Consolidating Canada's Automotive Dealership Properties

2017 ANNUAL REPORT

Automotive Properties REIT™


DRIVING UNITHOLDER VALUE

	Year Ended December 31, 2016	Year Ended December 31, 2017	Percentage Increase
Number of properties	32	39	21.9%
Number of acres	108	126	16.7%
Gross Leasable Area (square feet)	1.27 million[1]	1.43 million[1]	12.2%
Number of automotive brands	29	29	-
Number of markets	6	6	-
GLA leased to third party automotive dealership tenants (square feet)	113,653	172,947	52.2%
Net Operating Income (NOI)	$29.5 million	$35.5 million	20.2%
Adjusted Funds From Operations (AFFO)	$17.6 million	$22.7 million	28.5%
Market capitalization	$233.8 million[2]	$285.3 million[2]	22.0%
Total Assets	$464.3 million	$547.6 million	17.9%

(1) Includes ancillary retail
(2) Includes Class B units




To Our Unitholders:

We are pleased to present Automotive Properties REIT's ("APR") 2017 annual report. We generated solid growth in property revenue, NOI, FFO and AFFO in 2017, supported by the continued execution of our acquisition program and organic growth through annual contracted rent increases across a majority of our property portfolio.

We completed seven property acquisitions for an aggregate purchase price of $72.2 million in 2017. The acquired properties are located in Montreal, Barrie, Calgary and Edmonton, reflecting our continued focus on major metropolitan markets. Three of the properties were purchased from the Dilawri Group, showcasing the exclusive benefit of our right-of-first-offer to acquire any REIT-suitable properties from Dilawri's development and acquisition pipeline. The other four property acquisitions resulted in a more diversified base of dealership tenants, demonstrating our continued progress in raising the awareness of our unique monetization solution for automotive dealership groups.

Each of these property acquisitions are accretive to our AFFO per unit and resulted in additional long-term leases for APR, along with additional future contracted rent increases, thereby strengthening our cash flows in support of unitholder distributions. In addition, these transactions further enhanced the diversification of our portfolio in terms of geography, tenants and automotive brand representation.

Early in 2017, we successfully completed a $46.2 million equity offering (the "Offering") that provided us with capital to continue advancing our acquisition program. The Offering was fully subscribed, including the exercise in full of the underwriters' over-allotment option. This strong market participation in the Offering further demonstrates that the investment community has recognized the stable and predictable growth of our cash flows, which are supported by long-term, triple-net leases, contractual annual rent increases and the accretive impact of our acquisition program.

The Offering also further increased our market capitalization and liquidity, which supported our addition to the S&P/TSX Small Cap Index effective September 2017. We believe that our inclusion in this index has raised our capital market profile, increased our exposure to a broader range of potential investors and provided enhanced trading liquidity.

Throughout the year, we also executed a series of transactions that extended our debt and interest profiles, further solidifying our overall capital structure in support of our acquisition program. At year end, the weighted average term of fixed interest rates on our debt was 5.3 years, and 83% of the debt was at fixed interest rates with a weighted average rate of 3.35%. In addition, subsequent to year end, we put in place approximately $30.0 million in interest rate swaps for a 10-year term, further increasing the term and certainty of our rates. These transactions have further insulated us from potential interest rate movements and significantly enhanced our financial flexibility and overall acquisition capacity.

Our strategy to own and invest in automotive dealership properties continues to be supported by compelling industry fundamentals. According to Statistics Canada, automotive retail industry sales totaled a record $156 billion in 2017, up 9.0% from $143 billion in 2016, representing approximately 27% of Canada's overall retail sales of products and merchandise. Over the last 20 years, Canadian automobile retail industry sales have grown at a compound annual rate of 4.6%. Sales of new automobiles in 2017 totaled a record 2,076,970 units, up 4.7% from 2016, which was previously the annual all-time high for automobile sales in Canada.

The Canadian automotive dealership industry remains highly fragmented, with the top 10 dealership groups in aggregate comprising less than 10% of the overall market. We believe that industry consolidation will continue due to the increasing sophistication of the automotive dealership industry and growing capital requirements for owner operators. Consolidators achieve clear benefits of scale compared to individual dealerships or small dealership group owners.

We continue to raise APR's profile within the dealership owner community in our target markets across Canada. Dealership owners are increasingly aware that APR can provide them with the opportunity to generate liquidity from their real estate for succession planning, investing in upgrading their dealerships or facilitating acquisitions. Our Debt to Gross Book Value was 48.5% at year end, providing us with approximately $65.0 million of acquisition capacity, and we remain focused on building unitholder value and scaling our portfolio in our target markets across Canada through the continued execution of our growth strategy.

On behalf of the Board of Trustees and management of APR, thank you for your confidence and continued support.

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, 2017

This page was left blank intentionally.

Table of Contents

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 years ended December 31, 2017 and December 31, 2016. 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 unit and per unit amounts, unless otherwise noted. All comparisons of results for the three months ended December 31, 2017 ("Q4 2017") are against results for the three months ended December 31, 2016 ("Q4 2016"), and comparisons of results for the twelve months ended December 31, 2017 ("2017") are against results for the twelve months ended December 31, 2016 ("2016").

This MD&A should be read in conjunction with the audited consolidated financial statements of the REIT and accompanying notes for the years ended December 31, 2017 and December 31, 2016. Further information about the REIT can be found in the REIT's annual information form dated March 20, 2018 (the "AIF"). The AIF, along with other continuous disclosure documents required by the Canadian securities regulators, can be found on the REIT's SEDAR profile at www.sedar.com and on the REIT's website at www.automotivepropertiesreit.ca.

The REIT

The REIT was formed primarily to own income producing automotive dealership properties located in Canada. The REIT commenced operations on July 22, 2015 following completion of its initial public offering of units (the "IPO"). In connection with the IPO, the REIT indirectly acquired a portfolio of 26 commercial properties from certain members of the Dilawri Group (as defined below) (the "Initial Properties"), and leased the Initial Properties to the applicable member of the Dilawri Group (collectively, and including members of the Dilawri Group that became tenants of a property owned by the REIT subsequent to the IPO, the "Dilawri Tenants").

As at the date of this MD&A, the REIT owned a portfolio of 39 income-producing commercial properties, including the Initial Properties, and one development property, located in Ontario, Saskatchewan, Alberta, British Columbia and Québec, totaling approximately 1.4 million square feet of gross leasable area ("GLA") on approximately 126 acres of land.

893353 Alberta Inc. ("Dilawri") is a privately held corporation, which, together with certain of its affiliates, held an approximate 38% effective interest in the REIT as at December 31, 2017, 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 REIT Units (as defined below), and are exchangeable generally on a one-for-one basis for REIT Units. Dilawri and its affiliates, other than its shareholders and controlling persons, are referred to herein as the "Dilawri Group".

On February 7, 2017, the REIT issued an aggregate of 4,255,000 trust units of the REIT ("REIT Units" and, together with the Class B LP Units, "Units") at a price of $10.85 per REIT Unit in connection with a public offering of REIT Units for gross proceeds of $46,167, which included the exercise in full of the over-allotment option granted to the underwriters, whereby an additional 555,000 REIT Units were issued at a price of $10.85 per REIT Unit (the "Equity Offering"). Issuance costs of $2,234 were netted against the gross proceeds.

On March 22, 2017, the REIT acquired the real estate underlying the Go Mazda dealership located in Edmonton, Alberta (the "Go Mazda Property") from a member of the Go Auto Group for approximately $8,000. The Go Mazda Property is a 17,150 square foot full-service automotive dealership property. On closing of the transaction, the applicable tenant entered into a 17-year triple-net lease with the REIT. The tenant is controlled by the parent company operating as Go Auto, which indemnifies the dealership's rental obligations.

On March 31, 2017, the REIT acquired the real estate underlying the Volkswagen dealership located in Barrie, Ontario (the "VW Barrie Property") from a member of the Dilawri Group for approximately $8,850. The VW Barrie Property is a 20,102 square foot full-service automotive dealership property and is one of the three "Development Properties" that were to be acquired by the REIT upon substantial completion thereof, as previously announced by the REIT. On closing of the transaction, the applicable Dilawri Tenant entered into a 17-year triple-net lease with the REIT.

On April 7, 2017, the REIT acquired the real estate underlying the Honda dealership located in Calgary, Alberta (the "Heritage Honda Property") from a member of the Dilawri Group for approximately $23,600. The Heritage Honda Property is a 58,913 square foot full-service automotive dealership property and is the third of the three "Development Properties" that were to be acquired by the REIT upon substantial completion thereof, as previously announced by the REIT. On closing of the transaction, the applicable Dilawri Tenant entered into an 18-year triple-net lease with the REIT.

On December 1, 2017, the REIT acquired the real estate underlying a portfolio of three properties in Edmonton, Alberta, consisting of the Ericksen Infiniti Property, the Southtown Hyundai Property, and the Kentwood Ford Property (the "Edmonton Portfolio") from a third party vendor for approximately $23,200. The Edmonton Portfolio has a combined total GLA of 42,144 square feet which includes two automotive dealership properties and a vehicle service compound facility. On closing of the transaction, the REIT assumed the current triple-net leases on the properties, which have a remaining initial term of approximately 10.6 years. The tenants are controlled by the parent company operating as Go Auto, which indemnifies the dealerships' rental obligations.

On December 15, 2017, the REIT acquired the real estate underlying the Mazda dealership located in Dorval, Quebec (the "Mazda Des Sources Property") from a member of the Dilawri Group for approximately $8,000. The Mazda Des Sources Property is a 16,701 square foot full-service automotive dealership property. On closing of the transaction, the applicable Dilawri Tenant entered into a 19-year triple-net lease with the REIT.

On February 13, 2018, the REIT acquired from a third party the real estate underlying a dealership property in Kitchener-Waterloo, Ontario (the "KW Development Property") to be redeveloped for a luxury, high-end car company that will occupy the premises. The REIT estimates that the total expenditures, including the purchase price, redevelopment costs and related expenses will be approximately $7,500.

As at December 31, 2017, the total number of REIT Units and Class B LP Units issued and outstanding was 16,216,000 and 9,933,253, respectively, for a total of 26,149,253 Units. The REIT Units are listed on the Toronto Stock Exchange under the symbol "APR.UN".

The REIT announced monthly cash distributions of $0.067 per REIT Unit, resulting in total distributions declared and paid of $5,256 for Q4 2017 (Q4 2016 – $4,401). For the year ended December 31, 2017, the REIT declared distributions of $20,740 and paid distributions of $20,456 (2016 - declared $15,546 and paid $15,287).

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 March 20, 2018.

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 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, and (iii) expected transactions to be entered into between Dilawri and the REIT (including pursuant to the Strategic Alliance Agreement);

- the redevelopment of the KW Development Property and expenditures related thereto;
- the relocation of certain tenants within the Dixie Auto Mall;
- the REIT's intention with respect to, and ability to execute, its external and internal growth strategies;
- the maintenance by the REIT of a strong balance sheet and prudent financial management and associated minimization of financial risk;
- the expected increase in Same Property Cash NOI (as defined below);
- the REIT representing a unique alternative for automotive dealership operators considering a sale 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 (as defined below);
- the REIT's debt strategy;
- the REIT's access to available sources of debt and/or equity financing;
- the expected tax treatment of the REIT and its distributions to Unitholders;
- the REIT's ability to meet its stated objectives;
- the REIT's ability to expand its asset base and make accretive acquisitions; and
- the ability of the REIT to qualify as a "Mutual Fund Trust" as defined in the *Income Tax Act* (Canada), and as a "Real Estate Investment Trust", as defined in the SIFT Rules (as defined below).

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 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 contained in the REIT's filings with securities regulators, including the factors discussed under Section 12 "Risks & Uncertainties, Critical Judgements & Estimates" 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.

All information regarding Dilawri contained in this MD&A (the "Dilawri Information") has been provided by, and is solely the responsibility of Dilawri and not of the REIT, the REIT's management nor the trustees of the REIT (the "Trustees"). Although the REIT has no reason to believe that the Dilawri Information 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 the Dilawri Information, nor has the REIT approved such information. Readers are cautioned, therefore, not to place undue reliance on the Dilawri Information.

Non-IFRS Financial 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"), FFO payout ratio, AFFO payout ratio, net operating income ("NOI"), Same Property net operating income ("Same Property NOI"), cash net operating income ("Cash NOI"), Same Property cash net operating income ("Same Property Cash NOI"), and earnings before income tax, depreciation, and amortization ("EBITDA") are key measures of performance used by the REIT's management and real estate businesses.

Gross book value ("GBV"), indebtedness ("Indebtedness"), net asset value ("Net Asset Value"), debt to gross book value ("Debt to GBV"), debt service coverage ratio ("Debt Service Coverage Ratio"), interest coverage ratio ("Interest Coverage Ratio") 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 earnings performance and is indicative of the REIT's ability to pay distributions from earnings, while FFO, NOI, Same Property 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, Same Property Cash NOI and EBITDA is net income. Adjusted cash flow from operation ("ACFO") is a supplementary measure used by management to improve the understanding of the operating cash flow of the REIT. The IFRS measurement most directly comparable to ACFO is cash flow from operating activities.

"FFO" is a non-IFRS financial measure of operating performance widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS. The REIT calculates FFO in accordance with the Real Property Association of Canada's *White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS* issued in February 2017. 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.

"FFO payout ratio" is calculated as distributions per unit divided by the FFO per unit diluted.

"AFFO" is a non-IFRS measure of economic earnings performance widely used in the real estate industry to assess an entity's distribution capacity from earnings. Except for adjustments to remove non-cash unit-based compensation expense, the REIT calculates AFFO in accordance with the Real Property Association of Canada's *White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS* issued in February 2017. AFFO is calculated as FFO subject to certain adjustments, to remove the impact of: (i) any adjustments resulting from recognizing property rental revenues or expenses (including ground lease rental payments) on a straight-line basis; (ii) non-cash unit-based compensation expense; and (iii) capital expenditures. To date, the REIT has not incurred any capital expenditure costs. The REIT's leases specifically state that the tenant is fully responsible for all maintenance capital costs and the REIT has no obligation and hence no maintenance capital reserve or amount is required to be deducted in arriving at AFFO.

"AFFO payout ratio" is a non-IFRS measure of the sustainability of the REIT's distribution payout capacity from earnings. The REIT uses this metric to provide clarity of the performance of earnings and the overall management of the current portfolio of assets. Management considers the AFFO payout ratio as the key measure of the REIT's distribution capacity from earnings. AFFO payout ratio is calculated as distributions per unit divided by AFFO per unit diluted.

"ACFO" is a non-IFRS financial measure. The REIT calculates ACFO in accordance with the Real Property Association of Canada's *White Paper on Adjusted Cash Flow from Operations for IFRS* issued in February 2017. ACFO is calculated as cash flow from operating activities subject to certain adjustments, to (a) remove the impact of: (i) changes in non-cash working capital; (ii) amortization of financing costs and indemnity payable in respect of the third party tenant portfolio sublease structure; (iii) capital expenditures and (b) deduct interest expense. To date, the REIT has not incurred any capital expenditure costs. The REIT's leases specifically state that the tenant is fully responsible for all maintenance capital costs and the REIT has no obligation and hence no maintenance capital reserve or amount is required to be deducted in arriving at ACFO.

"ACFO payout ratio" is calculated as distributions paid divided by ACFO.

"NOI" is a non-IFRS financial measure and 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 interest, general and administrative expenses, fair value adjustments and amortization.

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

"Same Property NOI" is a non-IFRS measure which reports the period-over-period performance of the same asset base having consistent GLA during both periods. For Q4 2017 and Q4 2016, this includes the Initial Properties, the acquisition of the real estate underlying the Toyota Woodland dealership (the "Toyota Woodland Property") completed on December 23, 2015, the acquisition of the real estate underlying the Porsche Centre Edmonton and Jaguar Land Rover dealership (the "Porsche JLR Edmonton Property") completed on December 30, 2015, the acquisition of the real estate underlying the Audi Barrie dealership (the "Audi Barrie Property") completed on January 14, 2016 and the acquisition of the real estate underlying the Pfaff Audi dealership (the "Pfaff Audi Property") completed on September 20, 2016. For 2017 and 2016, Same Property NOI excludes the Pfaff Audi Property and the Audi Barrie Property.

"Same Property Cash NOI" is calculated as Same Property NOI prior to the effects of straight-line adjustments.

FFO, AFFO, FFO payout ratio, AFFO payout ratio, ACFO, ACFO payout ratio, NOI, Cash NOI, Same Property NOI and Same Property 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, FFO payout ratio, AFFO payout ratio, ACFO, ACFO payout ratio, NOI, Cash NOI, Same Property NOI and Same Property Cash NOI may differ from other issuers' methods and, accordingly, may not be comparable to measures used by other issuers. See Section 6 "Non-IFRS Financial Measures" in this MD&A for a reconciliation of these measures to net income or cash flow from operating activities, as applicable.

"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 a term not in excess of 12 months, and (D) 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, accrued liabilities, credit facilities and 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.

"Debt Service" means the total payments of principal and interest on debt.

"Debt Service Coverage Ratio" means EBITDA divided by Debt Service.

"Interest Coverage Ratio" means the ratio of Cash NOI less general and administrative expenses divided by the total of the interest expense and other financing charges.

SECTION 2 – OVERVIEW, STRATEGY AND OBJECTIVES

Overview

Canada's automotive retail industry is characterized by strong industry fundamentals. According to Statistics Canada, the automotive retail industry sales totaled a record $156 billion in 2017 (up 9% from $143 billion in 2016), representing approximately 27% of Canada's overall retail sales of products and merchandise. Over the last 20 years, retail automotive sales grew at a compound annual rate of 4.6%. The table below contains new automobile sales by units in Canada for the 2017 and 2016 calendar years:

	12 Months Ended December 31			
	2017	YoY unit increase/ (decrease)	YoY % increase/ (decrease)	2016
Alberta	248,759	25,108	11.2%	223,651
British Columbia and the Territories	237,101	15,329	6.9%	221,772
Manitoba	63,228	5,800	10.1%	57,428
New Brunswick	44,822	(162)	-0.4%	44,984
Newfoundland and Labrador	33,252	(435)	-1.3%	33,687
Nova Scotia	58,951	4,500	8.3%	54,451
Ontario	857,222	35,460	4.3%	821,762
Prince Edward Island	8,587	(181)	-2.1%	8,768
Québec	468,783	3,640	0.8%	465,143
Saskatchewan	56,265	4,166	8.0%	52,099
Total Canada	**2,076,970**	**93,225**	**4.7%**	**1,983,745**

(Source: Statistics Canada, last modified at February 14, 2018)

The REIT's portfolio of 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 holders of REIT Units and Class B LP Units (collectively, "Unitholders") of $0.067 per Unit, representing $0.804 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 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 automotive dealership groups in Canada own less than 10% of the approximately 3,500 automotive dealerships in Canada;
- *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 (Source: DesRosiers Automotive Consultants). 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.
- *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 such dealers 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 owing and acquiring 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, existing leases, functionality of design, geographic market, location, automotive brand representation and opportunity for future value enhancement.

In line with this strategy, since completion of the IPO, the REIT has acquired five automotive dealership properties, one vehicle service compound property and one development property from third party vendors.

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 its 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.

In line with this strategy, since completion of the IPO, the REIT has acquired seven automotive dealership properties from the Dilawri Group under the Strategic Alliance Agreement.

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 escalators in the amount of 1.5% per annum. 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 escalators 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 Porsche JLR Edmonton Property has an annual rent accelerator after the end of the fifth year of the term, the lease in respect of the Go Mazda Property has an annual rent escalator after the end of the first year of the term and the leases in respect of the Edmonton Portfolio have a rent escalator effective July 2018 and July 2023.

SECTION 3 – PROPERTY PORTFOLIO

Portfolio Overview

At December 31, 2017, the REIT’s portfolio consisted of 39 commercial properties. Out of the 39 properties, 31 are exclusively occupied by members of the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while two of the other eight properties are jointly occupied by members of the Dilawri Group (for use as automotive dealerships) and one or more third parties (for use as automotive dealerships or complementary uses, including restaurants), and the remaining six properties are exclusively occupied by third party tenants for use as automotive dealerships or, in one case, a vehicle service compound facility. Consequently, the Dilawri Group is the REIT’s most significant tenant and provides approximately 90.0% of the REIT’s Cash NOI, including rent from properties subleased to third parties in 2017 (93.1% in 2016).

As the REIT grows, management intends to continue to diversify the REIT’s tenant base, but expects that the Dilawri Group will continue to provide a significant proportion of the REIT’s rental revenue for the foreseeable future.

Dixie Auto Mall included an industrial property with approximately 53,000 square feet of GLA which was not included as part of the portfolio as it was not an asset over which the REIT had control or beneficial interest. This property was acquired by the REIT for nominal consideration on July 22, 2015 from a member of the Dilawri Group and was leased to the applicable Dilawri Tenant for nominal consideration. On September 22, 2017, this industrial property was transferred back to the Dilawri Group for the same nominal consideration for which it was acquired.

The applicable Dilawri Tenant is the lead tenant for Dixie Auto Mall until July 2030. That Dilawri Tenant has provided a notice of termination to a Dixie Auto Mall sub-tenant that formerly operated a Honda dealership on the property. Dilawri has informed the REIT that the third party that operates a Kia dealership will move into the former Honda dealership location upon the completion of improvements under a long-term sub-lease. It is expected that the Dilawri Group’s Nissan dealership, in addition to its current location at Dixie Auto Mall, will utilize the existing Kia dealership location by the end of the second quarter of 2018. None of these changes affect the terms of the applicable Dilawri Lease.

Overall, at December 31, 2017, the REIT’s properties had a weighted average rental rate of $25.40 per square foot.

Property Portfolio Summary

As at December 31, 2017	Number of Properties	GLA (sq. ft.)	Average rental rate (per sq. ft.)[(1)]	Weighted Average Lease Term (yrs)
Greater Vancouver Area (GVA)	6	153,950	$36.96	14.9
Calgary	5	236,700	23.32	13.8
Regina	8	183,941	20.14	11.4
Greater Montréal Area (GMA)	4	189,993	20.88	16.0
Edmonton	5	104,073	34.86	13.4
Greater Toronto Area (GTA)	11	556,555	25.38	11.2
Total Portfolio	**39**	**1,425,212**	**$25.40**	**12.9**

As at December 31, 2016	Number of Properties	GLA (sq. ft.)	Average rental rate (per sq. ft.)[(1)]	Weighted Average Lease Term (yrs)
Greater Vancouver Area (GVA)	6	153,950	$36.39	15.9
Calgary	4	177,787	21.62	13.7
Regina	8	183,941	19.84	12.4
Greater Montréal Area (GMA)	3	173,292	16.60	16.6
Edmonton	1	44,779	34.00	16.0
Greater Toronto Area (GTA)	10	536,453	24.87	12.0
Total Portfolio	**32**	**1,270,202**	**$24.33**	**13.6**

(1) Based on 12-month rolling average.

Appendix "A" in this MD&A contains a list and description of the REIT's properties as at December 31, 2017.

Profile of the Dilawri Leases

The remaining terms of the Dilawri Leases range from 8.4 years to 19.0 years, with a weighted average lease term of approximately 13.3 years. As at December 31, 2017, the weighted average annual basic rent payable under the Dilawri Leases is approximately $25.08 per square foot. The basic annual rental rates of each of these leases increase by 1.5% each applicable lease year.

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, 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.

A full description of the material terms of the Dilawri Leases is contained in the REIT's AIF, which is available on SEDAR at www.sedar.com.

Profile of Other Leases

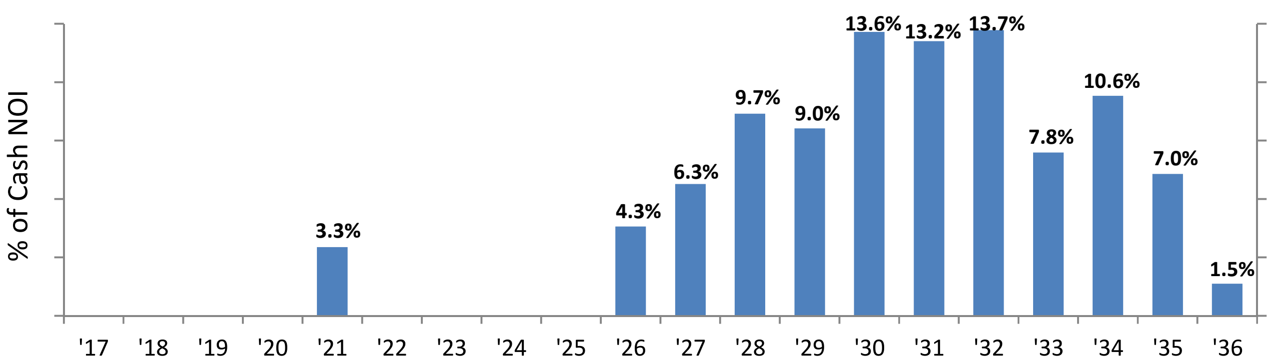
- In connection with the acquisition by the REIT of the Porsche JLR Edmonton Property, the tenants entered into a 17-year triple-net lease with the REIT, with annual rent escalations beginning at the end of the fifth year of the lease term (December 30, 2020). The tenant is controlled by the parent company operating as Go Auto, which indemnifies the dealerships' rental obligations.
- In connection with the acquisition by the REIT of the Pfaff Audi Property, the REIT assumed the triple-net lease on the property, which had a remaining lease term of approximately five years (March 31, 2021), following which there are two five-year renewal options available to the tenant. The tenant is controlled by the parent company operating as Pfaff, which indemnifies the dealership's rental obligations.
- In connection with the acquisition by the REIT of the Go Mazda Property, the tenants entered into a 17-year triple-net lease with the REIT, with annual rent escalations beginning at the end of the first year of the lease term. The tenant is controlled by the parent company operating as Go Auto, which indemnifies the dealership's rental obligations.
- In connection with the acquisition by the REIT of the Edmonton Portfolio, the REIT assumed the triple-net leases on the properties, which had a remaining lease term of approximately 10.6 years, with rent escalations effective July 2018 and July 2023. The tenants are controlled by the parent company operating as Go Auto, which indemnifies the dealerships' rental obligations.

Profile of Overall Lease Maturity

The remaining terms of the leases range from 3.3 years to 19.0 years, with a weighted average lease term of approximately 12.9 years.

With the exception of the Pfaff Audi Property, the lease portfolio matures between 2026 and 2036 as set out in the chart below:

Lease Maturity Profile (*)



(*) Based on a 12-month rolling average as at December 31, 2017.

Property Use and Brand Diversification

Sales for an individual automotive dealership are heavily influenced by the popularity of the automotive 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 automotive brand diversification contributes to the quality and stability of the REIT's cash flows. The table below sets out the breakdown of automotive brands that are marketed, retailed and serviced at the REIT's properties as at December 31, 2017:

Manufacturer / Brand	REIT Auto Dealership GLA (Sq. Feet)	% of REIT Auto Dealership GLA	% of REIT Auto Dealership Rent	No. of REIT Locations
Honda [(1)]	252,124	17.9%	17.5%	7
Audi	160,215	11.4%	11.3%	4
Porsche [(2)]	84,569	6.0%	9.3%	2
Acura [(1)]	93,829	6.7%	9.0%	4
BMW [(3)]	100,180	7.1%	5.9%	2
Volkswagen	84,957	6.0%	5.7%	3
Nissan	71,521	5.1%	5.6%	3
Other [(4)]	79,609	5.7%	5.6%	5
Mazda	81,352	5.8%	5.2%	4
Mercedes Benz	60,850	4.3%	4.2%	1
Infiniti	56,627	4.1%	4.1%	5
Hyundai	62,288	4.4%	3.7%	4
Toyota	72,478	5.3%	3.4%	2
General Motors	35,504	2.5%	2.8%	1
Ford	39,287	2.8%	2.7%	1
Chrysler [(5)]	40,957	2.9%	1.7%	1
Mitsubishi	14,750	1.0%	1.2%	2
Kia	13,890	1.0%	1.1%	1
Total	**1,404,987**	**100.0%**	**100.0%**	**52**

Notes:

(1) *Includes Honda Used Car and Regina Collision Centre. Regina Honda/Acura split 75% & 25% of 30,863 sq. ft.*

(2) *Includes Porsche JLR Edmonton.*

(3) *Includes MINI.*

(4) *Includes the Dilawri Distinctive Collection property in Calgary, which currently has franchise agreements with Aston Martin and Bentley. In addition, the Dilawri Distinctive Collection sells a variety of used vehicles, including Audi, BMW, Lamborghini, Maserati, McLaren and Mercedes-Benz. Also includes Porsche JLR Edmonton (Jaguar and Land-Rover dealership). Also includes the former Dilawri Acura property in Regina at 1921 1st Avenue which is being used for ancillary dealership purposes by both the Dilawri BMW and the Triple 7 Chrysler dealerships. It continues to be leased by a Dilawri Tenant under the same lease as Dilawri BMW. Also, includes the former Toyota dealership located in Dixie Auto Mall which has vacated its premises; however, the third party tenant is expected to use the existing site for ancillary dealership purposes. The formerly operated Honda dealership has vacated its premises in the Dixie Auto Mall and Dilawri has informed the REIT that a third party operated Kia dealership will move into the former Honda dealership location upon the completion of improvements, which are anticipated to occur in the second quarter of 2018, under a long-term sub-lease. The applicable Dilawri Tenant will continue to be the lead tenant for Dixie Auto Mall until July 2030. None of these changes affect the terms of the applicable Dilawri Lease. Also includes the newly acquired Kentwood Ford Property as part of the Edmonton Portfolio which serves as a vehicle service compound facility.*

(5) *Includes Dodge, FIAT, Jeep and RAM.*

Description of the REIT's Key Tenant

The following chart summarizes certain relevant financial information of the Dilawri Group for the twelve months ended December 31, 2017 with comparative figures for the last twelve months ended December 31, 2016 as provided to the REIT by Dilawri (all figures are approximations):

Dilawri Group's Financial Information (approximations)		
	December 31, 2017 LTM(3)	**December 31, 2016 LTM(3)**
Combined Revenues (not audited or reviewed)	$2.81 billion	$2.4 billion
EBITDA (not audited or reviewed)	$94.8 million	$72.8 million
Pro Forma Adjusted Rent Coverage Ratio (not audited or reviewed)	3.4 (1)	3.2 (2)
Term Debt (not audited or reviewed)	$163.5 million(1)	$150.5 million(2)
Term Debt to EBITDA Ratio (not audited or reviewed)	1.7(1)	2.1(2)

Notes:

(1) As at December 31, 2017.
(2) As at December 31, 2016.
(3) "LTM" means the last twelve months.

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 Measures

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. Dilawri 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.

References 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.

"Pro Forma Adjusted Rent Coverage Ratio" is calculated by Dilawri as EBITDA for the LTM plus rent paid by the Dilawri Group for the LTM to third parties and the REIT, less rent received from third parties. The resultant figure is divided by rent paid by the Dilawri Group for the LTM to third parties and the REIT, less rent received from third parties.

"Term Debt" is calculated by Dilawri as the Dilawri Group's total debt reflected in its non-consolidated combined financial statements 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 4 – KEY PERFORMANCE INDICATORS AND SELECTED ANNUAL FINANCIAL INFORMATION

Our performance in 2017, 2016, and the 163-day period from the closing of the REIT's IPO on July 22, 2015 to December 31, 2015 ("2015') were attributable to acquisitions. The acquisitions were the main contributing factors to the increase in rental revenue, NOI, Cash NOI, total assets, total liabilities, FFO, and AFFO. The REIT's performance is measured by management's selection of these and other key indicators. For further information on the REIT's operating measures and non-IFRS measures, please refer to Sections 5 and 6 of this MD&A.

Operating Results	Three Months Ended December 31,		Twelve Months Ended December 31,		
	2017	2016	**2017**	2016	2015
Rental revenue	**$10,856**	$9,127	**$41,803**	$34,274	$13,300
NOI	**9,188**	7,683	**35,452**	29,486	11,566
Cash NOI	**8,475**	7,043	**32,522**	26,772	10,410
Same Property Cash NOI	**7,034**	6,937	**25,947**	25,576	-
Net Income (Loss)	**6,594**	5,643	**26,249**	(5,387)	17,625
FFO	**6,228**	5,021	**25,110**	19,902	8,054
AFFO	**5,642**	4,596	**22,657**	17,627	6,875
Fair value adjustment to investment properties	**604**	99	**6,204**	5,316	(94)
Distributions per Unit	**$0.201**	$0.201	**$0.804**	$0.804	$0.357
Net Income (Loss) per Unit – basic (1)	**0.252**	0.258	**1.021**	(0.282)	0.976
Net Income (Loss) per Unit – diluted (2)	**0.251**	0.258	**1.018**	(0.282)	0.976
FFO per Unit - basic (3)	**0.238**	0.229	**0.976**	1.040	0.446
FFO per Unit - diluted (4)	**0.237**	0.229	**0.974**	1.040	0.446
AFFO per Unit - basic (3)	**0.216**	0.210	**0.881**	0.921	0.381
AFFO per Unit - diluted (4)	**0.215**	0.210	**0.879**	0.921	0.381
Weighted average Units – basic(5)	**26,149,053**	21,894,253	**25,717,724**	19,134,190	18,053,253
Weighted average Units – diluted (6)	**26,226,225**	21,897,998	**25,773,940**	19,135,140	18,053,253
Payout ratio (%)					
FFO	**84.8%**	87.8%	**82.5%**	77.3%	80.0%
AFFO	**93.5%**	95.7%	**91.5%**	87.3%	93.7%

Balance Sheet Metrics	**As at December 31, 2017**	As at December 31, 2016	As at December 31, 2015
Total assets	**$547,606**	$464,338	$393,839
Total liabilities	**377,395**	351,557	306,319
Units outstanding (includes Class B LP Units)	**26,149,253**	21,894,253	18,053,253
Market capitalization (includes Class B LP Units)	**$285,288**	$233,831	$148,939
Overall capitalization rate	**6.50%**	6.50%	6.50%
Fixed weighted average effective interest rate on debt (excludes revolving credit facilities) (7)	**3.35%**	3.15%	3.15%
Proportion of total debt at fixed interest rates through swaps and mortgages	**83%**	86%	95%
Weighted average interest rate swap term remaining (years)	**5.3**	5.0	6.3
Weighted average term to maturity of debt (excludes revolving credit facilities)	**3.6**	3.5	4.5
Interest Coverage Ratio	**3.8X**	3.4X	3.5X
Debt Service Coverage Ratio	**2.0X**	1.8X	2.1X
Debt to GBV	**48.5%**	51.5%	55.0%

(1) Net Income (Loss) per Unit – basic is calculated in accordance with IFRS by dividing the Net Income (Loss) by the amount of the weighted average number of outstanding REIT Units and Class B LP Units.
(2) Net Income (Loss) per Unit – diluted is calculated in accordance with IFRS by dividing the Net Income (Loss) by the amount of the weighted average number of outstanding REIT Units, Class B LP Units, DUs and IDUs (as defined below) granted to certain Trustees and management.
(3) FFO per Unit and AFFO per Unit – basic is calculated by dividing the total FFO and AFFO by the amount of the total weighted average number of outstanding REIT Units and Class B LP Units.
(4) FFO per Unit and AFFO per Unit – diluted is calculated by dividing the total FFO and AFFO by the amount of the total weighted average number of outstanding REIT Units, Class B LP Units, DUs and IDUs (as defined below) granted to certain Trustees and management.
(5) The weighted average number of outstanding Units basic - includes the Class B LP Units.
(6) The weighted average number of outstanding Units - diluted includes the Class B LP Units, DUs and IDUs.
(7) The fixed weighted average effective interest rate on debt is calculated on an annualized basis.

SECTION 5 – RESULTS OF OPERATIONS

Net Income (Loss) and Comprehensive Income (Loss)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2017	2016	Variance	**2017**	2016	Variance
Base rent	**$8,619**	$7,189	$1,430	**$33,098**	$27,348	$5,750
Property tax recoveries	**1,498**	1,274	224	**5,673**	4,110	1,563
Straight line rent adjustment	**739**	664	75	**3,032**	2,816	216
Rental Revenue	**10,856**	9,127	1,729	**41,803**	34,274	7,529
Property tax recoveries	**(1,498)**	(1,274)	(224)	**(5,673)**	(4,110)	(1,563)
Land leases	**(144)**	(144)	-	**(576)**	(576)	-
Straight line land lease adjustment	**(26)**	(26)	-	**(102)**	(102)	-
Property Costs	**(1,668)**	(1,444)	(224)	**(6,351)**	(4,788)	(1,563)
NOI	**9,188**	7,683	1,505	**35,452**	29,486	5,966
Other Income (Expenses)						
General and administrative expenses	**(842)**	(891)	49	**(2,525)**	(2,409)	(116)
Interest expense and other financing charges	**(2,118)**	(1,771)	(347)	**(7,817)**	(7,175)	(642)
Fair value adjustment on interest rate swaps	**761**	4,110	(3,349)	**5,205**	1,522	3,683
Distribution expense on Class B LP Units	**(1,997)**	(1,997)	-	**(7,988)**	(7,988)	-
Fair value adjustment on Class B LP Units, Deferred Units and Income Deferred Units	**998**	(1,590)	2,588	**(2,282)**	(24,139)	21,857
Fair value adjustment on investment properties	**604**	99	505	**6,204**	5,316	888
Net Income (Loss) and Comprehensive Income (Loss)	**$6,594**	$5,643	$951	**$26,249**	$(5,387)	$31,636

Rental 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 include recoverable realty taxes and straight line adjustments. Two of the 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 tax that have been paid by the REIT.

For Q4 2017, rental revenue of $10,856 was $1,729, or 18.9%, higher than Q4 2016, primarily due to the properties acquired subsequent to Q4 2016 and contractual annual base rent increases of 1.5% from the Dilawri Leases which were partially offset by the accounting of straight-line lease adjustments.

For 2017, rental revenue of $41,803 was $7,529, or 21.9%, higher than 2016, primarily due to the properties acquired subsequent to 2016 and contractual annual base rent increases of 1.5% from the Dilawri Leases which were partially offset by the accounting of straight-line lease adjustments.

Property costs of $1,668 and $6,351 for Q4 2017 and 2017, respectively, were $224 and $1,563 higher than Q4 2016 and 2016, respectively. The increases are attributable to the seven properties acquired subsequent to Q4 2016 and 2016.

Property costs as a percentage of rental revenue decreased from approximately 15.8% in Q4 2016 to approximately 15.4% in Q4 2017, primarily due to higher rental revenue from properties acquired subsequent to Q4 2016. For 2017, property costs as percentage of rental revenue increased from approximately 14.0% in 2016 to approximately to 15.2%, primarily due to an increase in realty tax payments in respect of the properties acquired subsequent to 2016. These costs are recoverable from the applicable tenants pursuant to the terms of the applicable triple-net leases.

General and Administrative Expenses

The REIT's general and administrative expenses consisted of: (i) outsourced costs, (ii) public entity costs, and (iii) unit-based compensation expense, Deferred Units ("DUs") and Income Deferred Units ("IDUs"). The outsourced costs are largely related to the services provided by Dilawri pursuant to the Administration Agreement. The REIT will reimburse Dilawri for costs incurred in connection with the provision of such 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 REIT paid to Dilawri $256 and $995 in respect of services provided in Q4 2017 and 2017, respectively (Q4 2016 – $211 and 2016 – $771).

The Administration Agreement costs for Q4 2017 and 2017 were $45 and $224 higher than Q4 2016 and 2016, respectively, primarily due to the use of internal resources within Dilawri rather than external professional services, as well as additional rent costs incurred as result of separating offices from Dilawri on August 1, 2017.

The public entity costs reflect the expenses related to ongoing operations of the REIT, including professional fees for legal and audit services and fees payable to members of the REIT's Board of Trustees (the "Board"). For Q4 2017 and 2017, public entity costs were $7 and $146 lower than Q4 2016 and 2016, respectively. The changes were due to a decrease in external professional services being provided and all independent Trustees electing to receive board and committee fees in the form of DUs in lieu of cash payments. Public entity costs will fluctuate from quarter to quarter depending on when such expenses are incurred.

The non-cash unit-based compensation expense related to the adoption and approval of an Equity Incentive Plan (the "Plan") on June 8, 2016. Each DU receives a distribution of additional IDUs equal to the amount of distributions paid per REIT Unit by the REIT. Under the Plan, the fair value of the DUs and IDUs is recognized as compensation expense over the vesting period. The deferred unit liability is adjusted to reflect the change in their fair value at each reporting period with the changes in fair value recognized as compensation expense. Under the Plan, the Chief Executive Officer and the Chief Financial Officer will be eligible to receive a short-term incentive with a target of 50% and 40% of base salary up to a maximum of 75% and 60%, respectively, which will be payable in fully-vested DUs. In addition, the Chief Executive Officer and the Chief Financial Officer will be eligible to receive a long-term incentive grant of DUs of up to 50% and 40%, respectively, of base salary. For Q4 2017 and 2017, the REIT accrued short-term incentive awards of $69 and $270, respectively, which will be settled by the granting of DUs.

As at December 31, 2017, all independent Trustees elected to receive board and committee fees in the form of DUs. The fair value of each DU granted is measured based on the volume-weighted average trading price of the REIT Units for the five trading days immediately preceding the grant date. The REIT incurred an expense of $58 and $207 reflecting the grant of 4,788 and 16,879 DUs and IDUs granted in Q4 2017 and 2017, respectively.

The table below illustrates the breakdown of general and administrative expenses incurred in Q4 2017 and 2017 as compared to Q4 2016 and 2016:

	Q4 2017	Q4 2016	Variance	**2017**	2016	Variance
Administration Agreement	**$256**	$211	$45	**$995**	$771	$224
Public entity costs and other	**459**	466	(7)	**1,053**	1,199	(146)
Trustees, DUs and IDUs expense	**58**	39	19	**207**	79	128
Management short term compensation expense	**69**	175	(106)	**270**	360	(90)
General and administrative expenses	**$842**	$891	$(49)	**$2,525**	$2,409	$116

Interest Expense and Other Financing Charges

Interest expense includes amounts payable to lenders under the REIT's Credit Facilities and Mortgages (each as defined in Section 7 "Liquidity and Capital Resources" below), as well as amortization of upfront costs and costs to hedge the applicable Credit Facilities and Mortgages at fixed rates.

The interest expense and other financing charges were $2,118 and $7,817 for Q4 2017 and 2017, respectively, a $347 and $642 increase from Q4 2016 and 2016, respectively, primarily due to additional debt incurred to acquire properties subsequent to 2016.

On June 26, 2017, the REIT placed a $10,000 mortgage on one of its recently-acquired automotive dealership properties. The mortgage has a term of ten years, maturing June 2027, and a fixed interest rate of 3.72% with a 25-year amortization. In addition, the REIT increased the amount available to be drawn under Facility 2 from $55,744 to $68,744 and extended its term from July 2020 to June 2022. The interest rate of 3.37% in respect of the additional $13,000 has been fixed through an interest rate swap for a seven-year period. The REIT also extended the maturity of two of its interest rate swaps: an interest rate swap in the amount of approximately $14,600 in respect of Facility 2 was extended from July 2018 to July 2026 and an interest rate swap in the amount of approximately $27,800 in respect of Facility 1 was extended from July 2018 to July 2023 (see Section 7 "Liquidity and Capital Resources" in this MD&A).

On December 1, 2017, the REIT increased the amount available to be drawn under Facility 2 by $9,679 to $77,086 bearing interest at the BA rate plus 150 bps or Prime plus 25 bps. In addition, on December 18, 2017, the REIT put in place a new non-revolving loan in the amount of $20,000 and replaced its existing $14,600 revolving credit facility, maturing in October 2019, with a new $14,000 revolving credit facility, both bearing interest at the BA rate plus 150 bps or Prime plus 50 bps, maturing in December 2022.

As a result of the above, the weighted average effective interest rate on the REIT's debt was fixed at 3.35% as at December 31, 2017 (December 31, 2016 - 3.15%).

In January 2018, the REIT entered into two new floating-to-fixed 10-year term interest rate swaps for the newly placed debt of $9,679 and $20,000 in respect of Facility 2 and Facility 3, respectively. As of the date of this MD&A, the weighted average effective interest rate on the REIT's debt is fixed at 3.44%.

Changes in Fair Values of Investment Properties

As at	**December 31, 2017**	December 31, 2016
Balance, beginning of period	**$461,809**	$389,650
Acquisitions during the period	**72,192**	64,129
Fair value adjustment on investment properties	**6,204**	5,316
Straight-line rent	**2,930**	2,714
Balance, end of period	**$543,135**	$461,809

The REIT valued the investment properties using a discounted cash flow approach whereby a current discount rate was applied to the projected net operating income which a property can reasonably be expected to produce in the future. The REIT's valuation inputs are supported by quarterly market reports from an independent appraiser which indicate a decrease in capitalization rates in the Vancouver and Alberta markets which were partially offset by a capitalization rate increase for the Regina market from December 31, 2016. The overall capitalization rate applicable to the entire portfolio remained at 6.5%, which is equivalent to the REIT's overall assessment as at December 31, 2016.

In accordance with the REIT's valuation policy, an independent appraiser is engaged to prepare valuations on a portion of the portfolio annually, such that the entire portfolio is appraised at least once every three years. In addition, any investment property which represents greater than 15% of the overall portfolio value is appraised annually.

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 $21,745 or ($20,133), respectively.

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

The Class B LP Units and the interest rate hedges (see Section 7 “Liquidity and Capital Resources” in this MD&A) are required to be presented under relevant accounting standards at fair value on the balance sheet. The resulting changes in these items are recorded in net income (loss) and comprehensive income (loss).

The REIT entered into interest rate swaps on August 7, 2015, December 30, 2015 and June 26, 2017 to limit its exposure to fluctuations in the interest rates on variable rate financings for Facility 1 and Facility 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 income (loss) and comprehensive income (loss).

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 the net income and comprehensive income. 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.

The contribution to net income for Q4 2017 and 2017 is primarily attributable to an increase of interest rate levels in Q4 2017 which resulted in a fair value adjustment for interest rate swaps of $761 (Q4 2016 – $4,110) and $5,205 (2016 – $1,522), respectively.

SECTION 6 – NON-IFRS FINANCIAL MEASURES

FFO, AFFO, Cash NOI and ACFO

In Q4 2017, FFO increased 24.0% to $6,228, compared to $5,021 in Q4 2016 and FFO per Unit was $0.237 in Q4 2017, compared to $0.229 per Unit in Q4 2016. The increases were primarily due to the properties acquired subsequent to Q4 2016.

FFO for 2017 increased 26.2% to $25,110, compared to $19,902 in 2016, primarily due to the properties acquired subsequent to 2016. FFO per Unit was $0.879 in 2017, compared to $0.921 in 2016. The per Unit decline was attributable to the dilutive effect of the Equity Offering, which resulted in a lower Debt to GBV of 48.5%, which provides the REIT with capacity to acquire approximately $65,000 of additional properties in the future.

AFFO increased 22.8% to $5,642 in Q4 2017, compared to $4,596 in Q4 2016. AFFO for 2017 increased 28.5% to $22,657, compared to $17,627 in 2016. The increased AFFO in both Q4 2017 and 2017 was primarily attributable to the properties acquired subsequent to Q4 2016 and 2016. AFFO per Unit was $0.215 and $0.879 in Q4 2017 and 2017, respectively, compared to $0.210 and $0.921 in Q4 2016 and 2016, respectively. The AFFO per Unit in Q4 2017 was higher compared to Q4 2016 due to the properties acquired subsequent to Q4 2016. The decline in AFFO per Unit in 2017 was attributable to the Equity Offering as described above.

Cash NOI in Q4 2017 was $8,475 on $10,856 of revenue (Q4 2016 – Cash NOI of $7,043 on revenue of $9,127), and Cash NOI in 2017 was $32,522 on $41,803 of revenue (2016 – Cash NOI of $26,772 on revenue of $34,274). The increase in Cash NOI in both Q4 2017 and 2017 was primarily attributable to the properties acquired subsequent to Q4 2016 and 2016.

ACFO in Q4 2017 and 2017 increased to $5,876 and $22,630, respectively, compared to $4,793 in Q4 2016 and $17,973 in 2016, respectively, primarily due to the impact of the properties acquired subsequent to Q4 2016 and 2016.

For Q4 2017 and 2017, the REIT declared distributions to Unitholders of $5,256, or $0.201 per Unit, and $20,740, or $0.804 per Unit, respectively, which resulted in an AFFO payout ratio of 93.5% in Q4 2017 (Q4 2016 – 95.7%) and 91.5% in 2017 (2016 – 87.3%). The lower AFFO payout ratio in Q4 2017 was attributable to the properties acquired subsequent to Q4 2016. The AFFO payout ratio in 2017 was higher as a result of the financial deleveraging resulting from the Equity Offering as described above.

Reconciliation of NOI, Cash NOI, FFO and AFFO to Net Income and Comprehensive Income

The REIT uses the following non-IFRS key performance indicators: NOI, Cash NOI, FFO, AFFO, FFO payout ratio 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. These measures and ratios do not have a standardized meaning prescribed by IFRS and therefore 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 (see "Non-IFRS Financial Measures" in this section of the MD&A). To date, the REIT has not incurred any capital expenditure costs. The REIT's leases specifically state that the tenant is fully responsible for all maintenance capital costs and the REIT has no obligation and hence no maintenance capital reserve or amount is required to be deducted in arriving at AFFO. The Q4 2016 and 2016 FFO and AFFO figures have been adjusted to conform to current period presentation.

The calculations of these measures and the reconciliation to net income and comprehensive income are set out in the following table:

($000s, except per Unit amounts)	Three Months Ended December 31, 2017	2016	Variance	Twelve Months Ended December 31, 2017	2016	Variance
Calculation of NOI						
Property revenue	**$10,856**	$9,127	$1,729	**$41,803**	$34,274	$7,529
Property costs	**(1,668)**	(1,444)	(224)	**(6,351)**	(4,788)	(1,563)
NOI (including straight-line adjustments)	**9,188**	7,683	1,505	**35,452**	29,486	5,966
Adjustments:						
Straight-line adjustment (rent and land lease)	**(713)**	(640)	(73)	**(2,930)**	(2,714)	(216)
Cash NOI	**$8,475**	$7,043	$1,432	**$32,522**	$26,772	$5,750
Reconciliation of net income to FFO and AFFO						
Net income (loss) and comprehensive income (loss)	**6,594**	5,643	951	**26,249**	(5,387)	31,636
Adjustments:						
Change in fair value – Interest rate swaps	**(761)**	(4,110)	3,349	**(5,205)**	(1,522)	(3,683)
Distributions on Class B LP Units	**1,997**	1,997	-	**7,988**	7,988	-
Change in fair value – Class B LP Units and Deferred Units	**(998)**	1,590	(2,588)	**2,282**	24,139	(21,857)
Change in fair value – investment properties	**(604)**	(99)	(505)	**(6,204)**	(5,316)	(888)
FFO	**$6,228**	$5,021	$1,207	**$25,110**	$19,902	$5,208
Adjustments:						
Straight-line adjustment (rent and land lease)	**(713)**	(640)	(73)	**(2,930)**	(2,714)	(216)
Non-cash unit-based compensation expense(1)	**127**	215	(88)	**477**	439	38
AFFO	**$5,642**	$4,596	$1,046	**$22,657**	$17,627	$5,030
Number of Units outstanding (including Class B LP Units)	**26,149,253**	21,894,253	4,255,000	**26,149,253**	21,894,253	4,255,000
Weighted average Units Outstanding – basic	**26,149,053**	21,894,253	4,254,800	**25,717,724**	19,134,190	6,583,534
Weighted average Units Outstanding – diluted	**26,226,225**	21,897,998	4,328,227	**25,773,940**	19,135,140	6,638,800
FFO per Unit - basic(2)	**$0.238**	$0.229	$0.009	**$0.976**	$1.040	$(0.064)
FFO per Unit - diluted(3)	**$0.237**	$0.229	$0.008	**$0.974**	$1.040	$(0.066)
AFFO per Unit - basic(2)	**$0.216**	$0.210	$0.006	**$0.881**	$0.921	$(0.040)
AFFO per Unit - diluted(3)	**$0.215**	$0.210	$0.005	**$0.879**	$0.921	$(0.042)
Distributions per Unit	**$0.201**	$0.201	$-	**$0.804**	$0.804	$-
FFO payout ratio	**84.8%**	87.8%	(3.0%)	**82.5%**	77.3%	5.2%
AFFO payout ratio	**93.5%**	95.7%	(2.2%)	**91.5%**	87.3%	4.2%

(1) The REIT incurred an expense of $127 and $477 relating to 5,409 and 51,660 of DUs and IDUs granted and vested during Q4 2017 and 2017, respectively. The DUs and IDUs granted were included in the basic weighted average number of outstanding REIT Units and Class B LP Units.

(2) The FFO and AFFO per Unit – basic is calculated by dividing the total FFO and AFFO by the amount of the total weighted-average number of outstanding REIT Units and Class B LP Units.

(3) The FFO and AFFO per Unit – diluted is calculated by dividing the total FFO and AFFO by the amount of the total weighted-average number of outstanding REIT Units, Class B LP Units, DUs and IDUs granted to certain independent Trustees and management.

Same Property Net Operating Income and Cash Net Operating Income

	Three Months Ended December 31, 2017	2016	Variance	Twelve Months Ended December 31, 2017	2016	Variance
Base rental revenue	**$7,178**	7,081	$97	**$26,523**	$26,152	$371
Straight line rent adjustments	**553**	650	(97)	**2,318**	2,689	(371)
Property tax	**1,269**	1,247	22	**4,472**	3,952	520
Rental Revenue	**9,000**	8,978	22	**33,313**	32,793	520
Straight line land lease adjustments	**(26)**	(26)	-	**(102)**	(102)	-
Property tax	**(1,269)**	(1,247)	(22)	**(4,472)**	(3,952)	(520)
Land lease expense	**(144)**	(144)	-	**(576)**	(576)	-
Property Costs	**(1,439)**	(1,417)	(22)	**(5,150)**	(4,630)	(520)
Same Property NOI	**$7,561**	$7,561	-	**$28,163**	$28,163	-
Straight line adjustments	**(527)**	(624)	97	**(2,216)**	(2,587)	371
Same Property Cash NOI	**7,034**	6,937	97	**25,947**	25,576	371

Same Property NOI consists of base rental revenue, which for Q4 2017 and 2017 increased by $97 and $371 compared to Q4 2016 and 2016, respectively, primarily due to annual contractual rent increases of 1.5% per year in respect of the Dilawri Leases which were offset by a decrease in straight-line rent adjustments of $97 and $371 for the same periods. Same Property Cash NOI increased by $97 and $371 in Q4 2017 and 2017, compared to Q4 2016 and 2016, respectively, primarily due to annual contractual rent increases of 1.5% per year in respect of the Dilawri Leases.

Reconciliation of ACFO to Cash Flow from Operating Activities

The REIT calculates its ACFO in accordance with the Real Property Association of Canada's *White Paper on Adjusted Cash Flow from Operations* (ACFO) *for IFRS* issued in February 2017. The REIT believes that ACFO provides useful supplemental information to both management and investors in measuring the financial performance and financial condition of the REIT. ACFO does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures utilized by other publicly traded real estate investment trusts, and should not be considered as an alternative to other financial measures determined in accordance with IFRS (see "Non-IFRS Financial Measures" in this section of the MD&A). To date, the REIT has not incurred any capital expenditure costs. The REIT's leases specifically state that the tenant is fully responsible for all maintenance capital costs and the REIT has no obligation and hence no maintenance capital reserve or amount is required to be deducted in arriving at ACFO. The calculation of ACFO and the reconciliation to cash flow from operating activities is set out in the table below:

($000s)	**Three Months Ended December 31, 2017**	2016	Variance	**Twelve Months Ended December 31, 2017**	2016	Variance
Cash flow from operating activities	**$8,759**	$7,072	$1,687	**$30,482**	$24,072	$ 6,410
Change in non-cash operating working capital	**(746)**	(489)	(257)	**39**	1,149	(1,110)
Interest paid	**(2,007)**	(1,680)	(327)	**(7,463)**	(6,924)	(539)
Amortization of financing fees	**(92)**	(70)	(22)	**(280)**	(201)	(79)
Amortization of indemnification fees	**(19)**	(19)	-	**(74)**	(73)	(1)
Net interest expense and other financing charges in excess of interest paid	**(19)**	(21)	2	**(74)**	(50)	(24)
ACFO	**$5,876**	4,793	$1,083	**$22,630**	$17,973	4,657
ACFO payout ratio	**89.5%**	91.8%	(2.3%)	**90.4%**	85.1%	5.3%

The ACFO payout ratio was 89.5% in Q4 2017 (Q4 2016 – 91.8%) and 90.4% in 2017 (2016 – 85.1%). The ACFO payout ratio in respect of Q4 2017 as compared to Q4 2016 was lower due to the properties acquired subsequent to Q4 2016. The ACFO payout ratio for 2017 as compared to 2016 was higher as a result of the Equity Offering as described above.

SECTION 7 – LIQUIDITY AND CAPITAL RESOURCES

Capital Structure

Debt [6]	Term (yrs)	Hedged Term (yrs)	Interest Rate	Payments & Interest/Amortization	Effective Interest Rate (fixed)	Outstanding as at December 31, 2017	Outstanding as at December 31, 2016
	Key Terms						
Facility 1	[1]	2.8 to 7.8	BA + 150 bps, Prime +25 bps	[1]	3.29%	**$ 135,804**	$ 141,485
Facility 2	4.4 [2]	2.8 to 8.7	BA + 150 bps, Prime +25 bps	[2]	3.35%	**80,086**	64,436
Facility 3	5 [3]	n/a	BA + 150 bps, Prime +50 bps	[3]	n/a	**20,000**	12,950
Mortgages	1.0 to 9.4	n/a	Fixed 3.22% to 3.72 %	P&I, 20 yrs and 25yrs	3.51%	**29,441**	20,328
						$ 265,331	**$ 239,199**
Financing fees						**(1,013)**	(658)
Weighted Average /Total	**3.6**	**5.3**			**3.35%**	**$ 264,318**	**$ 238,541**

Cash Balance	**$227**	$257

Key Financing Metrics and Debt Covenants[4],[7]	Debt Covenant	Declaration of Trust[5]	**As at December 31, 2017**	**As at December 31, 2016**
Interest coverage	-	-	**3.8**	3.4
Debt to GBV	<65% [6]	<65%[6]	**48.5%**	51.5%
Unitholders' Equity (including Class B LP Units, DUs and IDUs)	>$120,000	-	**$279,228**	218,947
Debt Service Coverage	>1.35	-	**2.0**	1.8
AFFO payout ratio	<100%	-	**91.5%**	87.4%

(1) $108,754 of this facility matures July 2020, $13,800 of this facility matures December 2020 and the revolving facility matures July 2018.
(2) Facility 2 and the associated revolving facility matures June 2022.
(3) On December 18, 2017, the REIT secured a new non-revolving loan in the amount of $20,000 and replaced the existing $14,600 revolving facility with a new $14,000 revolving facility, both maturing in December 2022.
(4) The calculations of these ratios, which are non-IFRS measures, are set out under "Financing Metrics and Debt Covenants" below.
(5) 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 AIF. Management believes that the REIT is in compliance with these operating covenants.
(6) Including convertible debentures. Excluding convertible debentures, the maximum ratio is 60%.
(7) The debt agreements for Facility 1, Facility 2 and Facility 3 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 the debt agreement covenants for Facility1, Facility 2, Facility 3 and the Mortgages.

In order to maintain or adjust its capital structure, the REIT may increase or decrease the amount of distributions paid to Unitholders, issue new REIT 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 repayments are as follows:

2018	23,835
2019	22,499
2020	116,729
2021	10,544
2022	83,182
Thereafter	8,542
Total	**$265,331**

See details below regarding the Credit Facilities, Mortgages and remaining expected terms to maturity of the interest rate swaps.

Management believes that the REIT's liquidity position as at December 31, 2017, which includes approximately $27,000 of undrawn credit facilities and cash on hand of $227, is sufficient to carry out its obligations, discharge liabilities as they come due and fund distributions to Unitholders.

Capital requirements in the next two years are low, given that there is only one Mortgage in the amount of approximately $12,300 maturing in February 2019 and no maintenance capital expenditure costs are expected to be incurred since the REIT's leases specifically state that the tenant is fully responsible for all maintenance capital costs.

The Mazda Des Sources Property and the Edmonton Portfolio are unencumbered and are able to be used as security for future financing requirements.

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. As at December 31, 2017, the REIT's Debt to GBV ratio was 48.5% (2016 – 51.5%). The reduction is attributable to the repayment of outstanding debt under the REIT's revolving credit facilities from the net proceeds of the Equity Offering. 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 to ensure appropriate debt management strategies are implemented.

Pursuant to the 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.

Secured Credit Facilities

The credit facilities described below (the "Credit Facilities") and mortgages described below (the "Mortgages") with Canadian Schedule 1 banks are secured by the REIT's investment properties, except for the Edmonton Portfolio and the Mazda Des Sources Property.

Facility 1

A non-revolving loan in the amount $108,754 (December 31, 2016 – $113,535) bearing interest at the bankers' acceptance ("BA") rate plus 150 basis points (bps) or Canadian prime rate ("Prime") plus 25 bps, maturing in July 2020, at which point it will become a demand loan. The principal is repayable in equal quarterly payments, 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. In June 2017, the REIT extended the maturity of one of its interest rate swaps in the amount of approximately $27,800 from July 2018 to July 2023, which resulted in a weighted average effective interest rate of 3.31%. All other terms of the interest rate swaps remain unchanged.

A non-revolving loan in the amount of $13,800 (December 31, 2016 – $14,400) bearing interest at the BA rate plus 150 bps or Prime plus 25 bps, maturing in December 2020, at which point it will become a demand loan. The principal is repayable in equal quarterly payments, 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%.

A revolving credit facility in the amount of $15,000 bearing interest at Prime plus 25 bps or BA rate plus 150 bps, maturing in July 2018, of which $13,250 was drawn as at December 31, 2017 (December 31, 2016 – $13,550) and of which $753 was secured for the issuance of irrevocable Letters of Credit (the "LC's'') on October 25, 2017.

Facility 2

A non-revolving loan in the amount of $77,086 (December 31, 2016 – $56,936) bearing interest at the BA rate plus 150 bps or Prime plus 25 bps, 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. In June 2017, the REIT extended the maturity of Facility 2 from July 2020 to June 2022, at which point it will become a demand loan. In addition, the REIT extended one of its interest rate swaps in the amount of approximately $14,600 from July 2018 to July 2026 and entered into a new floating-to-fixed interest rate swap in the amount of $13,000 for a term of 7 years. On December 1, 2017, the REIT secured a new $9,679 non-revolving loan to Facility 2 bearing interest at the BA rate plus 150 bps or Prime plus 25 bps. All the above resulted in a weighted average effective interest rate of 3.35%. All other terms of the interest rate swaps remain unchanged.

A revolving credit facility in the amount of $15,000 bearing interest at Prime plus 25 bps or BA rate plus 150 bps, maturing in June 2022, of which $3,000 was drawn as at December 31, 2017 (December 31, 2016 – $7,500).

Facility 3

On December 18, 2017, the REIT secured a new non-revolving loan in the amount of $20,000 and a new revolving credit facility in the amount of $14,000, both bearing interest at the BA rate plus 150 bps or Prime plus 50 bps, maturing in December 2022 (which replaced the existing $14,600 revolving credit facility, maturing in October 2019).

As at December 31, 2017, the revolving credit facility had a balance of $nil (December 31, 2016 – $12,950).

Mortgages

The Mortgages have interest rates that range from 3.22% to 3.72% and have maturity dates that range from February 2019 to June 2027. As at September 30, 2017, the weighted average interest rate of the Mortgages was 3.51% (December 31, 2016 – 3.40%).

Financing Fees

During 2017, the REIT incurred financing fees of $636 (December 31, 2016 – $273). The amounts are accounted for using the effective interest method; $1,013 remains unamortized at December 31, 2017 (December 31, 2016 – $658).

Interest Rate Swap Arrangements

The REIT initially entered into interest rate derivative contracts on August 7, 2015 and December 30, 2015 to limit its exposure to fluctuations in the interest rates payable on its variable rate financings under Facility 1 and Facility 2. Gains or losses arising from changes in the fair value of the interest rate derivative contracts are recognized in the consolidated statements of income (loss) and comprehensive income (loss). In June 2017, the REIT extended the maturity of two of its interest rate swaps: an interest rate swap in the amount of approximately $14,600 in respect of Facility 2 has been extended from July 2018 to July 2026 and an interest rate swap in the amount of approximately $27,800 in respect of Facility 1 has been extended from July 2018 to July 2023, and the REIT entered into a new interest rate swap for a seven-year period in the amount of $13,000 in respect of Facility 2.

The following table sets out the combined borrowings under Facility 1 and Facility 2, and the remaining expected term to maturity of the related interest rate swaps as at December 31, 2017:

Remaining Term (yrs)	Amount ($000s)	Total Swapped Fixed Rate Debt (%)
2.5	38,763	20.4
4.5	41,523	21.9
4.9	13,800	7.3
5.5	27,189	14.3
6.4	12,809	6.7
7.5	41,576	21.9
8.4	14,301	7.5
5.3	**189,961**	**100.0**

As at December 31, 2017, the notional principal amount of the interest rate swaps was approximately $190,000 (December 31, 2016 – $185,000) and the fair value adjustment of the interest rate swaps for Q4 2017 was $761 (Q4 2016 – $4,110) and $5,205 for 2017 (2016 – $1,522). The fair value adjustment resulted in an asset balance of $2,555 (December 31, 2016 – liability balance of $2,650).

In January 2018, the REIT entered into two new floating-to-fixed interest rate swaps for the newly placed debt of $9,679 and $20,000 for Facility 2 and Facility 3, respectively. The weighted average interest rate for the two swaps is 4.03% with a term of 10 years effective February 1, 2018. As of the date of this MD&A, the remaining term to maturity of the interest rate swaps is 5.8 years.

Unitholders' Equity (including Class B LP Units)

Unitholders' equity consists of two classes of Units described below:

REIT Units

The REIT is authorized to issue an unlimited number of REIT Units.

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 holders of REIT Units) 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 equally among themselves without discrimination, preference or priority and entitle the holder thereof to receive notice of, to attend and to one vote at all meetings of holders of REIT Units and holders of Special Voting Units (as defined below) or in respect of any written resolution thereof.

Holders of REIT Units 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, holders of REIT Units 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. 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 REIT Units, except for Dilawri as set out in the Exchange Agreement entered into on closing of the IPO 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.

The Dilawri Group waived its pre-emptive right to acquire REIT Units in connection with the Equity Offering.

As at December 31, 2017, the total number of the REIT Units outstanding was 16,216,000.

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. The Class B LP Units are economically equivalent to REIT Units, and are exchangeable at the option of the holder for REIT Units (subject to certain anti-dilution adjustments), are accompanied by a special voting unit (a "Special Voting Unit") (which provides the holder with that number of votes at any meeting of holders of REIT Units 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), and will receive distributions of cash from the Partnership equal to the distributions to which a holder of the number of REIT Units that may be obtained upon the exchange of the Class B LP Unit 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.

As at December 31, 2017, the total number of the Class B LP Units outstanding was 9,933,253.

Deferred Units

On June 8, 2016, the Unitholders approved the adoption of the Plan. Under the Plan, DUs may be granted to Trustees, officers and employees of the REIT on a discretionary basis by the REIT's Governance, Compensation and Nominating Committee. The maximum number of REIT Units available for issuance under the Plan is 500,000. Each DU is economically equivalent to one REIT Unit, however, under no circumstances shall DUs be considered REIT Units nor entitle a participant to any rights as a Unitholder, including, without limitation, voting rights or rights on liquidation. Each DU shall receive a distribution of additional IDUs equal to the amount of distributions paid per REIT Unit by the REIT on its REIT Units. Upon vesting of the DUs and IDUs, a participant may elect, prior to the expiry of such DU or IDU, to exchange such vested DUs and IDUs (subject to satisfaction of any applicable withholding taxes) whereby the REIT will issue to the participant an equal number of REIT Units in exchange for the DUs and IDUs. The holder of such DUs and IDUs cannot settle such DUs and IDUs for cash.

A total of 74,846 DUs and IDUs were granted in 2017, of which 23,186 DUs and IDUs will accounted for in accordance with their vesting schedule. As at December 31, 2017, the total number of DUs and IDUs granted was 82,274 of which 59,088 were outstanding and fully vested.

Distributions

Holders of REIT Units 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, holders of REIT Units 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. 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 REIT Units, except for Dilawri as set out in 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 holders of REIT Units, the Board applies discretionary judgment to forward-looking earnings performance, 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 earnings performance) and other factors when establishing cash distributions to holders of REIT Units.

Approximately, 62.7% of the monthly cash distributions made by the REIT to REIT Unitholders in 2017 were from a return of capital (2016 – 65.2%).

Financing Metrics and Debt Covenants

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

Calculations of financial metrics and debt covenants		**As at December 31, 2017**	**As at December 31, 2016**
Net Asset Value			
Investment properties, IFRS value		$543,135	$461,809
Cash, prepaid and other assets		4,471	2,529
Accounts payable and accrued liabilities		(4,060)	(4,200)
Credit Facilities, Mortgages and interest rate swaps		(264,318)	(241,191)
Total Net Asset Value		**$279,228**	**$218,947**
REIT Units and Class B LP Units outstanding (thousands)		26,149	21,894
Debt to GBV		**As at December 31, 2017**	**As at December 31, 2016**
Indebtedness outstanding :			
Credit Facilities (excludes deferred financing costs)	**A**	$265,331	$239,199
Gross Book Value			
Total assets	**B**	547,606	464,338
Debt to GBV [(1)]	**(A/B) X 100**	**48.5%**	**51.5%**
Unitholders' Equity & Class B LP Units* & *DUs & IDUs			
Unitholders' Equity		$170,211	$112,781
Value of DUs & IDUs		645	79
Value of Class B LP Units		108,372	106,087
Total Unitholders' Equity & Class B LP Units & DUs & IDUs		**279,228**	**218,947**

Calculations of financial metrics and debt covenants					
Interest coverage		**Q4 2017**	**Q4 2016**	**2017**	**2016**
Cash NOI		$8,475	$7,043	$32,522	$26,772
General and administrative expenses		(842)	(891)	(2,525)	(2,409)
Income before interest expense and fair value adjustments	**C**	7,633	6,152	29,997	24,363
Interest expense and other financing charges	**D**	2,118	1,771	7,817	7,175
Interest Coverage Ratio [(2)]	**C/D**	**3.6X**	**3.5X**	**3.8X**	**3.4X**
Debt Service Coverage					
Consolidated net income (loss)		$6,594	$5,643	$26,249	$(5,387)
Interest expense and other financing charges		2,118	1,771	7,817	7,175
Distribution expense on Class B LP Units		1,997	1,997	7,988	7,988
Amortization of indemnity fee		19	18	74	73
Fair value adjustments, net		(2,363)	(2,619)	(9,127)	17,301
EBITDA	**E**	8,365	6,810	33,001	27,150
Principal payments on debt		2,297	2,122	8,796	8,214
Interest payments on debt (excludes bank charges)		2,003	1,662	7,466	6,936
Debt Service	**F**	4,300	3,784	16,262	15,150
Debt Service Ratio [(3)]	**E/F**	**1.9 X**	**1.8 X**	**2.0 X**	**1.8 X**

AFFO payout ratio				
AFFO	5,642	4,596	22,657	17,627
Distributions on REIT Units	3,259	2,404	12,752	7,558
Distributions on Class B LP Units	1,997	1,997	7,988	7,988
AFFO payout ratio (4)	**93.5%**	**95.7%**	**91.5%**	**87.3%**

(1) The Debt to GBV ratio as at December 31, 2017 decreased as compared to December 31, 2016, primarily due to the net proceeds from the Equity Offering which were used to pay down certain of the revolving credit facilities.

(2) The Interest Coverage Ratio for Q4 2017 and 2017 increased over the same periods in the previous year due to the increase in Cash NOI from the properties acquired subsequent to Q4 2016.

(3) The Debt Service Ratio for Q4 2017 and 2017 is higher than the same periods in the previous year, primarily due to the repayment of certain outstanding indebtedness under the revolving credit facilities.

(4) The AFFO payout ratio is calculated as distributions per Unit divided by the AFFO per Unit - diluted.

SECTION 8 – RELATED PARTY TRANSACTIONS

The REIT's largest Unitholder and lead tenant is the Dilawri Group, which as at December 31, 2017, held an approximate 38% effective interest in the REIT on a fully diluted basis, through its 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 and in accordance with the Related Party Transaction Policy adopted by the Board and the Declaration of Trust.

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 the time of closing of the IPO (amortizable over the term of the leases).

On October 24, 2017, Dilawri paid the REIT $896 in respect of the recoverable land transfer tax associated with the acquisition of the Initial Properties. The REIT subsequently issued LC's to the land transfer tax authority in the amount of approximately $753 to defer the land transfer tax, on behalf of specific members of the Dilawri Group that sold certain of the Initial Properties to the REIT in connection with the IPO. If the Dilawri Group continues to hold all of the 9,933,253 issued and outstanding Class B LP Units for 3 years subsequent to the IPO, the LC's are expected to be released.

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.

Effective July 1, 2016, subject to the provisions above, Dilawri provided these services to the REIT on a cost-recovery basis, reflecting Dilawri's actual costs in providing such services. 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 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, the REIT's independent Trustees 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 $256 and $995 for Q4 2017 and 2017, respectively (Q4 2016 – $211, 2016 – $771), paid by the REIT to Dilawri pursuant to the Administration Agreement.

Strategic Alliance Agreement

In connection with the IPO, the REIT and Dilawri 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.

The purchase price in respect of a REIT-Suitable Property will be mutually agreed by the REIT and Dilawri at the applicable time and supported by an independent appraisal report. Pursuant to the Strategic Alliance Agreement, the REIT acquired the following investment properties in 2017 and 2016:

- On March 31, 2017, the REIT acquired the VW Barrie Property from a member of the Dilawri Group for approximately $8,850 and leased it to a Dilawri Tenant.
- On April 7, 2017, the REIT acquired the Heritage Honda Property from a member of the Dilawri Group for approximately $23,600 and leased it to a Dilawri Tenant.
- On December 15, 2017, the REIT acquired the Mazda Des Sources Property from a member of the Dilawri Group for approximately $8,000 and leased it to a Dilawri Tenant.
- On January 14, 2016, the REIT acquired the Audi Barrie property from a member of the Dilawri Group for approximately $11,300 and leased it to a Dilawri Tenant.
- On December 8, 2016, the REIT acquired the St. Bruno Audi & VW property from a third party for approximately $14,280 and leased it to a Dilawri Tenant.
- On December 22, 2016, the REIT acquired the MB West Island property from a member of the Dilawri Group for approximately $20,250 and leased it to a Dilawri Tenant.

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

SECTION 9 – OUTLOOK

The Canadian automotive retail industry is a large and stable business with a track record of long-term growth. According to Statistics Canada, automotive retail industry sales totaled a record $156 billion in 2017 (up 9% from $143 billion in 2016), representing approximately 27% of Canada's overall retail sales of products and merchandise. Over the last 20 years, Canadian automobile retail sales grew at a compound annual rate of 4.6%. For calendar year 2016, sales of new automobiles were up 2.3% to 1,983,745 units, compared to 1,939,517 units for 2015, which was itself a record year for automobile sales in Canada *(Source: Statistics Canada)*. For calendar year 2017, this steady growth continued, with sales of new automobiles up 4.7% to 2,076,970 units, compared to 1,983,745 units for 2016 *(Source: Statistics Canada).* Management expects continued steady industry sales levels for 2018.

Management believes that the stable industry sales levels within the Canadian automotive retail sector support the ability of the automobile dealership tenants within the REIT's portfolio to meet their current lease obligations and the contractual annual rent escalations in place. Further, given the large size of the industry, there are opportunities for the REIT to acquire additional properties on an accretive basis. 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 continuing to gain 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. Although, the REIT has been actively expanding its automotive dealer and industry relationships to build its acquisition pipeline, the REIT's acquisition program execution has been slowed in part as a result of the continued record automotive retail sales, which has delayed dealer disposition activity.

As the only publicly traded Canadian real estate entity focused on owning automotive dealership properties, 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 facilitating acquisitions in this period of industry consolidation.

Finally, the REIT has a right of first offer to acquire any REIT-suitable properties that Dilawri acquires or develops. Same Property Cash NOI is expected to increase by approximately 1.4% for 2018 (as compared to 2017) as a result of the contractual rent increases. The REIT's Debt to GBV of 48.5% provides the REIT with the capacity to acquire approximately $65,000 of additional properties in the future.

SECTION 10 – OTHER DISCLOSURES

Commitments and Contingencies

In conjunction with the IPO, the REIT and Dilawri entered into the Administration Agreement which covers various operational and administrative services to be provided to the REIT by Dilawri on a cost-recovery basis. The Administration Agreement has a term of 5 years from the closing of the IPO and will be automatically renewed for successive one year terms, subject to certain termination rights set out in the agreement.

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	2,539
More than 5 years	8,356
Total	$11,471

Disclosure Controls and Internal Controls over Financial Reporting

The REIT's certifying officers have designed a system 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 a system 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 ICFR. Management has evaluated, or caused to be evaluated, the REIT's ICFR and DC&P and has determined that the design and operation of the REIT's ICFR and DC&P were effective as at December 31, 2017. There have been no changes to the REIT's ICFR during Q4 2017 and the year ended December 31, 2017, that have materially affected, or are 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 certificates on Form 52-109F1.

SECTION 11 – QUARTERLY RESULTS OF OPERATIONS

The following is a summary of management's selected key consolidated financial information for each of the eight most recently completed quarters:

Selected Quarterly Information

($ thousands except where otherwise indicated)	**Fourth Quarter 2017**	Third Quarter 2017	Second Quarter 2017	First Quarter 2017	Fourth Quarter 2016	Third Quarter 2016	Second Quarter 2016	First Quarter 2016
Number of Properties	**39**	35	35	34	32	30	29	29
GLA (sq. ft.)	**1,425,212**	1,366,367	1,366,367	1,307,454	1,270,202	1,146,684	1,077,773	1,077,773
Rental revenue	**10,856**	10,599	10,467	9,881	9,127	8,538	8,302	8,308
Net Operating Income	**9,188**	9,017	8,988	8,259	7,683	7,302	7,266	7,235
Net Income (loss)	**6,594**	12,729	5,793	1,132	5,643	1,171	(2,530)	(9,673)
Net Income (loss) per unit – basic(i)	**0.252**	0.487	0.222	0.046	0.258	0.063	(0.140)	(0.536)
Net Income (loss) per unit – diluted(ii)	**0.251**	0.485	0.221	0.046	0.258	0.063	(0.140)	(0.536)
FFO per unit – basic(iii)	**0.238**	0.245	0.250	0.244	0.229	0.269	0.269	0.279
FFO per unit – diluted(iv)	**0.237**	0.244	0.249	0.244	0.229	0.269	0.269	0.279
AFFO per unit – basic(iii)	**0.216**	0.222	0.224	0.219	0.210	0.236	0.240	0.239
AFFO per unit – diluted(iv)	**0.215**	0.222	0.223	0.219	0.210	0.236	0.240	0.239
AFFO payout ratio	**93.5%**	90.5%	90.1%	91.8%	95.7%	85.2%	83.8%	84.1%
Distribution declared per unit	**0.201**	0.201	0.201	0.201	0.201	0.201	0.201	0.201
Weighted average Units – basic	**26,149,053**	26,149,053	26,149,053	24,399,775	21,894,253	18,554,253	18,053,253	18,053,253
Weighted average Units – diluted	**26,226,225**	26,220,165	26,215,815	24,407,903	21,897,998	18,554,293	18,053,253	18,053,253
Total assets	**547,606**	514,618	507,814	482,625	464,338	430,294	407,366	407,201
Debt to GBV	**48.5%**	45.8%	46.5%	43.9%	51.5%	48.2%	55.6%	55.9%
Debt service coverage	**1.9x**	2.0x	2.1x	2.0x	1.8x	1.7x	1.8x	1.8x

(i) Net Income (Loss) per Unit – basic is calculated in accordance with IFRS by dividing the Net Income (Loss) by the amount of the weighted average number of outstanding REIT Units and Class B LP Units.

(ii) Net Income (Loss) per Unit – diluted is calculated in accordance with IFRS by dividing the Net Income (Loss) by the amount of the weighted average number of outstanding REIT Units, Class B LP Units, DUs and IDUs granted as at December 31, 2017, to certain Trustees and management.

(iii) The FFO and AFFO per Unit-basic is calculated by using the weighted-average number of outstanding REIT Units and Class B LP Units. The FFO and AFFO per Unit basic comparable numbers were adjusted in accordance with the Real Property Association of Canada's White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS issued in February 2017.

(iv) The FFO and AFFO per Unit-diluted is calculated by using the weighted-average number of outstanding REIT Units, Class B LP Units, DUs and IDUs granted as at December 31, 2017. The FFO and AFFO per Unit diluted comparable numbers were adjusted in accordance with the Real Property Association of Canada's White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS issued in February 2017.

The increase in rental revenue and NOI is primarily attributable to the thirteen acquisitions completed since the REIT's IPO. The net income (loss) is impacted by the fluctuations in fair value of Class B LP Units, investment properties and interest rate swaps.

SECTION 12 – 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, 2017.

Risk Factors Related to the REIT's Relationship with Dilawri

Significant Ownership by the Dilawri Organization

As at December 31, 2017, Dilawri had an approximate 38% 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, 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

As of December 31, 2017, the REIT derives approximately 90.2% of its annual base minimum rent from the Dilawri Group. 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, the Audi Barrie Property, the St. Bruno Audi & VW Property, the MB West Island Property, the VW Barrie Property, the Heritage Honda Property and the Mazda Des Sources Property (collectively, the "Dilawri Properties"). Under such leases, Dilawri provided an indemnity for the lease obligations of each other member of the Dilawri Group. Consequently, the Dilawri Group will be the REIT's most significant tenant for the foreseeable future, with members of the Dilawri Group occupying 87.9% of the REIT's GLA including third parties occupying the subleases and remaining 12.1% occupied by Porsche JLR Edmonton Property, Pfaff Audi Property, Go Mazda Property and the Edmonton Portfolio as at December 31, 2017.

As of the date of this MD&A, the initial terms of the Dilawri Leases range from approximately 8.4 to 19.0 years, with a weighted average lease term as at December 31, 2017 of approximately 13.3 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. 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 its 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 Edmonton Property, the Pfaff Audi Property, the Go Mazda Property and the Edmonton Portfolio which are leased by the REIT to third party tenants), 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 in 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 over 26.5% of the gross automotive dealership rent paid to the REIT in 2017 and approximately 24.6% of the REIT's GLA as at December 31, 2017. 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 fibers 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, or require the tenants 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 may decrease or eliminate the amount of cash available for distribution to REIT Unitholders.

Financing Risks

The REIT has outstanding Indebtedness of approximately $265.3 million as of December 31, 2017. 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 and Mortgages 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, Facility 2 and Facility 3 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 was approximately 48.5% as of December 31, 2017. 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, the acquisition of the Initial Properties in conjunction to the IPO and acquisition of properties completed subsequent to the IPO, 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.

As of the date of this MD&A, the REIT has implemented interest rate swap arrangements in respect of Facility 1, Facility 2 and Facility 3 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 at fair market value.

Appraisals

The REIT retained an independent professional appraiser to provide independent estimates of the fair market value range in respect of the Initial Properties and each property acquired by the REIT subsequent to the IPO. 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 REIT's 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 REIT's 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 REIT's 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 that are typically obtained for similar real estate properties and that are 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 risks related to 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.

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

As at the date of this MD&A, the REIT has swap facilities in place as part of Facility 1, Facility 2 and Facility 3. See "Section 7 – Liquidity and Capital Resources". 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 does not currently have but 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 *Income Tax Act* (Canada) (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 may 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 may adversely impact the liquidity of the REIT Units and the market price at which REIT Units can be sold.

REIT Exception — Unless 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 the current taxation year and each subsequent taxation year, 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 the current taxation year or in any subsequent taxation year.

In the event that the SIFT Rules apply to the REIT, the tax consequences 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. 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 then 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 their then 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 properties. 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 market values.

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 or the REIT Unitholders. Any such changes may 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

Although the REIT intends to make distributions of its available cash to Unitholders in accordance with its distribution policy, these cash distributions may be reduced or suspended. The actual amount distributed by the REIT will depend on various factors including capital market conditions, the financial performance of the Properties, debt covenants and obligations, working capital requirements, fluctuations in interest rates or any other business needs that the Trustees deem reasonable. The terms of the certain indebtedness of the REIT from time to time may prohibit payments or distributions from the REIT in certain circumstances. The REIT's Trustees retain the right to re-evaluate the distribution policy from time to time as they consider appropriate.

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 the Plan or 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 the properties it acquires are considered to be asset acquisitions or business combinations. The REIT considers all the properties it has acquired to date to be asset acquisitions.

Investment properties are reviewed by management in conjunction with independent appraisers. Valuations are completed by undertaking a discounted cash flow approach whereby a current discount rate is applied to the projected net operating income which a property can reasonably be expected to produce in the future. The external valuators 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.

Cybersecurity Risk

The REIT is in possession of certain confidential or sensitive information, including tenant and lease details, employee information, financial records and operational data (“Confidential Information”). Some of this Confidential Information is held and managed by third party service providers. The REIT has implemented processes, procedures and controls to prevent unauthorized access to Confidential Information and to build and sustain a reliable information technology infrastructure. However, these measures, and any similar measures implemented by the REIT’s third party service providers, may not be sufficient to anticipate, timely identify or appropriately respond to the sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the security of the REIT’s information technology systems or those of its third party service providers. Additionally, employee errors, including with respect to ineffective password management, may result in a breach of the REIT’s or its third party service providers’ security measures, which could result in a breach of Confidential Information.

Any system vulnerability or failure of data security measures of the REIT or its third party service providers could result in, among other things, operational interruption, harm to the reputation or competitive position of the REIT, the loss of or unauthorized access to Confidential Information or other assets, remediation costs, litigation, regulatory enforcement proceedings, violation of privacy, security or other laws and regulations and damage to the REIT’s business relationship with its tenants.

APPENDIX

Property List as at December 31, 2017

Name	Address	City/ Province	Year Built /Renov.	GLA
Properties ***(as at December 31, 2017)***				
1. Dixie Auto Mall (1)				
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				
Ancillary-other (*formerly Toyota*)	5500 Dixie Road	Mississauga, ON	1987	22,078
Other (*formerly 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	2001/2017	5,150
Kelsey's	1485 Aerowood Drive	Mississauga, ON	2001/2017	5,000
A&W	1465 Aerowood Drive	Mississauga, ON	1999/2016	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	30,863
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(2)	730 Terminal Avenue	Vancouver, BC	2015	27,640
17. Langley Acura(2)	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. Ancillary-other (1921 1st 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(3)	17007 111th Avenue N.W.	Edmonton, AB	2014	44,779
29. Audi Barrie	2482 Doral Drive	Innisfil, ON	2015	24,982
30. Pfaff Audi (3)	9088 Jane Street	Vaughan, ON	2006	68,874
31. St. Bruno Audi and Volkswagen	1905&1917 Boulevard Sir Wilfrid Laurier	St. Bruno, QC	1987/2014	62,705
32. Mercedes Benz West Island	4525 Boulevard Saint-Jean	Montreal, QC	2016	60,850
33. Go Mazda(3)	9704 & 9710 35 Avenue N.W.	Edmonton, AB	2006/2017	17,150
34. Volkswagen Barrie	50 and 60 Fairview Road & 5 Little Avenue	Barrie, ON	2017	20,102
35. Heritage Honda	11609 40 Street S.E.	Calgary, AB	2016	58,913
36. Kentwood Ford(3)	8603,8703,8735,8815 127th Avenue N.W.	Edmonton, AB	1969	4,040
37. Southtown Hyundai(3)	3603 99th Street N.W.	Edmonton, AB	2004	12,554
38. Ericksen Infiniti(3)	17616 111th Avenue N.W.	Edmonton, AB	2008	25,550
39. Mazda des Sources	2345 Place Transcanadienne	Dorval, QC	2017	16,701
Portfolio Total(4)				**1,425,212**

Notes:

(1) Does not take into effect the tenant notice of termination and relocations described under Section 3 "Property Portfolio – Portfolio Overview" in this MD&A.

(2) The REIT has a leasehold interest in this property.

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

(4) Does not include the KW Development Property that was acquired on February 13, 2018. The property is currently under development.

Automotive Properties Real Estate Investment Trust
Consolidated Financial Statements
For the year ended December 31, 2017

This page was left blank intentionally.

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 for providing 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 Canada 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 20, 2018

“Milton Lamb”

Milton Lamb
President and Chief Executive Officer

“Andrew A. Kalra”

Andrew A. Kalra, CPA, CA
Chief Financial Officer

Tel: 416 865 0200
Fax: 416 865 0887
www.bdo.ca

BDO Canada LLP
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 sheets as at December 31, 2017 and 2016 and the consolidated statements of income (loss) and comprehensive income (loss), changes in unitholders' equity, and cash flows for the years then ended, 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 audits. We conducted our audits 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 in our audits 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, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

March 20, 2018
Toronto, Ontario

Automotive Properties REIT
Consolidated Balance Sheets

(in thousands of Canadian dollars)	**Note**	**As at December 31, 2017**	As at December 31, 2016
ASSETS			
Cash and cash equivalents		$227	$257
Prepaid expenses and other assets	**7**	1,689	2,272
Interest rate swaps	**8**	2,555	-
Investment properties	**6**	543,135	461,809
Total assets		**$547,606**	**$464,338**
LIABILITIES AND UNITHOLDERS' EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	**9**	$4,060	$4,200
Credit facilities and mortgages payable	**8**	264,318	238,541
Interest rate swaps	**8**	-	2,650
Deferred Units and Income Deferred Units	**12**	645	79
Class B LP Units	**11**	108,372	106,087
Total liabilities		377,395	351,557
Unitholders' equity		170,211	112,781
Total liabilities and unitholders' equity		**$547,606**	**$464,338**

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Trustees

"Louis Forbes"

Louis Forbes
Trustee, Audit Committee Chair

"John Morrison"

John Morrison
Trustee, Lead Independent

Automotive Properties REIT
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(in thousands of Canadian dollars) For the year ended December 31,	**Note**	**2017**	2016
Net Property Income			
Rental revenue from investment properties	**13**	**$41,803**	$34,274
Property costs	**13**	**(6,351)**	(4,788)
Net Operating Income		**35,452**	29,486
Other Income (Expenses)			
General and administrative expenses		**(2,525)**	(2,409)
Interest expense and other financing charges		**(7,817)**	(7,175)
Fair value adjustment on interest rate swaps	**8**	**5,205**	1,522
Distribution expense on Class B LP Units	**10**	**(7,988)**	(7,988)
Fair value adjustment on Class B LP Units and Deferred Units	**11, 12**	**(2,282)**	(24,139)
Fair value adjustment on investment properties	**6**	**6,204**	5,316
Net Income (Loss) and Comprehensive Income (Loss)		**$26,249**	$(5,387)

See accompanying notes to the consolidated financial statements.

Automotive Properties REIT
Consolidated Statements of Changes in Unitholders' Equity

(in thousands of Canadian dollars)
For the year ended December 31, 2017

	Note	Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at December 31, 2016		**$111,000**	**$12,238**	**$(10,457)**	**$112,781**
Issuance of Units	**11**	43,933	-	-	43,933
Net income		-	26,249	-	26,249
Distributions	**10**	-	-	(12,752)	(12,752)
Unitholders' Equity at December 31, 2017		**$154,933**	**$38,487**	**$(23,209)**	**$170,211**

(in thousands of Canadian dollars)
For the year ended December 31, 2016

	Note	Trust Units	Cumulative Net Income (Loss)	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at December 31, 2015		**$72,794**	**$17,625**	**$(2,899)**	**$87,520**
Issuance of Units	**11**	38,206	-	-	38,206
Net loss		-	(5,387)	-	(5,387)
Distributions	**10**	-	-	(7,558)	(7,558)
Unitholders' Equity at December 31, 2016		**$111,000**	**$12,238**	**$(10,457)**	**$112,781**

See accompanying notes to the consolidated financial statements.

Automotive Properties REIT
Consolidated Statements of Cash Flow

(in thousands of Canadian dollars)

For the year ended December 31,	Note	2017	2016
OPERATING ACTIVITIES			
Net income (loss)		**$26,249**	$(5,387)
Straight-line rent		**(2,930)**	(2,714)
Non-cash compensation expense		**477**	439
Fair value adjustment on interest rate swaps		**(5,205)**	(1,522)
Distributions expense on Class B LP Units		**7,988**	7,988
Fair value adjustment on Class B LP Units and Deferred Units		**2,282**	24,139
Fair value adjustment on investment properties		**(6,204)**	(5,316)
Interest expense and other charges		**7,537**	6,974
Amortization of financing fees		**280**	201
Amortization of other assets		**74**	73
Change in non-cash operating accounts	**19**	**(66)**	(803)
Cash Flow from operating activities		**30,482**	24,072
INVESTING ACTIVITIES			
Acquisitions of investment properties		**(72,049)**	(64,149)
Cash Flow used in investing activities		**(72,049)**	(64,149)
FINANCING ACTIVITIES			
Proceeds from Credit Facilities and Mortgages		**52,680**	30,950
Principal repayment on Credit Facilities and Mortgages		**(26,546)**	(8,214)
Interest paid		**(7,463)**	(6,924)
Financing fees paid		**(611)**	(166)
Issuance of Units		**46,167**	40,330
Issuance costs		**(2,234)**	(2,124)
Distributions to REIT unitholders and Class B LP unitholders		**(20,456)**	(15,287)
Cash Flow from financing activities		**41,537**	38,565
Net increase (decrease) in cash and cash equivalents during the period		**(30)**	(1,512)
Cash and cash equivalents, beginning of period		**257**	1,769
Cash and cash equivalents, end of period		**$227**	$257

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For years ended December 31, 2017 and 2016

(All dollar amounts are 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. The REIT was formed primarily to own income-producing automotive dealership properties located in Canada. The principal, registered and head office of the REIT is located at 133 King Street East, Suite 300, Toronto, Ontario M5C 1G6. The REIT's trust units ("Units") are listed on the Toronto Stock Exchange and are traded under the symbol "APR.UN".

893353 Alberta Inc. ("Dilawri") is a privately held corporation, which, together with certain of its affiliates, held an approximate 38% effective interest in the REIT as at December 31, 2017 (December 31, 2016 – approximately 45%), 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 commenced operations on July 22, 2015 following completion of its initial public offering of Units (the "IPO"). In connection with the IPO, the REIT indirectly acquired a portfolio of 26 commercial properties from certain members of the Dilawri Group (the "Initial Properties") and leased the Initial Properties to the applicable member of the Dilawri Group (collectively, and including members of the Dilawri Group that became tenants of a property owned by the REIT subsequent to the IPO, the "Dilawri Tenants").

As at December 31, 2017, the REIT owned a portfolio of 39 income-producing commercial properties, including the Initial Properties, located in Ontario, Saskatchewan, Alberta, British Columbia and Quebec, totaling approximately 1.4 million square feet of gross leasable area. The Dilawri Tenants are the REIT's major tenant, occupying 33 of the REIT's 39 investment properties.

The subsidiaries of the REIT included in the REIT's consolidated financial statements include the Partnership and Automotive Properties REIT GP Inc., the general partner of the Partnership and a wholly-owned subsidiary of the REIT.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The consolidated financial statements of the REIT have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These consolidated financial statements were authorized for issuance by the Board of Trustees of the REIT (the "Board") on March 20, 2018.

(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 6;
- interest rate swaps as described in note 8;
- Class B LP Units which are exchangeable for Units at the option of the holder as described in note 11; and
- Deferred Units and Income Deferred Units which are exchangeable for Units at the option of the holder as described in note 12.

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. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. Related fair value gains and losses are recorded in net income (loss) and comprehensive income (loss) in the period in which they arise.

(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 properties 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 is 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 Board intends 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 (loss) and comprehensive income (loss).

(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 of the holder 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 (loss) and comprehensive income (loss) 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, 2017 and December 31, 2016, 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 (loss) and comprehensive income (loss). 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 (loss).

The following summarizes the REIT's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets		
Cash and cash equivalents	FVTPL	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Credit facilities and mortgages	Other financial liabilities	Amortized cost
Class B LP Units, Deferred Units and Income Deferred Units	FVTPL	Fair value
Interest rate swaps	FVTPL	Fair value

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.

(k) Unit-Based Compensation

Deferred Units ("DUs") may be granted to members of the Board ("Trustees"), officers and employees of the REIT (each, a "Participant"). Each Deferred Unit shall receive a distribution of additional Income Deferred Units ("IDUs") equal to the amount of distributions paid per Unit by the REIT on its Units. Liability in respect of the DUs and IDUs is adjusted to reflect the change in their fair value at each reporting period with the changes in fair value recognized in the consolidated statements of income (loss) and comprehensive income (loss). The holder of such DUs and IDUs cannot settle their DUs or IDUs for cash.

(l) Disclosure Initiative – Amendments to IAS 7 *Statement of Cash Flows*

In January 2016, the IASB issued Disclosure Initiative Amendments to IAS 7 - *Statement of Cash Flows* as part of the IASB's Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statements users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

(m) Comparative figures

Certain comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted in the current year.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements 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 the properties it acquires are considered to be asset acquisitions or business combinations. The REIT considers all the properties it has acquired to date to be asset acquisitions.

Investment properties are valued by management. Valuations are completed by undertaking a discounted cash flow approach, whereby a current discount rate is applied to the projected net operating income that a property can reasonably be expected to produce in the future. 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 entered into or assumed to date have been determined to be operating leases.

Income Taxes

The REIT is a mutual fund trust and a real estate investment trust as such terms are 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. The REIT has determined that it qualifies as a real estate investment trust in respect of the current period.

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

4. NEW STANDARDS AND INTERPERTATIONS NOT YET ADOPTED

(i) Financial Instruments: Classification and Measurement ("IFRS 9")

The REIT will adopt IFRS 9, *Financial Instruments: Classification and Measurement*, which replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"), in the consolidated financial statements beginning on January 1, 2018, the mandatory effective date. The adoption of IFRS 9 will generally be applied retrospectively, without restatement of comparative information.

IFRS 9 contains a new classification and measurement approach which requires financial assets to be classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss, and eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

For impairment of financial assets, IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model will apply to financial assets measured at amortized cost or fair value through other comprehensive income, except for investments in equity instruments, and to contract assets.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as fair value through profit or loss are recognized in profit or loss, whereas under IFRS 9 the amount of change in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The REIT does not currently apply hedge accounting.

Management does not expect the adoption of IFRS 9 to have a significant impact on the consolidated financial statements.

(ii) Revenue from Contracts with Customers ("IFRS 15")

IFRS 15, *Revenue from Contracts with Customers* is effective for annual periods beginning on or after January 1, 2018, and will replace all existing guidance in IFRS related to revenue, including (but not limited to) IAS 11 *Construction Contracts*, IAS 18 *Revenue,* and IFRIC 15 *Agreements for the Construction of Real Estate*.

IFRS 15 contains a single, control-based model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. IFRS 15 also includes additional disclosure requirements for revenue accounted for under the standard.

The REIT will adopt IFRS 15 in the consolidated financial statements for the annual period beginning January 1, 2018. Management does not expect the adoption of IFRS 15 to have a significant impact on the consolidated financial statements.

(iii) Leases ("IFRS 16")

IFRS 16 will replace 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 is assessing the potential impact of the standard on its consolidated financial statements.

5. ACQUISITIONS

During the year ended December 31, 2017, the REIT completed the following acquisitions:

				Consideration		
Property	**Location**	**Date of Acquisition**	**Total Investment Properties(1)**	**Debt Financing**	**Payables**	**Cash**
Go Mazda(i)	Edmonton, AB	22-Mar	$8,040	$-	$-	$8,040
VW Barrie(ii)	Barrie, ON	31-Mar	$9,063	$8,120	$150	$793
Heritage Honda(iii)	Calgary, AB	7-Apr	$23,610	$23,556	$-	$54
Edmonton Portfolio(iv)	Edmonton, AB	1-Dec	$23,331	$23,331	$-	$-
Mazda Des Sources(v)	Dorval, QC	15-Dec	$8,148	$7,529	$619	$-
Total Acquisitions			**$72,192**	**$62,536**	**$769**	**8,887**

(1) Includes acquisition costs.

(i) On March 22, 2017, the REIT acquired the real estate underlying the Go Mazda dealership located in Edmonton, Alberta (the "Go Mazda Property"), for approximately $8,000 plus acquisition costs of $40, from a third party. The Go Mazda Property is a 17,150 square foot full-service automotive dealership property.

(ii) On March 31, 2017, the REIT acquired the real estate underlying the Volkswagen dealership located in Barrie, Ontario (the "VW Barrie Property"), for approximately $8,850 plus acquisition costs of $213, from the Dilawri Group. The VW Barrie Property is a 20,102 square foot full-service automotive dealership property.

(iii) On April 7, 2017, the REIT acquired the real estate underlying the Heritage Honda dealership located in Calgary, Alberta (the “Heritage Honda Property”), for approximately $23,556 plus acquisition costs of $54, from a member of the Dilawri Group. The Heritage Honda Property is a 58,913 square foot full-service automotive dealership property.

(iv) On December 1, 2017, the REIT acquired a portfolio of three properties located in Edmonton, Alberta, consisting of the Ericksen Infiniti Property, the Southtown Hyundai Property, and the Kentwood Ford Property (the “Edmonton Portfolio”) from a third party for approximately $23,215 plus acquisition costs of $116. The portfolio consists of two automotive dealership properties and a vehicle compound facility totaling 42,144 square feet of GLA.

(v) On December 15, 2017, the REIT acquired the real estate underlying the Mazda Des Sources dealership located in Dorval, Quebec (the “Mazda Des Sources Property”), for approximately $8,000 plus acquisition costs of $148, from a member of the Dilawri Group. The Mazda Des Sources Property is a 16,701 square foot full-service automotive dealership property.

During the year ended December 31, 2016, the REIT completed the following acquisitions:

				Consideration		
Property	**Location**	**Date of Acquisition**	**Total Investment Properties(1)**	**Debt Financing**	**Payables**	**Cash**
Audi Barrie	Barrie, ON	14-Jan	$11,455	$-	$-	$11,455
Pfaff Audi	Vaughan, ON	20-Sep	$17,485	$-	$-	$17,485
St. Bruno Audi & VW	St. Bruno, QC	8-Dec	$14,573	$11,250	$273	$3,050
MB West Island	West Island, QC	22-Dec	$20,616	$20,250	$353	$13
Total Acquisitions			**$64,129**	**$31,500**	**$626**	**$32,003**

(1) Includes acquisition costs.

6. INVESTMENT PROPERTIES

As at	**December 31, 2017**	**December 31, 2016**
Balance, beginning of year	$461,809	$389,650
Acquisitions during the year	72,192	64,129
Fair value adjustment on investment properties	6,204	5,316
Straight-line rent	2,930	2,714
Balance, end of year	**$543,135**	**$461,809**

Valuation of Investment Properties

The REIT valued the investment properties using a discounted cash flow approach whereby a current discount rate was applied to the projected net operating income which a property can reasonably be expected to produce in the future. The REIT’s valuation inputs are supported by quarterly market reports from an independent appraiser which indicate a decrease in capitalization rates in the Vancouver and Alberta markets which were partially offset by a capitalization rate increase for the Regina market from December 31, 2016. The overall capitalization rate applicable to the entire portfolio remained at 6.5%, which is equivalent to the REIT’s overall assessment as at December 31, 2016.

In accordance with the REIT’s valuation policy, an independent appraiser is engaged to prepare valuations on a portion of the portfolio annually, such that the entire portfolio is appraised at least once every three years. In addition, any investment property which represents greater than 15% of the overall portfolio value is appraised annually.

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 $21,745 or ($20,133), respectively.

Rental Commitments

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

Within 1 year	$36,205
After 1 year, but not more than 5 years	148,184
More than 5 years	339,192
	$523,581

One of the Initial Properties included an industrial property with approximately 53,000 square feet of gross leasable area which was not included as part of the REIT's Initial Properties as it was not an asset over which the REIT had control or beneficial interest. This property was acquired by the REIT for nominal consideration on July 22, 2015 and leased to a Dilawri Tenant for nominal consideration. On September 22, 2017, this industrial property was transferred back to the Dilawri Group for the same nominal consideration for which it was acquired.

7. PREPAID EXPENSES AND OTHER

As at	December 31, 2017	December 31, 2016
Prepaid indemnity fee	**$819**	$894
Recoverable land transfer taxes(i)	**-**	896
Prepaid other	**870**	482
	$1,689	$2,272

(i) On October 24, 2017, Dilawri paid $896 to the REIT as part of the purchase price with respect to the recoverable land transfer taxes associated with the acquisition of the Initial Properties (see Note 18).

8. CREDIT FACILITIES AND MORTGAGES PAYABLE

(a) Credit facilities and mortgages payable consists of:

As at	December 31, 2017	December 31, 2016
Facility 1(i)	**$135,804**	$141,485
Facility 2(ii)	**80,086**	64,436
Facility 3(iii)	**20,000**	12,950
Mortgages(iv)	**29,441**	20,328
Total	**$265,331**	$239,199
Financing fees(v)	**(1,013)**	(658)
	$264,318	$238,541

(i) Facility 1:

A non-revolving loan in the amount $108,754 (December 31, 2016 - $113,535) bearing interest at the bankers' acceptance ("BA") rate plus 150 basis points (bps) or Canadian prime rate ("Prime") plus 25 bps, maturing in July 2020, at which point it will become a demand loan. The principal is repayable in equal quarterly payments 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. In June 2017, the REIT extended the maturity of one of its interest rate swaps in the amount of approximately $27,800 from July 2018 to July 2023, which resulted in a weighted average effective interest rate of 3.31%. All other terms of the interest rate swaps remain unchanged.

A non-revolving loan in the amount of $13,800 (December 31, 2016 - $14,400) bearing interest at the BA rate plus 150 bps or Prime plus 25 bps, maturing in December 2020, at which point it will become a demand loan. The principal is repayable in equal quarterly payments, 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%.

A revolving credit facility in the amount of $15,000 bearing interest at Prime plus 25 bps or BA rate plus 150 bps, maturing in July 2018, of which $13,250 was drawn as at December 31, 2017 (December 31, 2016 - $13,550) and of which $753 was secured for the issuance of irrevocable Letters of Credit (the "LC's'') on October 25, 2017.

(ii) Facility 2:

A non-revolving loan in the amount of $77,086 (December 31, 2016 - $56,936) bearing interest at the BA rate plus 150 bps or Prime plus 25 bps, 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. In June 2017, the REIT extended the maturity of Facility 2 from July 2020 to June 2022, at which point it will become a demand loan. In addition, the REIT extended one of its interest rate swaps in the amount of approximately $14,600 from July 2018 to July 2026 and entered into a new floating-to-fixed interest rate swap in the amount of $13,000 for a term of 7 years. On December 1, 2017, the REIT secured a new $9,679 non-revolving loan to Facility 2 bearing interest at the BA rate plus 150 bps or Prime plus 25 bps. All the above resulted in a weighted average effective interest rate of 3.35%. All other terms of the interest rate swaps remain unchanged.

A revolving credit facility in the amount of $15,000 bearing interest at Prime plus 25 bps or BA rate plus 150 bps, maturing in June 2022, of which $3,000 was drawn as at December 31, 2017 (December 31, 2016 - $7,500).

(iii) Facility 3:

On December 18, 2017, the REIT secured a new non-revolving loan in the amount of $20,000 and a new revolving credit facility in the amount of $14,000, both bearing interest at the BA rate plus 150 bps or Prime plus 50 bps, maturing in December 2022 (which replaced the existing $14,600 revolving credit facility maturing in October 2019).

As at December 31, 2017, the revolving credit facility had a balance of $nil (December 31, 2016 – $12,950).

(iv) Mortgages:

The REIT has entered into certain mortgages with Canadian Schedule 1 banks that have interest rates that range from 3.22% to 3.72% and have maturity dates that range from February 2019 to June 2027. As at December 31, 2017, the weighted average interest rate of the mortgages was 3.51% (December 31, 2016 – 3.40%).

(v) During 2017, the REIT incurred financing fees of $636 (December 31, 2016 – $273). The amounts are accounted for using the effective interest method; $1,013 remains unamortized at December 31, 2017 (December 31, 2016 - $658).

The credit facilities described above (the “Credit Facilities”) and the mortgages (the “Mortgages”) are secured by the REIT’s investment properties, except for the Mazda Des Sources Property and the Edmonton Portfolio.

Principal repayments are as follows:

2018	23,835
2019	22,499
2020	116,729
2021	10,544
2022	83,182
Thereafter	8,542
Total	$265,331

(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 for Facility 1 and Facility 2. 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 (loss) and comprehensive income (loss) (terms described in Note 8(a)(i) and (ii) above).

As at December 31, 2017, the notional principal amount of the interest rate swaps was approximately $190,000 (December 31, 2016 - $185,000) and the fair value adjustment of the interest rate swaps was $5,205 (December 31, 2016 - $1,522). The fair value adjustment resulted in an asset balance of $2,555 (December 31, 2016 – liability balance of $2,650).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

As at	December 31, 2017	December 31, 2016
Accounts payable and accrued liabilities	**$1,993**	$2,492
Accrued interest	**315**	241
Distributions payable (Note 10)	**1,752**	1,467
	$4,060	$4,200

10. DISTRIBUTIONS

	December 31, 2017			December 31, 2016		
	Units	**Class B LP Units**	**Total**	Units	Class B LP Units	Total
Paid in Cash	$12,468	$7,988	**$20,456**	$7,299	$7,988	$15,287
Declared	$12,752	$7,988	**$20,740**	$7,558	$7,988	$15,546
Payable as at period end	$1,086	$666	**$1,752**	$801	$666	$1,467

11. UNITHOLDERS' EQUITY AND CLASS B LP UNITS

Units

The REIT is authorized to issue an unlimited number of Units.

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 equally among themselves 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 (as defined below) 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 of the IPO 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 ("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 attached would be entitled.

For the year ended December 31, 2017

	Units	**Amount**
Units, beginning of year	11,961,000	$111,000
Units issued, net of costs	4,255,000	43,933
Total Units, end of year	**16,216,000**	**$154,933**
Class B LP Units, beginning of year	9,933,253	$106,087
Fair value adjustment on Class B LP Units	-	2,285
Total Class B LP Units, end of year	**9,933,253**	**$108,372**
Total Units and Class B LP Units, end of year	**26,149,253**	**$263,305**

For the year ended December 31, 2016

	Units	Amount
Units, beginning of year	8,120,000	$72,794
Units issued, net of costs	3,841,000	38,206
Total Units, end of year	**11,961,000**	**$111,000**
Class B LP Units, beginning of year	9,933,253	$81,950
Fair value adjustment on Class B LP Units	-	24,137
Total Class B LP Units, end of year	**9,933,253**	**$106,087**
Total Units and Class B LP Units, end of year	**21,894,253**	**$217,087**

12. UNIT BASED-COMPENSATION

On June 8, 2016, the Unitholders approved the adoption of the Equity Incentive Plan (the "Plan") whereby DUs may be granted to a Participant on a discretionary basis by the Governance, Compensation and Nominating Committee. The maximum number of Units available for issuance under the Plan is 500,000. Each DU is economically equivalent to one Unit, however, under no circumstances shall DUs be considered Units nor entitle a Participant to any rights as a Unitholder, including, without limitation, voting rights or rights on liquidation. Each DU shall receive a distribution of additional IDUs equal to the amount of distributions paid per Unit by the REIT on its Units. Upon vesting of the DUs and IDUs, a Participant may elect, prior to the expiry of such DU or IDU, to exchange such vested DUs and IDUs (subject to satisfaction of any applicable withholding taxes) for an equal number of Units. The holder of such DUs and IDUs cannot settle the DUs and IDUs for cash.

Under the Plan, the fair value of the DUs and IDUs is recognized as compensation expense over the vesting period. Fair value is determined with reference to the market price of the Units.

Units are redeemable at the option of the holder and are considered puttable instruments in accordance with IAS 32, "Financial instruments: presentation". As the exemption under IAS 32, "Financial instruments: presentation", does not apply to IFRS 2, "Share based payments", the DUs and IDUs are accounted for as a liability. The deferred unit liability is adjusted to reflect the change in their fair value at each reporting period with the changes in fair value recognized as compensation expense.

During the year ended December 31, 2017, the REIT accrued for short-term incentive awards in the amount of $270 which will be settled by the granting of DUs (December 31, 2016 - $360).

Certain independent Trustees elected to receive board and committee fees in the form of DUs. The value of each DU granted is measured based on the volume-weighted average trading price of the Units for the five trading days immediately preceding the grant date. A summary of DUs and IDUs outstanding under the Plan is outlined below:

As at	**December 31, 2017**		December 31, 2016	
	Units	**Amount**	Units	Amount
Outstanding DUs and IDUs, beginning of year	**7,428**	**$ 79**	-	$ -
DUs	**48,959**	**539**	7,359	78
IDUs	**2,701**	**30**	69	-
Fair value adjustments	**-**	**(3)**	-	1
Outstanding DUs and IDUs, end of year (1)	**59,088**	**$645**	7,428	$79

(1) For the year ended December 31, 2017, a total of 74,846 DUs and IDUs were granted, of which 23,186 DUs and IDUs will be accounted for in accordance with the vesting schedule.

13. RENTAL REVENUE AND PROPERTY COSTS

(a) Rental Revenue

	2017	2016
Base rent	**$33,098**	$27,348
Property tax recoveries	**5,673**	4,110
Straight line rent adjustment	**3,032**	2,816
Rental revenue	**$41,803**	$34,274

(b) Property Costs

	2017	2016
Property tax recoveries	**$5,673**	**$4,110**
Land leases	**576**	**576**
Straight line land lease adjustment	**102**	**102**
Property cost	**$6,351**	**$4,788**

Two of the Initial Properties are subject to land leases.

14. 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.

15. CAPITAL MANAGEMENT

The REIT defines its capital as the aggregate of Unitholders' equity, Class B LP Units and Credit Facilities and Mortgages. 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 and Mortgages, 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, 2017, the REIT was in compliance with each of the covenants under these agreements.

16. 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, 2017:

	Fair value through profit or loss	**Loans and receivables / other financial liabilities**		**Total**	**Total**
Measurement basis	Fair value	Amortized cost	Fair value	Carrying value	Fair value
Financial Assets and (Liabilities)					
Credit Facilities and Mortgages	$-	$(264,318)	$(265,331)	$(264,318)	$(265,331)
Interest rate swaps	2,555	-	-	2,555	2,555
Class B LP Units	(108,372)	-	-	(108,372)	(108,372)
Deferred Units and Income Deferred Units	(645)	-	-	(645)	(645)
	$(106,462)	**$(264,318)**	**$(265,331)**	**$(370,780)**	**$(371,793)**

The following table provides the classification and measurement of financial assets and liabilities as at December 31, 2016:

	Fair value through profit or loss	**Loans and receivables / other financial liabilities**		**Total**	**Total**
Measurement basis	Fair value	Amortized cost	Fair value	Carrying value	Fair value
Financial Assets and (Liabilities)					
Credit Facilities and Mortgages	$-	$(238,541)	$(239,199)	$(238,541)	$(239,199)
Interest rate swaps	(2,650)	-	-	(2,650)	(2,650)
Class B LP Units	(106,087)	-	-	(106,087)	(106,087)
Deferred Units and Income Deferred Units	(79)	-	-	(79)	(79)
	$(108,816)	$(238,541)	$(239,199)	$(347,357)	$(348,015)

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

The REIT assessed the valuation of the investment properties using a discounted cash flow approach whereby a current discount rate was applied to the projected net operating income which a property can reasonably be expected to produce in the future. The fair value of investment properties as at December 31, 2017 is $543,135 (December 31, 2016 - $461,809) (Level 3).

(ii) Credit Facilities and Mortgages

The fair value of the REIT’s Credit facilities and mortgages 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 an asset as at December 31, 2017 is $2,555 (December 31, 2016 – liability of $2,650). 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, 2017 is $108,372 (December 31, 2016 - $106,087). The fair values of the Class B LP Units are based on the traded value of the Units as at December 31, 2017 (Level 1).

(v) Deferred Units and Income Deferred Units

The fair value of the DUs and IDUs as at December 31, 2017 is $645 (December 31, 2016 - $79). The fair values of the DUs and IDUs are based on the traded value of the Units as at December 31, 2017 (Level 1).

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 the Unit price declines.

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 15 - Capital Management. A significant portion of the REIT’s assets have been pledged as security under the related Credit Facilities and Mortgages.

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 Administration Agreement has a term of 5 years from the closing of the IPO and will be automatically renewed for successive one year terms, subject to termination rights.

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	2,539
More than 5 years	8,356
Total	$11,471

18. RELATED PARTY TRANSACTIONS

The REIT was 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 certain members of Dilawri Group, for use as automotive dealerships, an automotive repair facility, or complementary uses, including restaurants, and leased these properties to Dilawri Tenants. The REIT's independent Trustees approve all related party transactions in accordance with the Related Party Transaction Policy adopted by the Board. The Dilawri Tenants are the REIT's major tenant and provided approximately 90.2% (2016 – 93.2%) of the REIT's rental income.

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 has a term of 5 years and will be automatically renewed for successive one year terms, subject to termination rights. Services are provided under the Administration Agreement on a cost-recovery basis.

General and administrative expenses include $995 for the twelve month period ended December 31, 2017 paid by the REIT to Dilawri pursuant to the Administration Agreement (December 31, 2016 - $771).

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 subleased to third party tenants for the initial lease terms of 12 and 15 years), 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).

On October 24, 2017, Dilawri paid the REIT $896 in respect of the recoverable land transfer tax associated with the acquisition of the Initial Properties. The REIT subsequently issued LC's to the land transfer tax authority in the amount of approximately $753 to defer the land transfer tax on behalf of specific members of the Dilawri Group that sold certain of the Initial Properties to the REIT in connection with the IPO. If the Dilawri Group continues to hold all of the 9,933,253 issued and outstanding Class B LP Units for 3 years subsequent to the IPO, the LC's are expected to be released.

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 (as 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. Pursuant to the Strategic Alliance Agreement, the REIT acquired the following investment properties in 2017 and 2016:

- On March 31, 2017, the REIT acquired the VW Barrie Property from a member of the Dilawri Group and leased it to a Dilawri Tenant.
- On April 7, 2017, the REIT acquired the Heritage Honda Property from a member of the Dilawri Group and leased it to a Dilawri Tenant.
- On December 15, 2017, the REIT acquired the Mazda Des Sources Property from a member of the Dilawri Group and leased it to a Dilawri Tenant.
- On January 14, 2016 the REIT acquired the Audi Barrie property from a member of the Dilawri Group and leased it to a Dilawri Tenant.
- On December 8, 2016, the REIT acquired the St. Bruno Audi & VW property from a third party and leased it to a Dilawri Tenant.
- On December 22, 2016, the REIT acquired the MB West Island property from a member of the Dilawri Group and leased it to a Dilawri Tenant.

19. SUPPLEMENTRY INFORMATION

Changes in non-cash operating accounts

(in thousands of Canadian dollars)	**2017**	2016
Prepaid expenses and other assets	$509	$73
Accounts payable and accrued liabilities	(575)	(876)
Change in non-cash operating accounts	$(66)	$(803)

20. SUBSEQUENT EVENTS

On February 13, 2018, the REIT acquired from a third party the real estate underlying a dealership property in Kitchener-Waterloo, Ontario, to be redeveloped for a luxury, high-end car company that will occupy the premises. The REIT estimates that the total expenditures, including the purchase price, redevelopment costs and related expenses will be approximately $7,500.

In January 2018, the REIT entered into two new floating-to-fixed interest rate swaps for the newly placed debt of $9,679 and $20,000 for Facility 2 and Facility 3, respectively. The weighted average interest rate for the two swaps is 4.03% with a term of 10 years, effective February 1, 2018.

This page was left blank intentionally.

Unitholder Information

Head Office
133 King Street East
Suite 300
Toronto, Ontario M5C 1G6

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

Louis Forbes[2,3]
Senior Vice President and Chief Financial Officer
of CT Real Estate Investment Trust

Stuart Lazier[1,4]
Co-founder and Chief Executive Officer
of Fiera Properties Limited

James Matthews
Chief Financial Officer of the Dilawri Group

Officers
Milton Lamb
President and Chief Executive Officer

Andrew Kalra
Chief Financial Officer

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

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

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 20, 2018: 26,149,253 (including Class B LP Units).

Investor Contact
Bruce Wigle
Bay Street Communications
Tel: (647) 496-7856

Annual General Meeting
10:00 am, Tuesday, June 12, 2018
Caledonia Room
150 King Street West, 27th Floor
Toronto, Ontario

INVESTMENT HIGHLIGHTS

- Opportunity to gain exposure to a unique real estate asset class
- Automotive dealership properties benefit from strong underlying fundamentals
- Portfolio of high-quality and strategically located automotive dealership properties
- Significant growth opportunities
- Strong lead tenant with significant alignment of interest
- Excellent leasing profile
- Attractive cash distributions
- Experienced executive management and strong independent Board of Trustees

Automotive Properties REIT
133 King Street East
Suite 300
Toronto, Ontario M5C 1G6
T: 647.789.2440
automotivepropertiesreit.ca

Automotive Properties REIT™