT trusts and SIFT partnerships in the ITA (the "SIFT Rules") may have an adverse impact on the taxation of the REIT and on the taxation of distributions to REIT Unitholders. Although, as of the date hereof, management believes that the REIT will be able to meet the requirements of the REIT Exception throughout 2016 and beyond, there can be no assurance that the REIT will be able to qualify for the REIT Exception such that the REIT and the REIT Unitholders will not be subject to the SIFT Rules in 2016 or in future years.

In the event that the SIFT Rules apply to the REIT, the impact to REIT Unitholders will depend on the status of the holder and, in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the REIT's distributions constitute "non-portfolio earnings", other income and returns of capital. The likely effect of the SIFT Rules on the market for REIT Units, and of the REIT's ability to finance future acquisitions through the use of REIT Units or other securities is uncertain. If the SIFT Rules apply to the REIT, they may adversely affect the marketability of the REIT Units, the amount of cash available for distribution and the after-tax return to investors.

Tax Basis of the Initial Properties — The Initial Properties were acquired by the Partnership on a tax deferred basis, such that the tax cost of these properties is less than their fair market value. If one or more of such properties are disposed of, the gain realized by the Partnership for tax purposes (including any income inclusions arising from the recapture of previously claimed capital cost allowance on depreciable property) will be in excess of that which it would have realized if it had acquired the properties at a tax cost equal to their fair market values. For the purpose of claiming capital cost allowance, the undepreciated capital cost of such properties acquired by the Partnership was equal to the amounts jointly elected by the Partnership and the applicable transferor of such Initial Property on the tax-deferred acquisition of such property. The undepreciated capital cost of such property was less than the fair market value of such property. As a result, the capital cost allowance that the Partnership may claim in respect of such properties is less than it would have been if such properties had been acquired with a tax cost basis equal to their fair values. Approximately 96% of the monthly cash distributions made by the REIT to REIT Unitholders in 2015 were tax-deferred. This composition may change over time, thus affecting the after-tax return to REIT Unitholders.

Loss Restriction Event — The ITA contains “loss restriction event” (“LRE”) rules that may apply to certain trusts, including the REIT. In general, the REIT will experience an LRE each time any person, together with all other persons with whom that person is affiliated within the meaning of the ITA, or any group of persons acting in concert, acquires REIT Units having a fair market value that is greater than 50% of the fair market value of all the outstanding REIT Units. If an LRE occurs, then among other things (i) the REIT will be deemed to have a year-end for tax purposes, (ii) any undistributed net income and net realized capital gains of the REIT at such year-end will be distributed to REIT Unitholders, and (iii) the REIT will be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the LRE.

Change in Law — There can be no assurance that income tax laws applicable to the REIT, including the treatment of real estate investment trusts and mutual fund trusts under the ITA, will not be changed in a manner which adversely affects the REIT of the REIT Unitholders. Any such changes could have a negative effect on the value of the REIT Units.

Potential Volatility of REIT Unit Prices

The market price for REIT Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT’s control, including the following: (i) actual or anticipated fluctuations in the REIT’s quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (iv) addition or departure of the REIT’s executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding REIT Units; (vi) sales or perceived sales of additional REIT Units; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; and (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT’s industry or target markets. Another factor that may influence the market price of the REIT Units is the annual yield on the REIT Units. An increase in market interest rates may lead purchasers of REIT Units to demand a higher annual yield, which accordingly could materially adversely affect the market price of the REIT Units.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the REIT Units may decline even if the REIT’s operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT’s environmental, governance and social practices and performance against such institutions’ respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the REIT Units by those institutions, which could materially adversely affect the trading price of the REIT Units. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, the REIT’s operations could be materially adversely impacted and the trading price of the REIT Units may be materially adversely affected.

Restrictions on Redemptions

It is anticipated that the redemption right attached to the REIT Units will not be the primary mechanism by which REIT Unitholders liquidate their investment. The entitlement of REIT Unitholders to receive cash upon the redemption of their REIT Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such REIT Units and all other REIT Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) on the date such REIT Units are tendered for redemption, the outstanding REIT Units must be listed for trading on a stock exchange or market which the Trustees believe, in their sole discretion, provides fair market value prices for the REIT Units; (iii) the normal trading of REIT Units is not suspended or halted on any stock exchange on which the REIT Units are then listed (or, if not listed on a stock exchange, on any market on which the REIT Units are quoted for trading) on the date on which the REIT Units were surrendered for redemption (the “Redemption Date”) for more than five trading days during the 10-day trading period commencing immediately after the Redemption Date; and (iv) the redemption of the REIT Units must not result in the delisting of the REIT Units from the principal stock exchange on which the REIT Units are then listed.

“Subsidiary Notes” (being promissory notes of the Partnership, a trust all of the units of which, or a corporation all of the shares of which, are owned directly or indirectly by the REIT or another entity that would be consolidated with the REIT under IFRS, having a maturity date and interest rate determined by the Trustees at the time of issuance) (“Subsidiary Notes”) which may be distributed to REIT Unitholders in connection with a redemption will not be listed on any exchange, no market is expected to develop in Subsidiary Notes and such securities may be subject to an indefinite “hold period” or other resale restrictions under applicable securities laws. Subsidiary Notes so distributed do not currently qualify as

qualified investments for trusts governed by a registered retirement savings plan, registered retirement income fund, registered disability savings plan, deferred profit sharing plan, tax-free savings account and registered education savings plan, each within the meaning of the ITA.

Nature of Investment

The REIT Units represent a fractional interest in the REIT and do not represent a direct investment in the REIT's assets and should not be viewed by investors as direct securities of the REIT's assets. A holder of a REIT Unit does not hold a share of a body corporate. As holders of REIT Units, the REIT Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of REIT Unitholders are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the *Canada Business Corporations Act* which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada), and thus the treatment of REIT Unitholders upon an insolvency of the REIT is uncertain.

Availability of Cash Flow

AFFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO. The REIT may be required to use part of its debt capacity or to reduce distributions to REIT Unitholders in order to accommodate such items. The terms of the certain indebtedness of the REIT from time to time may prohibit payments or distributions from the REIT in certain circumstances.

Dilution

The number of REIT Units that the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional REIT Units from time to time (including pursuant to any employee incentive compensation plan that may be introduced in the future), and the interests of REIT Unitholders may be diluted thereby. The issuance of additional REIT Units may have a dilutive effect on the interests of REIT Unitholders.

Structural Subordination of REIT Units

In the event of a bankruptcy, liquidation or reorganization of the Partnership, holders of its indebtedness and its trade creditors will generally be entitled to payment of their claims from the assets of the Partnership before any assets are made available for distribution to the REIT or REIT Unitholders. The REIT Units are effectively subordinated to the debt and other obligations of the Partnership. The Partnership generates all of the REIT's cash available for distribution to REIT Unitholders and holds substantially all of the REIT's assets.

Limited Control

REIT Unitholders have limited control over changes in the REIT's policies and operations, which increases the uncertainty and risks of an investment in the REIT. The Board will determine major policies, including policies regarding financing, growth, debt capitalization, REIT qualification and distributions to REIT Unitholders. The Board may amend or revise these and other policies without a vote of Unitholders. Pursuant to the Declaration of Trust, Unitholders have a right to vote only on limited matters. The Trustees' broad discretion in setting policies and REIT Unitholders' inability to exert control over those policies increases the uncertainty and risks of an investment in the REIT.

Unitholder Liability

The Declaration of Trust provides that no REIT Unitholder will be subject to any liability whatsoever to any person in connection with the holding of a REIT Unit. In addition, legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide REIT Unitholders in those provinces with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a REIT Unitholder could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. It is intended that the affairs of the REIT will be conducted to seek to minimize such risk wherever possible.

Financial Reporting and Other Public Company Requirements

The REIT is subject to reporting and other obligations under applicable Canadian securities laws and rules of the stock exchange on which the REIT Units are listed, including National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations place significant demands on the REIT's and Dilawri's management, administrative, operational and accounting resources. In order to meet such requirements, the REIT and Dilawri have established systems, implemented financial and management controls, reporting systems and procedures and hired accounting and finance staff. However, any failure to maintain effective internal controls could

cause the REIT to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the REIT cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in the REIT's reported financial information, which could result in a reduction in the trading price of the REIT Units.

Management does not expect that the REIT's and Dilawri's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

The preparation of the consolidated financial statement requires management to make judgements and estimates in applying the REIT's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy; a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

Critical Accounting and Judgments and Estimates

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the REIT believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

Investment Properties

The REIT assesses whether an acquisition transaction is an asset acquisition or a business combination. The Initial Properties acquired and subsequent acquisitions meet the definition of an asset acquisition.

Investment properties are reviewed by management in conjunction with independent appraisers. Valuations are completed by undertaking an income approach whereby a capitalization rate is applied to the net operating income which the property can reasonably be expected to produce over the remaining economic life of the investment property. The external valuator's review of projected cash flows involves a review of assumptions relating to rental rates and residual values. These assumptions may not ultimately be achieved.

Leases

The REIT is required to make judgments in determining whether certain leases are operating or finance leases, in particular long-term leases. All tenant leases have been determined to be operating leases.

Income Taxes

The REIT is a mutual fund trust and a real estate investment trust as defined in the ITA. The REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. The REIT is a real estate investment trust if it meets the prescribed conditions under the ITA relating to the nature of its assets and revenue. The REIT uses judgment in reviewing these prescribed conditions and assessing its interpretation and application to the REIT's assets and revenue. It has determined that it qualifies as a real estate investment trust for the current period.

The REIT expects to continue as a mutual fund trust and real estate investment trust under the ITA, however, should it no longer qualify, it would not be able to flow through its taxable income to Unitholders and would be subject to tax.

APPENDIX

Property List as at December 31, 2015

Name	Address	City/ Province	Year Built /Renov.	GLA
Properties (as at December 31, 2015)				
1. Dixie Auto Mall				
Dilawri-Owned Auto				
Volkswagen	5500 Ambler Drive	Mississauga, ON	1988/2011	39,209
Nissan	5500 Dixie Road	Mississauga, ON	1988/2001	26,369
Mazda	5500 Ambler Drive	Mississauga, ON	1987/2014	16,713
Infiniti	5500 Ambler Drive	Mississauga, ON	1988/2014	14,592
Mitsubishi	5525 Ambler Drive	Mississauga, ON	1998	8,000
Third Party Auto				
Toyota	5500 Dixie Road	Mississauga, ON	1987	22,078
Honda	5500 Dixie Road	Mississauga, ON	1987	17,735
Kia	5505 Ambler Drive	Mississauga, ON	2002/2006	13,890
Hyundai	5515 Ambler Drive	Mississauga, ON	1998	9,345
Third Party Retail				
Montana's	1495 Aerowood Drive	Mississauga, ON	2001	5,150
Kelsey's	1485 Aerowood Drive	Mississauga, ON	2001	5,000
A&W	1465 Aerowood Drive	Mississauga, ON	1999	4,000
Subway/NY Fries	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	2,200
Enterprise Rent-a-Car	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	2,000
Made in Japan	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	1,875
Dixie Auto Mall Total				188,156
2. Markham Honda and Ford				
Dilawri-Owned Auto				
Markham Honda	8220 Kennedy Road	Markham, ON	2004	32,723
Third Party Auto				
Markville Ford Lincoln	8210 Kennedy Road	Markham, ON	1988/2010	39,287
Markham Honda and Ford Total				72,010
3. Calgary BMW	34 Heritage Meadows Road S.E.	Calgary, AB	2007	87,724
4. Calgary Honda	11700 Lake Fraser Dr S.E.	Calgary, AB	2005	43,511
5. Triple 7 Chrysler	700 Broad Street	Regina, SK	1959/2011	40,957
6. Porsche Centre Vancouver	688 Terminal Avenue	Vancouver, BC	2013	39,790
7. Frost Chevrolet Buick GMC Cadillac	150 Bovaird Drive West	Brampton, ON	2013	35,504
8. Honda Used Car and Regina Collision Centre	815 Broad Street	Regina, SK	2012/2015	32,457
9. Oakville Honda	500 Iroquois Shore Road	Oakville, ON	2003/2006	33,334
10. Markham Acura	5201 Highway 7 E	Markham, ON	2002	32,025
11. Regina Honda/Acura	789 Broad Street	Regina, SK	2003/2015	30,900
12. Agincourt Mazda	5500 Finch Avenue E	Toronto, ON	2005	30,788
13. Dilawri Nissan Infiniti	1775 5th Avenue	Regina, SK	1998/2015	30,864

14. Audi Sales Downtown Vancouver.....	1788 West 2nd Avenue	Vancouver, BC	2013	29,300
15. Meadowvale Honda.....	2210 Battleford Road	Mississauga, ON	2007	28,039
16. Burrard Acura ⁽¹⁾	730 Terminal Avenue	Vancouver, BC	2015	27,640
17. Langley Acura ⁽¹⁾	20257 Langley Bypass	Langley, BC	2015	26,448
18. Distinctive Collection.....	150 Glendeer Circle S.E.	Calgary, AB	1988/2008	24,367
19. Bolton Toyota.....	12050 Albion Vaughan Road	Bolton, ON	2004	22,741
20. Hyundai Gallery.....	11770 Lake Fraser Dr S.E.	Calgary, AB	2006	22,185
21. North Vancouver Nissan Infiniti..	819 Automall Drive	N. Vancouver, BC	1992/2002	19,050
22. Regina Hyundai.....	444 Broad Street	Regina, SK	2005	18,204
23. Dilawri BMW.....	1919 1st Avenue	Regina, SK	1997	12,456
24. Infiniti Vancouver.....	1718 West 3rd Avenue	Vancouver, BC	1999	11,722
25. 1921 1 st Avenue (formerly Dilawri Acura).....	1921 1st Avenue	Regina, SK	1997	11,390
26. Dilawri Mitsubishi.....	1750 6th Avenue	Regina, SK	1993/2003	6,750
27. Toyota Woodland.....	1000-1009 Woodland Avenue	Montreal, QC	2007/2008	49,737
28. Porsche Centre Edmonton and Jaguar Land Rover Edmonton ⁽²⁾ ...	17007 111th Avenue N.W.	Edmonton, AB	2014	44,779
Portfolio Total/Average.....				1,052,828

Notes:

(1) The REIT has a leasehold interest in this Property.

(2) The REIT has leased this property to a third party tenant unrelated to the Dilawri Group.



Automotive Properties Real Estate Investment Trust
Consolidated Financial Statements
For the period ended December 31, 2015

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Automotive Properties Real Estate Investment Trust (the "REIT") is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements and Management's Discussion and Analysis. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). It also includes ensuring that the financial information presented in the Management's Discussion and Analysis is consistent with that in the consolidated financial statements.

Management is also responsible to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced. Management is required to design a system of internal controls and certify as to the design and operating effectiveness of internal controls over financial reporting. BDO LLP, whose report follows, are the independent auditors engaged to audit the consolidated financial statements of the REIT.

The Board of Trustees, acting through an Audit Committee comprised solely of directors who are independent, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the Unitholders. The Audit Committee meets regularly with senior and financial management and the independent auditors to discuss internal controls, auditing activities and financial reporting matters. The independent auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Trustees based on the review and recommendation of the Audit Committee.

Toronto, Canada
March 21, 2016

"Milton Lamb"

Milton Lamb
Chief Executive Officer

"Andrew A. Kalra"

Andrew A. Kalra, CPA, CA
Chief Financial Officer



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TD Bank Tower
66 Wellington Street West
Suite 3600, PO Box 131
Toronto, ON M5K 1H1 Canada

Independent Auditor's Report

To the Unitholders of Automotive Properties Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Automotive Properties Real Estate Investment Trust, which comprise the consolidated balance sheet as at December 31, 2015 and the consolidated statements of unitholders' equity, income and comprehensive income and cash flows for the period from June 1, 2015 (date of formation) to December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Automotive Properties Real Estate Investment Trust as at December 31, 2015 and its financial performance and its cash flows for the period from June 1, 2015 (date of formation) to December 31, 2015 in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

March 21, 2016
Toronto, Ontario

Consolidated Balance Sheet

<i>(in thousands of Canadian dollars)</i>	Note	As at December 31, 2015
ASSETS		
Cash and cash equivalents		\$1,769
Prepaid expenses and other	6	2,420
Investment properties	5	389,650
Total assets		\$393,839
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	8	4,319
Credit facilities	7	215,878
Interest rate swaps	7	4,172
Class B LP Units	10	81,950
Total liabilities		306,319
Unitholders' equity		87,520
Total liabilities and unitholders' equity		\$393,839

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Trustees

"Janet Graham"

Janet Graham
Trustee, Audit Committee Chair

"John Morrison"

John Morrison
Trustee, Lead Independent

Consolidated Statement of Income and Comprehensive Income

For the period from June 1, 2015 (date of formation) to December 31, 2015
(in thousands of Canadian dollars)

	Note	
Net Property Income		
Rental revenue from investment properties	11	\$13,300
Property costs	11	(1,734)
Net Operating Income		11,566
Other Income (Expenses)		
General and administrative expenses		(780)
Interest expense and other financing charges		(2,732)
Fair value adjustment on interest rate swap	15	(4,172)
Distribution expense on Class B LP Units	9	(3,546)
Fair value adjustment on Class B LP Units	10	17,383
Fair value adjustment on investment properties	15	(94)
Net Income and Comprehensive Income		\$17,625

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Unitholders' Equity

For the period from June 1, 2015 (date of formation) to December 31, 2015
(in thousands of Canadian dollars)

	Note	Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at June 1, 2015		\$—	—	—	\$—
Issuance of Units in connection with IPO	11	66,966	—	—	66,966
Over-allotment Issuance of Units	10	5,828	—	—	5,828
Net income		—	17,625	—	17,625
Distributions	9	—	—	(2,899)	(2,899)
Unitholders' Equity at December 31, 2015		\$72,794	\$17,625	\$(2,899)	\$87,520

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flow

For the period from June 1, 2015 (date of formation) to December 31, 2015
(in thousands of Canadian dollars)

	Note
OPERATING ACTIVITIES	
Net income	\$17,625
Straight-line rent	(1,156)
Fair value adjustment on interest rate swaps	4,172
Distributions expense on Class B LP Units	3,546
Fair value adjustment on Class B LP Units	(17,383)
Fair value adjustment on investment properties	94
Change in non-cash operating assets	12 2,553
Cash provided by (used in) from operating activities	9,451
INVESTING ACTIVITIES	
Investment properties:	
Acquisition costs	(4,207)
Acquisition of investment properties	(285,048)
Other assets	(1,863)
Cash provided by (used in) investing activities	(291,118)
FINANCING ACTIVITIES	
Proceeds from Credit Facilities	218,990
Principal repayment on Credit Facilities	(2,527)
Financing fees paid	(585)
Issuance of trust units	81,200
Issuance costs	(8,406)
Distributions to REIT unitholders and Class B LP unitholders	(5,236)
Cash provided by (used in) financing activities	283,436
Net increase in cash and cash equivalents during the period	1,769
Cash and cash equivalents, beginning of period	—
Cash and cash equivalents, end of period	\$1,769

See accompanying notes to the consolidated financial statements.

Notes to the Annual Consolidated Financial Statements

For the period from June 1, 2015 (date of formation) to December 31, 2015 (in thousands of Canadian dollars, except Unit and per Unit amounts)

1. NATURE OF OPERATIONS

Automotive Properties Real Estate Investment Trust (the “REIT”) is an unincorporated, open-ended real estate investment trust existing pursuant to a declaration of trust dated June 1, 2015, as amended and restated on July 22, 2015 (the “Declaration of Trust”) under, and governed by, the laws of the Province of Ontario. In connection with the formation of the REIT, one trust unit of the REIT (each, a “Unit”) was issued for \$10.00 in cash on June 1, 2015 and subsequently redeemed for \$10.00 in cash. The principal, registered and head office of the REIT is located 133 at King Street East, Suite 300, Toronto, Ontario M5C 1G6.

893353 Alberta Inc. (“Dilawri”) is a privately held corporation, which, together with certain of its affiliates, holds a 55% effective interest in the REIT, through the ownership, direction or control of all of the Class B limited partnership units (“Class B LP Units”) of Automotive Properties Limited Partnership, the REIT’s operating subsidiary (the “Partnership”). The Class B LP Units are economically equivalent to, and exchangeable for, Units. Dilawri and its affiliates, other than its shareholders and controlling persons, are referred to herein as the “Dilawri Group”.

The REIT has been formed primarily to own income-producing automotive dealership properties located in Canada. In connection with the completion of the REIT’s initial public offering on July 22, 2015 (the “IPO”), the REIT indirectly acquired a portfolio of 26 properties from certain members of the Dilawri Group, for use as automotive dealerships, an automotive repair facility, or complementary uses, including restaurants (collectively, the “Initial Properties”). The REIT entered into leases with the applicable affiliates of Dilawri (collectively, the “Dilawri Tenants”) and, as such, the Dilawri Tenants are the REIT’s major tenant. On December 23, 2015, the REIT acquired a dealership property located in Montreal, Quebec pursuant to the Strategic Alliance Agreement entered into with Dilawri at the closing of the IPO and leased it to a Dilawri Tenant. On December 30, 2015, the REIT acquired a dealership property located in Edmonton, Alberta from a third party and leased that property to affiliates of that third party. Dilawri has indemnified the REIT in respect of any defaults by the Dilawri Tenants under their leases for the initial term of such leases.

The subsidiaries of the REIT included in the REIT’s consolidated financial statements include the Partnership and Automotive Properties REIT GP Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The consolidated financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These annual consolidated financial statements were approved by the Board of Trustees of the REIT (the “Board”) and authorized for issuance on March 21, 2016.

(b) Basis of Presentation

The consolidated financial statements of the REIT have been prepared using the historical cost basis except for the following items that were measured at fair value:

- investment properties as described in note 5;
- interest rate swaps as described in note 7; and
- Class B LP Units which are exchangeable for Units at the option of the holder as described in note 10

The consolidated financial statements are presented in Canadian Dollars, the REIT’s functional and reporting currency.

(c) Basis of Consolidation

The consolidated financial statements include the accounts of the REIT and the other entities that the REIT controls in accordance with IFRS 10 — *Consolidated Financial Statements*. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. All intercompany transactions and balances have been eliminated on consolidation.

(d) Investment Properties

Investment properties include properties held to earn rental income and/or for capital appreciation. Investment properties are initially measured at cost, including directly attributable acquisition costs. Directly attributable acquisition costs include professional fees, land transfer taxes and other transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Fair value is determined based on available market evidence, at each balance sheet date. Related fair value gains and losses are recorded in net income and comprehensive income in the period in which they arise.

Valuations are completed by undertaking an income approach whereby a capitalization rate is applied to the net operating income which the property can reasonably be expected to produce over the remaining economic life of the investment property. In determining the appropriateness of the methodology applied, the relative uncertainty of the timing and amount of expected net operating income and the impact such uncertainty would have in arriving at a reliable estimate of fair value is considered.

(e) Revenue Recognition

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Property revenue includes basic rents earned from tenants under lease agreements and realty tax recoveries.

The REIT follows the straight-line method of recognizing rental revenue, whereby the total amount of basic rent to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable/payable is recorded for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant and is included as part of investment property on the consolidated balance sheet.

(f) Expenses

Property costs and general and administrative expenses are recognized in income in the period in which they are incurred. The indemnity fee will be amortized over the average lease term with the Dilawri Tenants that have third party sub-tenants. The REIT follows a straight-line method for recognizing land lease expense.

(g) Income Taxes

The REIT qualifies as a “mutual fund trust” under the *Income Tax Act* (Canada). The Trustees intend to annually distribute all taxable income directly earned by the REIT to holders of Units (“Unitholders”) and to deduct such distributions for income tax purposes.

Legislation relating to the federal income taxation of Specified Investment Flow Through trusts or partnerships (“SIFT”) provide that certain distributions from a SIFT will not be deductible in computing the SIFT’s taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as return of capital should generally not be subject to tax.

Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the “REIT Exception”). The REIT has reviewed the SIFT rules and has assessed their interpretation and application to the REIT’s assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, the REIT believes that it meets the REIT Exception and accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated statements of net income and comprehensive income.

(h) Units and Class B LP Units

Units are redeemable at the holder’s option subject to certain limitations and restrictions. As a result, the Units are liabilities by definition but qualify for presentation as equity under certain limited exceptions within International Accounting Standards 32 — *Financial Instruments: Presentation* (“IAS 32”). The Class B LP Units are economically equivalent to Units, receive distributions equal to the distributions paid on Units and are exchangeable at the option into Units. One special voting unit in the REIT (the “Special Voting Units”) has been issued to the holder of each Class B LP Unit issued (such Special Voting Unit does not have any entitlement in the REIT with respect to distributions, but does generally entitle the holder to that number of votes at any meeting of Unitholders to which a holder of the number of Units that are obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled). The limited IAS 32 exception for presentation as equity does not extend to the Class B LP Units. As a result, the Class B LP Units have been classified as financial liabilities and are measured at fair value through profit and loss (“FVTPL”). The fair value of the Class B LP Units is measured every period by reference to the traded value of the Units, with changes in value recorded through profit and loss. Distributions on the Class B LP Units are recorded as an expense in the consolidated statements of income and comprehensive income in the period in which they become payable.

(i) Cash and Cash Equivalents

Cash consists of cash on hand and unrestricted cash. Cash equivalents consist of highly liquid marketable investments with an original maturity date of 90 days or less from the date of acquisition. As at December 31, 2015, there were no cash equivalents.

(j) Financial instruments

Financial instruments are classified as one of the following: (i) held-to-maturity, (ii) loans and receivables, (iii) FVTPL, (iv) available-for-sale, or (v) other financial liabilities. Financial assets and liabilities classified as FVTPL are measured at fair value with gains and losses recognized in the consolidated statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other financial liabilities are measured at amortized cost, using the effective interest method. Available-for-sale financial instruments are measured at fair value and any unrealized gains and losses will be recognized in other comprehensive income.

The REIT has made the following classifications:

Cash and cash equivalents	Loans and receivables
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Credit facilities payable	Other financial liabilities
Class B LP Units.....	FVTPL
Interest rate swaps	FVTPL

Acquisition costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs primarily include interest and finance fees that are incurred in connection with borrowings.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statement requires management to make judgements and estimates in applying the REIT’s accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy; a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management’s historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the REIT believes could have the most significant impact on the amounts recognized in the consolidated financial statements. The REIT’s significant accounting policies are described in note 2.

Investment Properties

The REIT assesses whether an acquisition transaction is an asset acquisition or a business combination. The Initial Properties acquired and subsequent acquisitions meet the definition of an asset acquisition.

Investment properties are reviewed by management in conjunction with independent appraisers. Valuations are completed by undertaking an income approach whereby a capitalization rate is applied to the net operating income which the property can reasonably be expected to produce over the remaining economic life of the investment property. The external valuator’s review of projected cash flows involves a review of assumptions relating to rental rates and residual values. These assumptions may not ultimately be achieved.

Leases

The REIT is required to make judgments in determining whether certain leases are operating or finance leases, in particular long-term leases. All tenant leases have been determined to be operating leases.

Income Taxes

The REIT is a mutual fund trust and a real estate investment trust as defined in the *Income Tax Act* (Canada). The REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. The REIT is a real estate investment trust if it meets the prescribed conditions under the *Income Tax Act* (Canada) relating to the nature of its assets and revenue. The REIT uses judgment in reviewing these prescribed conditions and assessing its interpretation and application to the REIT's assets and revenue. It has determined that it qualifies as a real estate investment trust for the current period.

The REIT expects to continue as a mutual fund trust and real estate investment trust under the *Income Tax Act* (Canada), however, should it no longer qualify, it would not be able to flow through its taxable income to Unitholders and would be subject to tax.

4. PUBLIC OFFERING AND ACQUISITION OF INVESTMENT PROPERTIES

(a) Initial Public Offering

On July 22, 2015 (the "Closing"), the REIT completed an initial public offering of equity and indirectly acquired the Initial Properties from affiliates of Dilawri for the consideration outlined in Note 4(b) below. The REIT's IPO, through the issuance of 7,500,000 Units at a price of \$10.00 per Unit (the "IPO price"), resulted in net proceeds of \$66,966, after payment of transaction costs of \$8,034.

On August 14, 2015, pursuant to the exercise of the over-allotment option granted to the underwriters in connection with the IPO, the REIT issued a further 620,000 Units, resulting in net proceeds of \$5,828, after payment of the underwriters' fees of \$372.

(b) Acquisition of the Initial Properties

In connection with the IPO, the REIT indirectly acquired the Initial Properties from certain members of the Dilawri Group, through an investment in the Partnership gross leasable area.

In consideration for the Initial Properties, the REIT issued Class B LP Units of the Partnership (accompanied by an equivalent number of Special Voting Units) and the remainder was paid in cash. The purchase of the Initial Properties has been accounted for as an asset acquisition.

Allocation of the identifiable net assets acquired is as follows:

Investment properties ⁽ⁱ⁾	\$357,742
--------------------------------------	-----------

Consideration provided for the acquisition and related acquisition costs was as follows:

Class B LP Units.....	\$99,333
Cash consideration for Initial Properties ⁽ⁱⁱ⁾	<u>258,409</u>
Total cost of the acquisition.....	<u>\$357,742</u>

(i) Initial Properties were initially recorded at \$357,742 which includes the purchase price of \$354,180 representing fair value at the time of acquisition, and acquisition costs of \$3,562.

(ii) Total cash consideration for the Initial Properties consists of:

Acquisition of Initial Properties.....	254,848
Acquisition costs	<u>3,561</u>
Total	<u>\$258,409</u>

The REIT paid an indemnity fee to Dilawri of \$1,000 for the applicable Dilawri Tenants leasing the entirety of two Initial Properties with third party tenants (and thereby bearing occupancy, rental and other risks associated with the portions of these properties which are subleased to third party tenants for the initial lease terms of 12 and 15 years).

In addition, the REIT paid Dilawri \$1,800 in respect of recoverable land transfer taxes associated with the acquisition that may become payable by Dilawri over the next 3 years. Subsequently this amount was adjusted to \$896 (Note 6) and the remaining balance of \$904 was paid back to the REIT from Dilawri.

(c) Subsequent acquisitions in the period ended December 31, 2015

During 2015, the REIT made the following acquisitions:

(i) Investment property acquisition - Montréal

On December 23, 2015, the REIT acquired the real estate underlying Toyota Woodland, a 49,737 square foot Toyota dealership located in Montréal, Québec and leased it to a Dilawri Tenant. This was the first acquisition undertaken by the REIT with the Dilawri Group pursuant to the Strategic Alliance Agreement entered into with Dilawri at the closing of REIT's IPO. The fair value of assets acquired and consideration paid are outlined as follows:

Investment properties	\$7,200
Purchase consideration:	
Cash from draw on revolving credit facility	\$3,000
Cash on hand.....	<u>4,200</u>
Total consideration paid	<u>\$7,200</u>

The REIT incurred acquisition costs of \$524 related to the above mentioned investment property acquisition.

(ii) Investment property acquisition - Edmonton

On December 30, 2015, the REIT acquired from a third party the real estate underlying Porsche Centre Edmonton and Jaguar Land Rover Edmonton, a 44,779 square foot building occupied by two automotive dealerships located in Edmonton, Alberta and leased it to affiliates of that third party. The fair value of assets acquired and consideration paid are outlined as follows:

Investment properties	\$23,000
Purchase consideration:	
Cash from credit facility	\$15,000
Cash from draw on revolving credit facility	7,200
Cash on hand.....	<u>800</u>
Total consideration paid	<u>\$23,000</u>

The REIT incurred acquisition costs of \$122 related to the above mentioned investment property acquisition..

5. INVESTMENT PROPERTIES

	2015
Balance, beginning of period	\$—
Acquisition of Initial Properties ⁽ⁱ⁾	357,742
Subsequent acquisitions	30,846
Fair value adjustment on investment properties	(94)
Straight-line rent	1,156
Balance, end of period	\$389,650

- (i) The purchase price of the Initial Properties includes acquisition cost of \$3,562 and an initial portfolio premium of \$480. Subsequent to acquisition, such amounts were not included in the determination of the fair value of investment properties and were charged to net income in the third quarter, as part of the net change in fair value of investment properties.

As part of the IPO, the Initial Properties were externally valued by an independent nationally-recognized appraiser. At that time the overall implied capitalization rate was 6.6%. As at September 30th, 2015, the same independent appraiser undertook the valuation of the Initial Properties by using an income approach whereby a current capitalization rate was applied to the net operating income which a property can reasonably be expected to produce over its remaining economic life. In determining the appropriateness of the methodology applied and the assumptions used, the relative uncertainty of the timing and amount of expected net operating income and the impact such uncertainty would have in arriving at a reliable estimate of fair value is considered. The capitalization rate was assessed at 6.5%.

The REIT reviewed the market capitalization letter prepared by the independent appraiser as at December 31, 2015, the overall implied capitalization rate remained at 6.5%. A 25 basis point decrease or increase in capitalization rates would result in an increase or decrease in the fair value of investment properties of approximately \$13,100.

One of the Initial Properties includes an industrial property with approximately 53,000 square feet of gross leasable area which was not included as part of the Initial Properties as it is not an asset over which the REIT has control. This property was acquired by the REIT for nominal consideration on July 22, 2015. This property has been leased to a Dilawri Tenant for nominal consideration pending severance approvals at which time the property will be transferred to that Dilawri Tenant for the same nominal consideration that the REIT paid for its acquisition.

Minimum rental commitments on non-cancellable tenant operating leases are as follows:

Within 1 year	\$26,152
After 1 year, but not more than 5 years	108,360
More than 5 years	294,668
	<u>\$429,180</u>

6. PREPAID EXPENSES AND OTHER

	2015
Prepaid indemnity fee ⁽ⁱ⁾	\$967
Recoverable land transfer taxes ⁽ⁱⁱ⁾	896
Prepaid other	557
	<u>\$2,420</u>

- (i) The unamortized balance of the indemnity fee of \$967; the initial balance was \$1,000 at the time of the IPO.

- (ii) This amount was paid to Dilawri as part of the purchase price with respect to the recoverable land transfer taxes associated with the acquisition of the Initial Properties.

7. CREDIT FACILITIES

(a) Credit Facilities payable consists of:

As at December 31	2015
	Principal outstanding
Facility 1 ⁽ⁱ⁾	\$143,515
Facility 2 ⁽ⁱⁱ⁾	59,074
Facility 3 ⁽ⁱⁱⁱ⁾	13,874
Total Facilities	\$216,463
Financing fees ^(iv)	(585)
	\$215,878

- (i) A non-revolving loan facility for \$118,315 bearing interest at bankers' acceptance ("BA") rate plus 150 basis points (bps) or Canadian prime rate ("Prime") plus 25 bps, maturing 5 years from July 22, 2015, repayable in equal quarterly principal payments (commencing December 31, 2015) based on a 25 year amortization. The REIT entered into floating-to-fixed interest rate swaps on August 7, 2015 for terms of 3 to 10 years which resulted in a weighted average effective interest rate of 3.1%.

Facility 1 was amended on December 30, 2015 to add a non-revolving loan facility for \$15,000 bearing interest at BA rate plus 150 bps or Prime plus 25 bps, maturing 5 years from December 30, 2015 repayable in equal quarterly principal payments (commencing March 31, 2016) based on a 25 year amortization. The REIT entered into a floating-to-fixed interest rate swap on December 30, 2015 for a term of 7 years which resulted in a weighted average effective interest rate of 3.17%.

The REIT has a \$15,000 revolving Credit Facility bearing interest at Prime plus 25 bps or CDOR plus 1.50% maturing 3 years from July 22, 2015, with a \$10,200 drawn balance at December 31, 2015.

- (ii) A non-revolving loan facility in the amount of \$59,074 bearing interest at BA rate plus 150 bps or Prime plus 25 bps, maturing 5 years from July 22, 2015 repayable in monthly blended payments based on a 20 year amortization. The REIT entered into floating-to-fixed interest rate swaps on August 7, 2015 for terms of 3 to 10 years which resulted in a weighted average effective interest rate of 3.1%.

The REIT has a \$7,500 revolving Credit Facility bearing interest at Prime plus 25 bps maturing 5 years from July 22, 2015, with no drawn balance at December 31, 2015.

- (iii) A non-revolving loan facility in the amount of \$13,874 bearing interest at 3.5% maturing 4 years from July 22, 2015 repayable in monthly blended payments based on a 20 year amortization.

- (iv) As part of the implementation of these Credit Facilities, the REIT incurred financing fees of \$641. The amount is accounted for using the effective interest method, \$585 remains unamortized at December 31, 2015.

The Credit Facilities described above (the "Credit Facilities") are secured by the Investment Properties, excluding the Toyota Woodland property, located in Montreal.

Principal repayments are as follows:

2016	\$8,222
2017	8,313
2018	8,487
2019	20,377
2020	8,152
Thereafter	<u>162,912</u>
Total	<u>\$216,463</u>

(b) Interest Rate Swaps

The REIT entered into interest rate derivative contracts to limit its exposure to fluctuations in the interest rates payable on variable rate financings. Gains or losses arising from changes in the fair value of the interest rate derivative contracts are recognized in the consolidated statements of net income and comprehensive income (terms described in Note 7(a)(i) and (ii) above).

As at December 31, 2015, the notional principal amount of the interest rate swaps were \$192,389 and the fair value of the interest rate swaps was a net financial liability of \$4,172.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

As at December 31	2015
Accounts payable and accrued liabilities	\$2,914
Accrued interest	196
Distributions payable (Note 9)	1,209
	<u>\$4,319</u>

9. DISTRIBUTIONS

As at December 31	2015		
	Units	Class B LP Units	Total
Paid in cash	\$2,355	\$2,881	\$5,236
Payable as at December 31, 2015	544	665	1,209
	<u>2,899</u>	<u>3,546</u>	<u>6,445</u>
Per Unit	\$0.36	\$0.36	

10. UNITHOLDERS' EQUITY AND CLASS B LP UNITS

Units

The REIT is authorized to issue an unlimited number of Units. The REIT completed the IPO and indirectly acquired the Initial Properties on Closing from affiliates of Dilawri for the consideration outlined in Note 5(b). The REIT issued 7,500,000 Units in the IPO at the IPO price, resulting in net proceeds of \$66,966, after payment of \$8,034 in transaction costs.

On August 14, 2015, pursuant to the exercise of the over-allotment option granted to the underwriters in connection with the IPO, the REIT issued a further 620,000 Units, resulting in net proceeds of \$5,828, after payment of the underwriters' fee of \$372.

Each Unit is transferable and represents an equal, undivided beneficial interest in the REIT and any distributions from the REIT, whether of net income, net realized capital gains (other than such gains allocated and distributed to redeeming Unitholders) or other amounts and, in the event of the termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. All Units rank among themselves equally without discrimination, preference or priority and entitle the holder thereof to receive notice of, to attend and to one vote at all meetings of Unitholders and holders of Special Voting Units or in respect of any written resolution thereof.

Unitholders are entitled to receive distributions from the REIT (whether of net income, net realized capital gains or other amounts) if, as and when declared by the Board. Upon the termination or winding-up of the REIT, Unitholders will participate equally with respect to the distribution of the remaining assets of the REIT after payment of all liabilities. Such distribution may be made in cash, as a distribution in kind, or both, all as the Board in its sole discretion may determine. Units have no associated conversion or retraction rights. No person is entitled, as a matter of right, to any pre-emptive right to subscribe for or acquire any Unit, except for Dilawri as set out in the Exchange Agreement entered into on Closing between the REIT and certain members of the Dilawri Group, pursuant to which, such members of the Dilawri group have been granted, among other things, certain rights to participate in future offerings of the REIT.

Class B LP Units

In conjunction with the IPO, and as partial consideration for the Initial Properties, the REIT, through the Partnership, issued Class B LP Units to certain members of the Dilawri Group. Each Class B LP Unit is exchangeable at the option of the holder for one Unit (subject to certain anti-dilution adjustments), is accompanied by a Special Voting Unit (which provides the holder with that number of votes at any meeting of Unitholders to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled), and will receive distributions of cash from the Partnership equal to the distributions to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled.

As at December 31

2015

	Units	Amount
Units beginning of period	—	\$—
Units issued, net of costs	7,500,000	66,966
Overallotment	620,000	5,828
Total Units, end of period	8,120,000	\$72,794
Class B LP Units, beginning of period	—	\$—
Class B LP Units	9,933,253	99,333
Fair value adjustment on Class B LP Units		(17,383)
Total Class B LP Units, end of period	9,933,253	\$81,950
Total Units and Class B LP Units, end of period	18,053,253	\$154,744

11. RENTAL REVENUE AND PROPERTY COSTS

Rental Revenue

Rental revenue is based on rents from leases entered into with the applicable tenant which are triple-net leases and, as such, include recoverable realty taxes. The REIT's investment properties have remaining lease terms ranging from approximately 11 to 19 years, with an average remaining lease term of 14.5 years. The leases with the Dilawri Tenants have an annual basic rent escalation of 1.5% in each year during the initial term. The newly acquired Edmonton property has a rent escalator of 1.0% starting after year 5 of the term of that lease.

Property Costs

Two of the Initial Properties are subject to land leases. Land lease expense includes straight line rent on the land leases over the expected lease term and recoverable realty taxes that have been paid by the REIT.

12. OTHER CASH FLOW INFORMATION

As at December 31

2015

Changes in non-cash operating assets

Prepaid expenses and other assets	\$(557)
Accounts payable and accrued liabilities	3,110
Change in non-cash operating assets	\$2,553

Supplemental Cash Flow Information

Interest paid on Credit Facilities	\$2,480
(Total interest and financing charges \$2,732)	

13. SEGMENT INFORMATION

All of the REIT's assets and liabilities are in, and its revenues are derived from, the Canadian real estate industry segment. The REIT's investment properties are, therefore, considered by management to have similar economic characteristics. The Dilawri Tenants are the REIT's major tenant. The newly acquired Edmonton property (Note 4) is the only property leased to a third party, Dilawri does not indemnify the REIT under this lease.

14. CAPITAL MANAGEMENT

The REIT defines its capital as the aggregate of Unitholders' equity, Class B LP Units and Credit Facilities. The REIT is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the REIT will make adjustments to its capital based on its investment strategies and changes to economic conditions.

In order to maintain or adjust its capital structure, the REIT may increase or decrease the amount of distributions paid to Unitholders, issue new Units and debt, or repay debt. The REIT manages its capital structure with the objective of:

- complying with the guidelines set out in its Declaration of Trust;
- complying with debt covenants;
- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;

- maintaining financial capacity and flexibility through access to capital to support future development; and
- minimizing its cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

The REIT has certain key financial covenants in its Credit Facilities, including debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are measured by the REIT on an ongoing basis to ensure compliance with the agreements. As at December 31, 2015, the REIT was in compliance with each of the covenants under these agreements.

15. FAIR VALUES AND FINANCIAL INSTRUMENT RISK MANAGEMENT

- (a) The fair value of the REIT's financial assets and financial liabilities, except as noted below, approximate their carrying values due to their short-term nature.

The following table provides the classification and measurement of financial assets and liabilities as at December 31, 2015:

Measurement basis	Fair value through profit or loss	Loans and receivables / other financial liabilities		Total	Total
	(Fair value)	(Amortized cost)	(Fair value)	(Carrying value)	(Fair value)
Financial Liabilities					
Credit Facilities	\$—	\$215,878	\$216,643	\$215,878	\$215,878
Interest rate swap	4,172	—	—	4,172	4,172
Class B LP Units	81,950	—	—	81,950	81,950
	\$86,122	\$215,878	\$216,463	\$302,000	\$302,000

The REIT uses various methods to estimate the fair values of assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 – quoted prices in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 – valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating the fair value of the REIT's assets and liabilities measured at fair value:

- (i) Investment Properties

Investment properties are reviewed by management in conjunction with independent appraisers, valuations are completed by undertaking an income approach whereby a capitalization rate is applied to the net operating income which the property can reasonably be expected to produce over the remaining economic life of improvements and are included in the Consolidated Balance Sheets at their fair value. The fair value of investment properties as at December 31, 2015 is \$389,650 (Level 3).

- (ii) Credit facilities

The fair value of the REIT's credit facilities is determined based on the present value of future payments, discounted at the yield on Government of Canada bonds, plus an estimated credit spread at the reporting date for a comparable loan (Level 2).

- (iii) Interest rate swaps

The fair value of the REIT's interest rate swaps which represents a liability as at December 31, 2015 is \$4,172. The fair value of an interest rate swap is determined using rates unobservable in the market (Level 2).

(iv) Class B LP Units

The fair value of the Class B LP Units as at December 31, 2015 is \$81,950. The fair values of the Class B LP Units are based on the traded value of the Units as at December 31, 2015 (Level 1).

(b) Financial Risk Management

The REIT's activities expose it to a variety of financial risks. The main risks arising from the REIT's financial instruments are market and liquidity risks. The following is a description of those risks and how the exposures are managed:

Market Risk

The REIT is exposed to market risk as a result of changes in factors such as interest rates and the market price of the Units.

Interest Rate Risk - The majority of the REIT's debt is financed with floating rates. Interest rate swaps (with maturities staggered over 10 years) have been entered into to mitigate interest rate fluctuations, thereby mitigating the exposure to changes in interest rates.

Unit Price Risk - The REIT is exposed to Unit price risk as a result of the issuance of Class B LP Units. Class B LP Units are recorded at their fair value based on market trading prices. Class B LP Units negatively impact net income when the Unit price rises and positively impact net income when Unit prices decline.

Liquidity Risk

Liquidity risk arises from the possibility of not having sufficient capital available to the REIT. Mitigation of liquidity risk is discussed above in Note 14 - Capital Management. A significant portion of the REIT's assets have been pledged as security under the related Credit Facilities.

16. FUTURE ACCOUNTING STANDARDS

In July 2014, the IASB issued the final version of IFRS 9 — Financial Instruments (“IFRS 9”) which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 — Financial Instruments: Recognition and Measurement. The key elements of the final standard are as follows: *Classification and measurement* — introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. *Impairment* — introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk. *Hedge accounting* — introduces a substantially reformed model for hedge accounting that more closely aligns with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. *Own credit* — removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss and are recognized in other comprehensive income instead. IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The REIT is assessing the impact of this standard on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15 — Revenue from Contracts with Customers (“IFRS 15”), which replaces IAS 11 — Construction Contracts and IAS 18 — Revenue, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. It will be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. The REIT is assessing the impact of this standard on its consolidated financial statements.

In January 2016, the IASB issued IFRS 16 — Leases (“IFRS 16”) which replaces IAS 17 — Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease,

IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The REIT does not expect this standard to have a significant impact on its combined financial statements.

17. COMMITMENTS AND CONTINGENCIES

In conjunction with the IPO, the REIT and Dilawri entered into an Administration Agreement which covers various operational and administrative services to be provided to the REIT by Dilawri on a cost-recovery basis. The REIT will pay an amount of \$700 for the first year for such services. The Administration Agreement has a term of 5 years from the closing of the IPO and will be automatically renewed for one year terms.

The REIT, as lessee, is committed under long-term land leases that are classified as operating leases with expiry dates to 2033 with minimum annual rentals as follows:

Within 1 year	\$576
After 1 year, but not more than 5 years	2,421
More than 5 years	<u>9,626</u>
Total	<u>\$12,623</u>

18. RELATED PARTY TRANSACTIONS

The REIT has been formed primarily to own income-producing automotive dealership properties located in Canada. In connection with the Closing of the IPO on July 22, 2015, the REIT indirectly acquired the Initial Properties from affiliates of Dilawri, for use as automotive dealerships, an automotive repair facility, or complementary uses, including restaurants and leased these properties to Dilawri Tenants. On December 23, 2015, in conjunction with its acquisition of the Montreal property, the REIT entered into a lease with a Dilawri Tenant. Dilawri has indemnified the REIT in respect of any defaults by the Dilawri Tenants under their leases for the initial term of such leases.

Pursuant to the Administration Agreement, Dilawri will provide, or cause to be provided, if and as requested by the REIT, subject to the overriding supervision and direction of the Board, management consisting of the REIT's President and Chief Executive Officer, Chief Financial Officer and Corporate Secretary and operating and administrative support functions. The Administration Agreement is for a 5 year term and will be automatically renewed for one year terms. Services are provided under the Administration Agreement on a cost-recovery basis.

General and administrative expenses include \$311 paid by the REIT to Dilawri pursuant to the Administration Agreement. IPO transaction costs includes \$700 which was paid to Dilawri.

In consideration of the applicable Dilawri Tenants leasing the entirety of the two Initial Properties with third party tenants (and thereby bearing occupancy, rental and other risks associated with the portions of those properties to be subleased to third party tenants for the initial lease terms of 12 and 15 years for those properties), the REIT paid to such Dilawri Tenants an indemnity fee in the aggregate amount of \$1,000 at time of closing of the IPO (amortizable over the term of the leases).

In addition, the REIT paid Dilawri \$1,800 in respect of recoverable land transfer taxes associated with the acquisition of the Initial Properties that may become payable by Dilawri over the 3 years following closing of the IPO. Subsequently this amount was adjusted to \$896 (Note 6) and the remaining balance of \$904 was paid back to the REIT from Dilawri.

In connection with the IPO, the REIT and Dilawri entered into the Strategic Alliance Agreement which established a preferential and mutually beneficial business and operating relationship between the REIT and Dilawri. The Strategic Alliance Agreement will be in effect so long as Dilawri and certain other entities related to Dilawri own, control or direct, in the aggregate, an effective interest of at least 10% (on a fully-diluted basis) in the REIT. The Strategic Alliance Agreement provides the REIT with the first right to purchase REIT-Suitable Properties (defined in the Strategic Alliance Agreement) in Canada or the United States acquired or developed by the Dilawri Group. The purchase price in respect of a REIT-Suitable Property will be mutually agreed by the REIT and Dilawri at the applicable time. The Montreal property, acquired by the REIT on December 23, 2015, is the first acquisition completed pursuant to the Strategic Alliance Agreement.

19. SUBSEQUENT EVENTS

On January 14, 2016, the REIT purchased the Audi Barrie dealership property located in Innisfil, Ontario, for approximately \$11.1 million from a member of the Dilawri Group and leased it to a Dilawri Tenant. Audi Barrie is a newly constructed, approximately 25,000 square foot automotive dealership located on 3.1 acres located at 2484 Doral Drive in Innisfil, near Barrie, Ontario. Audi Barrie was one of the three development properties owned by the Dilawri Group at the time of the IPO. Pursuant to the Strategic Alliance Agreement, the property was offered for purchase to the REIT by the Dilawri Group.

Unitholder Information

Head Office

133 King Street East
Suite 300
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Board of Trustees

Kapil Dilawri, Chair of the Board
Co-founder, Vice President and
Secretary of the Dilawri Group

John Morrison, Lead Independent Trustee^{1,2}
President and Chief Executive Officer of
Choice Properties Real Estate Investment Trust

Janet Graham^{2,3}
Managing Director of IQ Alliance Incorporated

Stuart Lazier^{1,4}
Partner, Co-founder and Chief Executive Officer
of Fiera Properties Limited

James Matthews
Chief Financial Officer of the Dilawri Group

Registrar and Transfer Agent

Computershare Trust Company
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Tel: 1 (800) 564-6253

Auditors

BDO Canada LLP
TD Bank Tower
66 Wellington Street West, Suite 3600
Toronto, Ontario M5K 1H1

Legal Counsel

Torys LLP
TD South Tower
79 Wellington Street West, 30th Floor
Toronto, Ontario M5K 1N2

Stock Exchange Listing

Automotive Properties Real Estate Investment Trust
is listed on the Toronto Stock Exchange under the
symbol APR.UN. Units issued and outstanding as at
March 21, 2016: 18,053,253 (including Class B LP Units).

Investor Contact

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18 King Street East, 15th Floor
Toronto, Ontario M5C 1C4
Tel: (647) 496-7856

Annual and Special Meeting

9:00 am, Wednesday, June 8, 2016
Toronto Region Board of Trade
First Canadian Place
77 Adelaide St. West, Suite 350
Toronto, Ontario M5H 1P9

Notes:

- [1] Member of the Audit Committee
- [2] Member of the Governance, Compensation and Nominating Committee
- [3] Chair of the Audit Committee
- [4] Chair of the Governance, Compensation and Nominating Committee



GROWTH AND STABILITY

Automotive Properties REIT (the "REIT") offers investors a number of key features that support its potential for long-term growth and stability:

- Only publicly listed platform to consolidate real estate for a fragmented Canadian automotive dealership market
- The REIT provides a unique monetization opportunity for automotive dealership owners, which is expected to drive accretive acquisition opportunities
- Right of first offer on proprietary property pipeline from the Dilawri Group
- Tenants have long-term, triple-net leases with contractual rent escalations
- Average lease term to maturity of 14.6 years, based on Cash NOI of properties
- The REIT's properties are located in prime, high-traffic locations in strategic markets across Canada
- Portfolio properties represent 29 leading automotive manufacturers, providing strong brand diversification

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