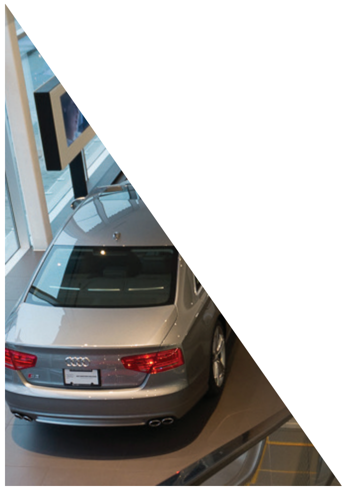

2019 ANNUAL REPORT

Consolidating Canada's Automotive Dealership Properties

Automotive Properties REIT™

Dear fellow unitholders,

Please find enclosed Automotive Properties REIT's ("APR" or the "REIT") 2019 Management Discussion and Analysis and Financial Statements.

We maintained our track record of positive momentum in 2019 with continued growth in the REIT's AFFO and property portfolio, in addition to a strengthened balance sheet at year-end. This builds upon the consistent, steady execution of our growth strategy since the time of APR's initial public offering in 2015. Today, the quality of the REIT's assets, enhanced diversification, increased scale and available liquidity, positions us well as we face this period of economic uncertainty caused by the COVID-19 pandemic.

We expanded and strengthened APR's property portfolio through acquisitions in 2019, with the addition of seven dealership properties for a combined purchase price of approximately $100 million. Through these acquisitions, we further diversified the REIT's tenant base and geographic presence in attractive metropolitan markets across Canada.

APR's expanding property portfolio and triple-net leases with contractual rent increases continues to drive significant growth in each of our key performance measures. In comparison to 2018, the REIT's property rental revenue grew 40.1%, cash net operating income increased by 42.3%, and Adjusted Funds from Operations ("AFFO") grew by 36.3%. AFFO per unit increased to 90.8 cents, up from 87 cents a year ago. This growth in AFFO per unit was achieved even as we issued approximately 7.9 million REIT units in the third week of December through a $92 million equity offering and have yet to fully deploy proceeds from this offering. The REIT's 2019 AFFO per unit figure also reflects a one-time cost of approximately $1 million related to the internalization of the REIT's management and operations.

For 2019, the REIT paid total distributions of $28.7 million to unitholders, representing an AFFO payout ratio of 88.6 percent. Excluding one-time costs associated with the aforementioned internalization, our AFFO payout ratio for 2019 would have been 86.1 percent, in line with our target range.

The internalization of the REIT's management and operations was an important milestone, signifying the next step in APR's ongoing development and growth, and providing further alignment with unitholders. The REIT's Strategic Alliance Agreement with the Dilawri Group has remained intact. Subsequent to 2019, in early February 2020, APR completed the acquisitions of two more dealership properties from Dilawri, Regina BMW and North Shore Acura in Vancouver, for an aggregate purchase price of $28.9 million.

To support APR's growth, we completed two public equity offerings in 2019, raising aggregate gross proceeds of approximately $176 million, thereby further enhancing the REIT's capital market liquidity and positioning APR for continued expansion of its portfolio through acquisitions.

This strong momentum was interrupted in March 2020 due to the COVID-19 public health crisis and related economic uncertainty. Fortunately, our December 2019 equity raise has provided us with a strong liquidity position to manage through this period. The REIT currently has $65 million in undrawn credit facilities, approximately $19.5 million in cash, and eight unencumbered properties with an IFRS value in excess of $100 million.

APR has a well-balanced level of annual debt maturities, with interest rate swap terms ranging between three and 8.8 years, and a weighted average interest rate swap term of six years. The REIT's capital requirements over the next two years are low and capital expenditure requirements are expected to be minimal. APR's debt to GBV is approximately 44%, well below our target of approximately 55% with capital fully deployed.

The COVID-19 pandemic is having a significant near-term, adverse impact on the automotive dealership industry. APR is working to support its tenants during this difficult time. Since inception of the REIT, we have been selective on which dealership groups we choose to partner with. Accordingly, we have full confidence in our tenants and expect them to rebound from this pandemic, though the timing is uncertain. It is important to remember that automobiles are an essential part of our daily lives, and current delays in vehicle service or purchases are expected to provide a strong recovery for our tenants as the crisis subsides.

We are now focused on prudently managing the REIT's available resources and liquidity during this period of economic uncertainty. We have also proactively raised our level of planning to adapt more quickly should risk levels rise and we will continue to monitor and adjust our business continuity and other plans as this situation evolves.

With a strong liquidity position, long-term, triple-net lease structure, 100% occupancy with some of Canada's largest automotive dealership groups, strong relationships with lenders, and a portfolio of properties located in attractive commercial corridors of major Canadian urban markets, APR is well positioned to weather this period of uncertainty.

As conditions improve, we look forward to resuming our strategy of further expanding and diversifying the REIT's property portfolio through accretive consolidation opportunities in attractive markets, growing cash flow in support of unitholder distributions and building long-term value for all of our stakeholders.

On behalf of the Board of Trustees and management of Automotive Properties REIT, thank you for your confidence and support.

Kapil Dilawri
Chair of the Board

Milton Lamb
President & Chief Executive Officer

Automotive Properties Real Estate Investment Trust

Management's Discussion and Analysis

December 31, 2019

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SECTION 1 – GENERAL INFORMATION AND CAUTIONARY STATEMENTS

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Automotive Properties Real Estate Investment Trust (the "REIT") is intended to provide readers with an assessment of the performance of the REIT for the years ended December 31, 2019 and December 31, 2018. 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, 2019 ("Q4 2019") are against results for the three months ended December 31, 2018 ("Q4 2018"), and comparisons of results for the twelve months ended December 31, 2019 ("2019") are against results for the twelve months ended December 31, 2018 ("2018").

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, 2019 and December 31, 2018. Further information about the REIT can be found in the REIT's annual information form dated March 23, 2020 (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 owns a portfolio of 64 income-producing commercial properties. The properties are located in metropolitan areas across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec, totaling approximately 2.4 million square feet of gross leasable area ("GLA").

893353 Alberta Inc. ("Dilawri") is a privately held corporation which, together with certain of its affiliates, holds an approximate 25.6% effective interest in the REIT as at December 31, 2019, 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"), and 2,280,552 REIT Units (as defined below). The Class B LP Units are economically equivalent to REIT Units 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".

In January 2019, the REIT's former development property in Kitchener-Waterloo, Ontario, became classified as an income-producing property. The tenant, Tesla Motors Canada ULC ("Tesla KW"), has opened a service centre on the premises.

On March 29, 2019, the REIT acquired from AutoCanada Inc. the real estate underlying two automotive dealership properties located in Winnipeg, Manitoba ("St. James VW" and "McNaught Cadillac Buick GMC") for approximately $23,950, plus capital improvement costs of $245 and acquisition costs of $685. The acquisition consists of two full-service automotive dealership properties totaling 96,135 square feet of GLA.

On June 25, 2019, the REIT acquired from AutoCanada Inc. the real estate underlying three automotive dealership properties, including two located in Guelph, Ontario ("Wellington Motors" and "Guelph Hyundai"), and one located in Abbotsford, British Columbia ("Abbotsford VW"), for approximately $30,400, plus acquisition costs of $518. The acquisition consists of three full-service automotive dealership properties totaling 91,721 square feet of GLA.

On June 28, 2019, the REIT issued an aggregate of 8,000,000 trust units of the REIT ("REIT Units") at a price of $10.45 per REIT Unit in connection with a public offering of REIT Units for gross proceeds of $83,600 (the "June Equity

Offering"). The REIT incurred issuance costs of $3,829. The June Equity Offering included 1,000,000 REIT Units issued upon the partial exercise of the underwriters' over-allotment option. The Dilawri Group waived its pre-emptive right to acquire REIT Units in connection with the June Equity Offering.

On September 19, 2019, the REIT acquired from the Dilawri Group the real estate underlying an automotive dealership property located in Etobicoke, Ontario ("Audi Queensway") for approximately $36,500, plus acquisition costs of $1,556. The acquisition consists of a full-service automotive dealership property totaling 65,547 square feet of GLA.

On December 3, 2019, the REIT announced that the independent trustees of the REIT (the "Independent Trustees") had notified Dilawri of the REIT's intention to terminate the Administration Agreement effective December 31, 2019. Following termination of the Administration Agreement, the REIT's management, operating and administrative support personnel were employed directly by the REIT. As the termination of the Administration Agreement was completed in accordance with its terms, the REIT was not required to pay Dilawri any termination fees. See Section 8 "Related Party Transactions".

On December 16, 2019, the REIT acquired the real estate underlying an automotive dealership property located in Calgary, Alberta ("Straightline Kia") for approximately $8,415, plus acquisition costs of $90. The acquisition consists of a full-service automotive dealership property totaling 21,808 square feet of GLA.

The REIT provided capital commitments for facility improvements to the tenants of the 401 Dixie Automall and Meadowvale Honda automotive dealership properties located in Mississauga, Ontario. The total capital commitments were approximately $7,000 in aggregate, plus transaction costs of $7, and resulted in an annual rent increase for both properties effective December 16, 2019. An additional $1,401 of capital commitments for facility improvements was provided to another tenant in 2019.

On December 23, 2019, the REIT issued an aggregate of 7,900,500 REIT Units at a price of $11.65 per REIT Unit in connection with a public offering of REIT Units for gross proceeds of $92,041 (the "December Equity Offering"). The REIT incurred issuance costs of $3,389. The December Equity Offering included 1,030,500 REIT Units issued upon the full exercise of the underwriters' over-allotment option. The Dilawri Group exercised its pre-emptive right to acquire 1,800,000 REIT Units in connection with the December Equity Offering.

As at December 31, 2019, the total number of issued and outstanding REIT Units and Class B LP Units was 37,697,052 and 9,933,253, respectively, for a total of 47,630,305 Units (as defined below). The REIT Units are listed on the Toronto Stock Exchange under the symbol "APR.UN". REIT Units and Class B LP Units are collectively referred to in this MD&A as "Units".

The REIT announced monthly cash distributions of $0.067 per REIT Unit, resulting in total distributions declared of $8,515 and paid of $7,986 for Q4 2019 (Q4 2018 - declared $6,378 and paid $6,036). For the year ended December 31, 2019, the REIT declared distributions of $29,794 and paid distributions of $28,729 (2018 - declared $22,276 and paid $21,901).

The REIT became internally managed effective as of December 31, 2019 (the "Internalization'). Prior to December 31, 2019, the REIT was externally administered by Dilawri pursuant to the Administration Agreement. The Strategic Alliance Agreement with Dilawri continues to allow 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 Section 8 "Related Party Transactions" in this MD&A.

On February 5, 2020, the REIT entered into an agreement to purchase the BMW Regina automotive dealership property ("BMW Regina Property"), for $11,350 from the Dilawri Group. The BMW Regina Property is a 19,619 square foot, full-service automotive dealership facility.

On February 6, 2020, the REIT entered into an agreement to purchase the North Shore Acura automotive dealership property ("North Shore Acura Property"), for $17,500 from the Dilawri Group. The North Shore Acura Property is a 22,273 square foot, full-service automotive dealership facility.

The REIT provided capital commitments for facility improvements to one of the tenants of the automotive dealership properties located in Winnipeg, Manitoba. The total capital commitment of $2,003, results in an annual rent increase effective March 6, 2020.

This MD&A is dated March 23, 2020.

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 impact of the global coronavirus (COVID-19) pandemic on the REIT;
- 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, and (ii) expected transactions to be entered into between Dilawri and the REIT (including pursuant to the Strategic Alliance Agreement);
- the expenditures related to the Tesla KW property;
- the REIT's intention with respect to, and ability to execute, its external and internal growth strategies;
- the level of new vehicle sales in Canada in 2020;
- the maintenance by the REIT of a strong balance sheet and prudent financial management and associated minimization of financial risk;
- the REIT representing a unique alternative for automotive dealership operators considering a sale or recapitalization of their business;
- the REIT's estimated increase in general and administrative expenses in 2020 due to the Internalization;
- 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;
- potential trade tariff policies and their impact on future retail automotive sales;
- the REIT's ability to meet its stated objectives;
- the REIT's ability to expand its asset base and make accretive acquisitions;
- the ability of the REIT to qualify as a "Mutual Fund Trust" as defined in the *Income Tax Act* (Canada) (the "Tax Act"), and as a "Real Estate Investment Trust", as defined in the SIFT Rules (as defined below); and
- the REIT's ability to consolidate automotive dealership properties.

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 inflation will remain relatively low, that interest rates will remain stable or at lower levels for the near term, 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 Judgments & 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"), adjusted cash flow from operations ("ACFO"), FFO payout ratio, AFFO payout ratio, ACFO payout ratio, net operating income ("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, Cash NOI, Same Property 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. 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 2019. 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; (v) distributions on redeemable or exchangeable units treated as interest expense; and (vi) operational revenue and expenses from the right-of-use assets in respect of Q4 2019 and 2019 (referred to as "ROU" assets).

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

"AFFO" is a non-IFRS measure of economic earnings operating performance widely used in the real estate industry to assess an entity's distribution capacity from earnings. 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 2019. 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 in respect of Q4 2019 and 2019) on a straight-line basis; and (ii) capital expenditures. Beginning in the first quarter of 2019 ("Q1 2019), the REIT adopted a capital expenditure reserve of 0.5% of base rent in the AFFO calculation. To date, the REIT has not incurred capital expenditure costs. The capital expenditure reserve is based on management's best estimate of cost that the REIT may incur, related to the sustaining/maintaining of the existing leased area.

"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 AFFO payout ratio as the key measure of the REIT's distribution capacity from earnings. AFFO payout ratio is calculated as distributions paid 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 2019. 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 that are not sustainable in nature; (ii) amortization of financing costs and indemnity payable in respect of the third party tenant portfolio sublease structure; and (iii) capital expenditures and (b) deduct interest expense. Beginning in Q1 2019, the REIT adopted a capital expenditure reserve of 0.5% of base rent in the ACFO calculation. To date, the REIT has not incurred capital expenditure costs. The capital expenditure reserve is based on management's best estimate of cost that the REIT may incur, related to the sustaining/maintaining of the existing leased area.

"ACFO payout ratio" is calculated as distributions declared 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. Beginning in Q1 2019, Cash NOI also deducts land lease payments.

“Same Property Cash NOI” is a non-IFRS measure which reports the period-over-period performance of the same asset base having consistent GLA during both periods of Cash NOI. The REIT uses this measure to assess financial returns and changes in property value.

FFO, AFFO, FFO payout ratio, AFFO payout ratio, ACFO, ACFO payout ratio, NOI, Cash 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 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.

“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 under IFRS and 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.

“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 the ratio of EBITDA divided by Debt Service at a particular time.

“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, automotive retail industry sales totaled a record $165 billion in 2019 (up 2% from $161 billion in 2018), 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 4.4%. The tables below contain new automobile sales by units in Canada for the 2019 and 2018 calendar years:

	Twelve Months Ended December 31 (units)			
	2019	**YoY unit increase/ (decrease)**	**YoY % increase/ (decrease)**	**2018**
Alberta	222,286	(14,483)	(6.1%)	236,769
British Columbia and the Territories	208,315	(17,224)	(7.6%)	225,539
Manitoba	57,402	(10,492)	(15.5%)	67,894
New Brunswick	40,984	(330)	(0.8%)	41,314
Newfoundland and Labrador	30,498	244	0.8%	30,254
Nova Scotia	51,146	(1,651)	(3.1%)	52,797
Ontario	843,559	(18,754)	(2.2%)	862,313
Prince Edward Island	8,110	376	4.9%	7,734
Québec	450,318	(10,676)	(2.3%)	460,994
Saskatchewan	48,670	(1,554)	(3.1%)	50,224
Total Canada	**1,961,288**	**(74,544)**	**(3.7%)**	**2,035,832**

(Source: Statistics Canada)

New vehicle sales represent a portion of overall dealer profitability, with significant contribution of profit generated from used vehicle sales, service and parts, finance and insurance. The REIT's portfolio of diverse dealership properties, strong industry fundamentals and an attractive leasing profile support the stability of distributions to holders of REIT Units and Class B LP Units (collectively, "Unitholders").

Strategy and Objectives

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.

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

External Growth

Accretive Acquisitions

Management believes that the REIT is well-positioned to capitalize on opportunities for accretive acquisitions from third-party automotive dealership 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;

- *Capital redeployment needs* – Monetizing the real estate underlying automotive dealership properties allows 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.

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 entity in Canada exclusively focused on owning and acquiring automotive dealership properties.

The REIT evaluates acquisition opportunities 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.

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, the REIT has a 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.

Since completion of the IPO, the REIT has acquired 11 automotive dealership properties from the Dilawri Group under the Strategic Alliance Agreement as of the date of this MD&A.

Internal Growth

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

- Each of the leases with a member of the Dilawri Group (each, a “Dilawri Lease”) contains annual contractual basic rent escalators in the amount of 1.5% per annum. The Dilawri Leases are structured as triple-net leases under which the tenant is responsible for all costs relating to repair and maintenance, realty taxes, property insurance, utilities and non-structural capital improvements so that rent escalators are expected to flow directly to NOI; and
- Contractual fixed rent escalators or consumer price index adjustments are expected, wherever possible, to be negotiated into new leases entered into by the REIT.

SECTION 3 - PROPERTY PORTFOLIO

Portfolio Overview

At December 31, 2019, the REIT’s portfolio consisted of 62 income-producing commercial properties. Out of the 62 income-producing commercial properties, 33 are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while two of the other 29 properties are jointly occupied by 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 27 properties are exclusively occupied by other dealership groups for use as automotive dealerships or for automotive dealership ancillary services, such as a vehicle service compound facility or a repair facility. Consequently, the Dilawri Group is the REIT’s most significant tenant and accounts for approximately 61.7% of the REIT’s base rent in 2019, including rent from properties subleased to third parties (83.3% in 2018).

The applicable Dilawri Tenant is the lead tenant for Dixie Auto Mall until July 2030. A Dixie Auto Mall sub-tenant that operated the Hyundai dealership moved from the premises at the end of the second quarter of 2019 (“Q2 2019”). As of

December 31, 2019, the premises were leased but unoccupied; however, this change does not affect the term of the applicable Dilawri Lease.

Overall, at December 31, 2019, the REIT's properties had a weighted average rental rate of $25.29 per square foot.

Income Producing Property Portfolio Summary

As at December 31, 2019	**Number of Properties**	**GLA (sq. ft.)**	**Average rental rate (per sq. ft.)(1)**	**Weighted Average Lease Term (yrs)**
Greater Vancouver Area (GVA) (2)	7	176,871	$34.79	13.6
Calgary	7	293,158	$25.71	12.6
Edmonton	6	174,350	$29.80	13.6
Regina	8	183,941	$20.75	9.4
Winnipeg	2	96,135	$17.55	18.3
KW/Guelph	3	87,300	$21.50	16.5
Greater Toronto Area (GTA)	13	691,908	$27.98	10.9
Ottawa/Kingston	11	303,817	$23.84	17.5
Greater Montréal Area (GMA)	5	317,608	$18.65	15.1
Total Portfolio	**62**	**2,325,088**	**$25.29**	**13.4**

As at December 31, 2018	Number of Properties	GLA (sq. ft.)	Average rental rate (per sq. ft.)(1)	Weighted Average Lease Term (yrs)
Greater Vancouver Area (GVA) (2)	6	153,950	$33.57	13.9
Calgary	6	271,350	$25.13	13.4
Edmonton	6	174,350	$29.77	14.6
Regina	8	183,941	$20.44	10.4
Greater Toronto Area (GTA)	12	619,861	$26.29	11.0
Ottawa/Kingston	11	303,817	$23.61	18.5
Greater Montréal Area (GMA)	5	317,608	$18.48	16.1
Total Portfolio	**54**	**2,024,877**	**$24.83**	**13.7**

(1) Based on 2020 (12-month period) contractual rental revenue.

(2) Excludes Land leases, which expenses are passed on to the tenant.

Appendix "A" in this MD&A contains a list and description of the REIT's properties as at December 31, 2019.

Profile of the Dilawri Leases

As at December 31, 2019, the remaining terms of the Dilawri Leases range from 6.5 years to 17.7 years, with a weighted average lease term of approximately 12.0 years. As at December 31, 2019, the weighted average annual basic rent payable under the Dilawri Leases is approximately $26.32 per square foot ($25.20 in 2018). 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 the applicable Dilawri Group tenant to extend the applicable Dilawri Lease for successive five-year periods as long as the Dilawri Group tenant meets certain conditions;
- The leases are triple-net to the REIT, with the Dilawri Group tenant responsible for costs relating to the properties, including property taxes, repairs and maintenance;

- Rights on the part of the applicable Dilawri Group tenant to cease operations under certain circumstances, provided it continues to comply with the other terms of its Dilawri Lease; 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.

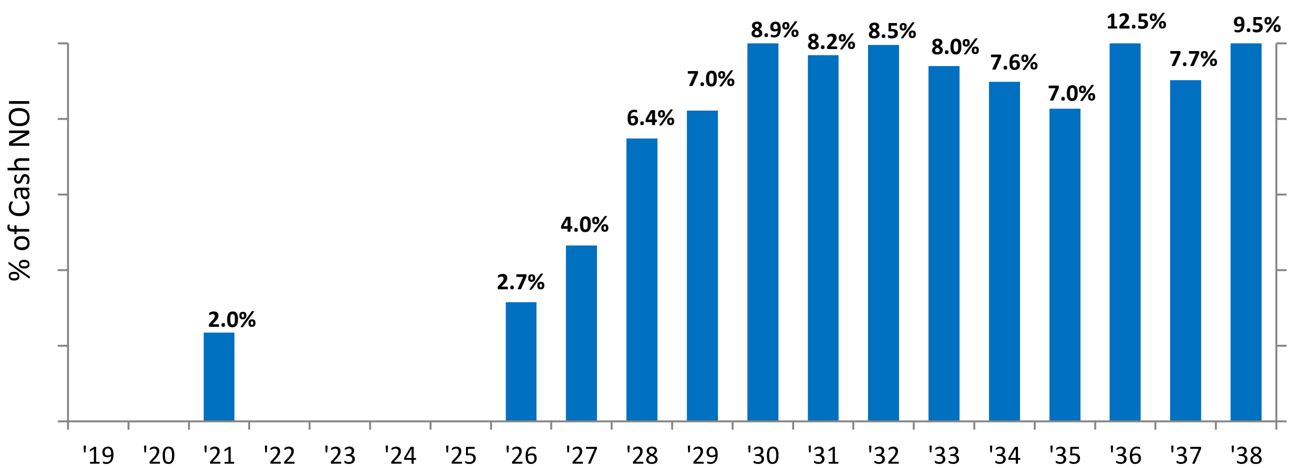
Profile of Other Leases

All of the REIT's other leases are tenanted by affiliates of other automotive dealership groups and, with the exception of one property whereby the lease was assumed by the REIT at the time of acquiring the property, are substantially the same as the Dilawri Leases, except for changes in contractual rental rates. Terms for the changes in contractual rental rates for the REIT's other leases are based on either a fixed amount, or on changes to consumer price indices (either national or provincial, with some caps and floors), with the exception of one lease. The timing of the changes in contractual rental rates vary lease by lease.

Profile of Overall Lease Maturity

With the exception of one property, the lease portfolio matures between 2026 and 2038 as set out in the chart below:

Lease Maturity Profile (*)



(*) Based on 2020(12-month period) contractual rental revenue.

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 following table sets out the breakdown of automotive brands that are marketed, retailed and serviced at the REIT's properties as of December 31, 2019:

Manufacturer / Brand	REIT Auto Dealership GLA (Sq. Feet)	% of REIT Auto Dealership GLA	% of REIT Auto Dealership Rent	No. of REIT Locations
Honda (1)	313,155	13.6%	14.2%	9

BMW [(2)]	301,205	13.1%	11.1%	6
Volkswagen	252,299	11.0%	10.9%	7
Audi[(3)]	237,484	10.3%	9.1%	6
Toyota	210,360	9.2%	8.9%	5
Acura [(1)]	139,708	6.1%	6.5%	5
Other [(4)]	102,176	4.4%	5.9%	8
General Motors	99,851	4.3%	3.3%	2
Nissan [(5)]	85,411	3.7%	4.2%	3
Porsche [(6)]	84,569	3.7%	5.8%	2
Chrysler [(7)]	81,750	3.5%	1.6%	2
Mazda	81,352	3.5%	4.5%	4
Hyundai	80,950	3.5%	3.3%	4
Mercedes Benz	60,850	2.6%	2.7%	1
Infiniti	44,904	2.0%	3.3%	4
Kia	39,543	1.7%	0.9%	2
Ford	39,287	1.7%	1.7%	1
Subaru	19,033	0.8%	0.7%	2
Lexus	16,226	0.7%	0.7%	1
Mitsubishi	14,750	0.6%	0.7%	2
Total	**2,304,863**	**100.0%**	**100.0%**	**76**

Notes:

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

(2) *Includes MINI.*

(3) *Includes the Audi service property (formerly Infiniti Vancouver).*

(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 the former Dilawri Acura and BMW property in Regina at 1921 1st Avenue which is being used for ancillary dealership purposes by both the Dilawri Pre Owned 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 and Hyundai dealerships which have vacated their premises located in Dixie Auto Mall; and the applicable Dilawri Tenant will continue to be the lead tenant for Dixie Auto Mall until July 2030. Includes 3 vehicle compound facilities that were acquired as part of the Mierins Auto Group Portfolio. Also includes the Tesla KW service centre.*

(5) *Includes the new Nissan Truck expansion in the former KIA dealership at Dixie Auto Mall.*

(6) *Includes Porsche JLR Edmonton.*

(7) *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, 2019 with comparative figures for the twelve months ended December 31, 2018 as provided to the REIT by Dilawri (all figures are approximations, not in thousands):

Dilawri Group's Financial Information (approximations, not in thousands)		
	December 31, 2019 LTM[(3)]	**December 31, 2018 LTM[(3)]**
Combined Revenues (not audited or reviewed)	$3.8 billion	$3.0 billion
EBITDA (not audited or reviewed)	$123.7 million	$85.6 million
Pro Forma Adjusted Rent Coverage Ratio (not audited or reviewed)	3.5[(1)]	2.9[(2)]
Term Debt (not audited or reviewed)	$440.1 million[(1)]	$140.0 million[(2)]
Term Debt to EBITDA Ratio (not audited or reviewed)	3.6[(1)]	1.6[(2)]

Notes:

(1) As at December 31, 2019.
(2) As at December 31, 2018.
(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 this 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 term 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 FINANCIAL INFORMATION

Key Performance Indicators

The REIT's performance is measured by management's selection of certain key indicators including those set out in the table below. 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,	
	2019	2018	**2019**	2018
Rental Revenue	**$18,122**	$13,741	**$67,580**	$48,254
NOI	**15,144**	11,493	**57,354**	40,745
Cash NOI	**14,301**	10,805	**53,844**	37,835
Same Property Cash NOI	**10,377**	10,254	**36,164**	35,624
Net Income (Loss)	**3,894**	13,666	**(4,499)**	39,150
FFO	**8,983**	7,274	**36,148**	27,247
AFFO (1)	**8,227**	6,531	**32,906**	24,145
Fair value adjustment to investment properties	**1,266**	(2,261)	**3,150**	4,099
Distributions per Unit	**$0.201**	$0.201	**$0.804**	$0.804
Net Income (Loss) per Unit – basic (2)	**0.096**	0.442	**(0.125)**	1.425
Net Income (Loss) per Unit – diluted (3)	**0.096**	0.440	**(0.124)**	1.418
FFO per Unit – basic (4)	**0.222**	0.235	**1.003**	0.991
FFO per Unit – diluted (5)	**0.220**	0.234	**0.997**	0.987
AFFO per Unit – basic (1)(4)	**0.203**	0.211	**0.913**	0.879
AFFO per Unit – diluted (1)(5)	**0.202**	0.210	**0.908**	0.874
Weighted average Units – basic (6)	**40,502,680**	30,898,283	**36,023,242**	27,483,193
Weighted average Units – diluted (7)	**40,767,092**	31,057,609	**36,257,034**	27,617,646
Payout ratio (%)				
FFO	**91.2%**	85.9%	**80.6%**	81.5%
AFFO	**99.6%**	95.6%	**88.6%**	92.0%

Balance Sheet and Other Metrics	**As at December 31, 2019**	As at December 31, 2018	As at December 31, 2017
Total assets	**$935,733**	$766,239	$547,606
Total liabilities (excluding Class B LP Units)	**$420,452**	$424,664	269,023
Number of units outstanding (includes Class B LP Units)	**47,630,305**	31,729,805	26,149,253
Market price per REIT Unit – close (end of period)	**$12.15**	$8.97	$10.91
Market capitalization (includes Class B LP Units)	**$578,708**	$284,616	$285,288
Overall capitalization rate	**6.6%**	6.6%	6.5%
Fixed weighted average effective interest rate on debt (excludes revolving credit facilities) (8)	**3.77%**	3.79%	3.35%
Proportion of total debt at fixed interest rates through swaps and mortgages	**95%**	91%	83%
Weighted average interest rate swap term remaining (years)	**6.0**	6.7	5.3
Weighted average term to maturity of debt	**3.9**	4.3	3.6
Interest Coverage Ratio (9)	**2.9X**	3.3X	3.8X
Debt Service Coverage Ratio (9)	**1.6X**	1.9X	2.0X
Debt to GBV	**43.6%**	54.7%	48.5%

(1) Comparative figures have been adjusted to reflect the change to the calculation of AFFO in 2019. See "Non-IFRS Financial Measures".

(2) 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.
(3) 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 (each as defined below) granted to certain Trustees and management of the REIT.
(4) 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.
(5) 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 granted to certain Trustees and management of the REIT.
(6) The weighted average number of outstanding Units – basic includes the Class B LP Units.
(7) The weighted average number of outstanding Units – diluted includes the Class B LP Units, DUs and IDUs granted to certain Trustees and management of the REIT
(8) The fixed weighted average effective interest rate on debt is calculated on an annualized basis.
(9) For 2019 ratios, see Section 7 "Financing Metrics and Debt Covenants".

SECTION 5 – RESULTS OF OPERATIONS

Net Income (Loss) and Comprehensive Income (Loss)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2019	2018	Variance	**2019**	2018	Variance
Net Property Income						
Base rent	**$14,460**	$10,949	$3,511	**$54,384**	$38,441	$15,943
Property tax recoveries	**2,978**	2,078	900	**10,226**	6,801	3,425
Straight-line rent adjustment	**684**	714	(30)	**2,970**	3,012	(42)
Rental Revenue	**18,122**	13,741	4,381	**67,580**	48,254	19,326
Property tax expense	**(2,978)**	(2,078)	(900)	**(10,226)**	(6,831)	(3,395)
Land leases	**-**	(144)	144	**-**	(576)	576
Straight- line land lease adjustment	**-**	(26)	26	**-**	(102)	102
Property Costs	**(2,978)**	(2,248)	(730)	**(10,226)**	(7,509)	(2,717)
NOI	**15,144**	11,493	3,651	**57,354**	40,745	16,609
Other Income (Expenses)						
General and administrative expenses	**(1,887)**	(1,057)	(830)	**(4,090)**	(3,002)	(1,088)
Interest expense and other financing charges	**(4,207)**	(3,162)	(1,045)	**(16,948)**	(10,496)	(6,452)
Fair value adjustment on interest rate swaps	**6,395**	(6,550)	12,945	**(3,902)**	(3,669)	(233)
Distribution expense on Class B LP Units	**(1,997)**	(1,997)	-	**(7,988)**	(7,988)	-
Fair value adjustment on Class B LP Units, DUs and IDUs	**(10,820)**	17,200	(28,020)	**(32,075)**	19,461	(51,536)
Fair value adjustment on investment properties	**1,266**	(2,261)	3,527	**3,150**	4,099	(949)
Net Income (Loss) and Comprehensive Income (Loss)	**$3,894**	$13,666	$(9,772)	**$(4,499)**	$39,150	$(43,649)

For Q4 2019, net income was $3,894 compared to $13,666 in Q4 2018. For 2019, a net loss was $4,499 compared to a net income of $39,150 in 2018. The decreases were primarily due to fair value adjustments for Class B LP Units, as well as higher interest expense and other financing charges, partially offset by higher NOI and fair value adjustments on investment properties. NOI was $15,144 in Q4 2019 as compared to $11,493 in Q4 2018, and for 2019 was $57,354 compared to $40,745 in 2018. The increases were primarily due to the properties acquired during and subsequent to Q4 2018, and contractual rent increases.

Rental Revenue and Property Costs

Rental revenue is based on triple net leases with tenants. As such, rental revenue also includes recoverable realty taxes and straight-line adjustments.

For Q4 2019, rental revenue of $18,122 was $4,381, or 31.9%, higher than Q4 2018, primarily due to the properties acquired during and subsequent to Q4 2018, and contractual rent increases.

For 2019, rental revenue of $67,580 was $19,326, or 40.1%, higher than 2018, primarily due to the properties acquired during and subsequent to Q4 2018, and contractual rent increases.

Property costs of $2,978 and $10,226 for Q4 2019 and 2019, respectively, were $900 and $3,395 higher than Q4 2018 and 2018, respectively. The increases are attributable to the properties acquired during and subsequent to Q4 2018, and 2018.

General and Administrative Expenses

The REIT's general and administrative expenses consisted of: (i) outsourced costs, (ii) public entity costs, (iii) unit-based compensation expense in the form of Deferred Units ("DUs") and Income Deferred Units ("IDUs") and (iv) management short term compensation expense. The outsourced costs were largely related to the services provided by Dilawri pursuant to the Administration Agreement which was terminated on December 31, 2019 in accordance with its terms. The REIT reimbursed Dilawri for costs incurred in connection with the provision of such services so long as such costs were identified in the then current annual budget of the REIT or were otherwise approved by the REIT. The REIT paid to Dilawri $266 and $1,050 in respect of services provided in Q4 2019 and 2019, respectively (Q4 2018 – $273 and 2018 – $1,054).

The public entity costs reflect the expenses related to ongoing operations of the REIT, including professional fees for legal and audit services and depreciation expense for an office lease ROU asset, which were $11 lower and $61 higher than Q4 2018 and 2018, respectively. Public entity costs will fluctuate from quarter to quarter depending on when such expenses are incurred.

The non-cash unit-based compensation expense relates to DUs and IDUs granted in accordance with the REIT's Equity Incentive Plan (the "Plan"). As at December 31, 2019, all Independent Trustees of the REIT 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. As a result of the Internalization, $1,480 of DUs was issued to the REIT's management. Approximately $737 of such DUs vested and were accounted for in Q4 2019, with the balance vesting over a three to five-year period from the date of grant and accounted for accordingly. For Q4 2019 and 2019, the REIT incurred expenses of $933 and $1,338, respectively, related to the granting of DUs, IDUs, and the vesting of long-term DUs.

For Q4 2019 and 2019, the REIT accrued management short-term incentive awards of $125 and $384, respectively, which will be settled by the granting of DUs.

The table below illustrates the breakdown of general and administrative expenses incurred in Q4 2019 and 2019 as compared to Q4 2018 and 2018:

	Q4 2019	Q4 2018	Variance	**2019**	2018	Variance
Administration Agreement	**$266**	$273	$(7)	**$1,050**	$1,054	$(4)
Public entity and other costs	**563**	574	(11)	**1,318**	1,257	61
DUs and IDUs expense	**933**	84	849	**1,338**	348	990
Management short term compensation expense	**125**	126	(1)	**384**	343	41
General and administrative expenses	**$1,887**	$1,057	$830	**$4,090**	$3,002	$1,088

As result of the Internalization, the REIT's general and administrative expenses are expected to increase approximately $500 for the 2020 fiscal year.

Interest Expense and Other Financing Charges

Interest expenses include 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. For Q4 2019 and 2019, the interest expense and other financing charges were $4,207 and $16,948, respectively, representing increases of $1,045 and $6,452 from Q4 2018 and 2018, respectively. The increases are primarily due to additional debt incurred by the REIT to acquire properties during and subsequent to Q4 2018, and a higher cost of borrowing as a result of the extension of the maturities on certain interest rate swaps. Also included in Q4 2019 and 2019 is $95 and $379, respectively, of interest expense on lease liabilities due to the adoption of IFRS 16.

Changes in Fair Values 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. Property under development is measured using both a comparable sales method and a discounted cash flow method, net of costs to complete. The REIT's valuation inputs are supported by quarterly market reports from an independent appraiser which indicate no change in capitalization rates from December 31, 2018 for the markets the REIT is in. For Q4 2019 and 2019, the fair value adjustments in investment properties were $1,266 and $3,150, respectively, compared to $(2,261) for Q4 2018 and $4,099 for 2018. The fair value gain adjustment for Q4 2019 was primarily due to NOI increases, partially offset by the transaction costs related to the Straightline Kia property acquisition and adjustment of ROU assets (two land leases). The additional fair value adjustment in 2019 was due to Q1 2019 NOI increases as well as the write-off of a straight-line lease liability balance, partially offset by the transaction costs related to the St. James VW, McNaught Cadillac, Buick GMC, Wellington Motors, Guelph Hyundai and Audi Queensway property acquisitions. The overall capitalization rate applicable to the REIT's entire portfolio remained at 6.6% (December 31, 2018 – 6.6%), which is equivalent to the REIT's overall assessment as at December 31, 2019.

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 would be 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 $34,700 or ($32,200), respectively.

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

The Class B LP Units, DUs, IDUs 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).

Under IFRS, the Class B LP Units, DUs and IDUs are classified as financial liabilities and measured at fair value through profit and loss (FVTPL). The fair value of the Class B LP Units, DUs and IDUs will be measured every period by reference to the traded value of the REIT Units, with changes in measurement recorded in net income (loss) and comprehensive income (loss). 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 impact of the movement in the traded value of the REIT Units resulted in a decrease in fair value adjustment for Class B LP Units in Q4 2019 of $10,820 (Q4 2018 – increase of $17,200) and $32,075 for 2019 (2018 – increase of $19,461).

The REIT enters into interest rate swaps to limit its exposure to fluctuations in the interest rates on variable rate financings for certain of its Credit Facilities. 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).

The fair value adjustments for interest rate swaps for Q4 2019 and 2019 were $6,395 (Q4 2018 – $(6,550)) and $(3,902) (2018 – $(3,669)), respectively. The variances reflect a decline in interest rates in the derivative market as at December 31, 2019.

SECTION 6 – NON-IFRS FINANCIAL MEASURES

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

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”).Beginning in Q1 2019, the REIT adopted a capital expenditure reserve of 0.5% of base rent in the AFFO calculation. To date, the REIT has not incurred capital expenditure costs. The capital expenditure reserve is based on the length of the lease terms, renewal retention rates, triple-net lease structure and management’s best estimate of cost that the REIT may incur, related to the sustaining/maintaining of the existing leased area. Comparative figures have been adjusted to reflect the change to the calculation of AFFO in 2019. The calculations of these measures and the reconciliation to net income (loss) and comprehensive income (loss) are set out in the following table:

	Three Months Ended December 31,			**Twelve Months Ended December 31,**		
($000s, except per Unit amounts)	**2019**	2018	Variance	**2019**	2018	Variance
Calculation of NOI						
Property revenue	**$18,122**	$13,741	$4,381	**67,580**	$48,254	$19,326
Property costs	**(2,978)**	(2,248)	(730)	**(10,226)**	(7,509)	(2,717)
NOI (including straight-line adjustments)	**$15,144**	$11,493	$3,651	**$57,354**	$40,745	$16,609
Adjustments:						
Land lease payments (1)	**(159)**	-	(159)	**(540)**	-	(540)
Straight-line adjustment (rent and land lease) (2)	**(684)**	(688)	4	**(2,970)**	(2,910)	(60)
Cash NOI	**$14,301**	$10,805	$3,496	**$53,844**	$37,835	$16,009
Reconciliation of net income (loss) to FFO and AFFO						
Net income (loss) and comprehensive income (loss)	**$3,894**	$13,666	$(9,772)	**$(4,499)**	$39,150	$(43,649)
Adjustments:						
Change in fair value – interest rate swaps	**(6,395)**	6,550	(12,945)	**3,902**	3,669	233
Distributions on Class B LP Units	**1,997**	1,997	-	**7,988**	7,988	-
Change in fair value – Class B LP Units, DUs and IDUs	**10,820**	(17,200)	28,020	**32,075**	(19,461)	51,536
Change in fair value – investment properties	**(1,266)**	2,261	(3,527)	**(3,150)**	(4,099)	949
ROU asset net balance of depreciation/interest and lease payments (3)	**(67)**	-	(67)	**(168)**	-	(168)
FFO	**$8,983**	$7,274	$1,709	**$36,148**	$27,247	$8,901
Adjustments:						
Straight-line adjustment (rent and land leases) (2)	**(684)**	(688)	4	**(2,970)**	(2,910)	(60)
Capital expenditure reserve	**(72)**	(55)	(17)	**(272)**	(192)	(80)
AFFO	**$8,227**	$6,531	$1,696	**$32,906**	$24,145	$8,761
Number of Units outstanding (including Class B LP Units)	**47,630,305**	31,729,805	15,900,500	**47,630,305**	31,729,805	15,900,500
Weighted average Units Outstanding – basic	**40,502,680**	30,898,283	9,604,397	**36,023,242**	27,483,193	8,540,049
Weighted average Units Outstanding – diluted	**40,767,092**	31,057,609	9,709,483	**36,257,034**	27,617,646	8,639,388
FFO per Unit – basic (4)	**$0.222**	$0.235	$(0.013)	**$1.003**	$0.991	$0.012
FFO per Unit – diluted (5)	**$0.220**	$0.234	$(0.014)	**$0.997**	$0.987	$0.010
AFFO per Unit – basic (4)	**$0.203**	$0.211	$(0.008)	**$0.913**	$0.879	$0.034
AFFO per Unit – diluted (5)	**$0.202**	$0.210	$(0.008)	**$0.908**	$0.874	$0.034
Distributions per Unit	**$0.201**	$0.201	$-	**$0.804**	$0.804	$-
FFO payout ratio	**91.2%**	85.9%	5.3%	**80.6%**	81.5%	(0.9)%
AFFO payout ratio	**99.6%**	95.6%	4.0%	**88.6%**	92.0%	(3.4)%

(1) In 2019, the REIT adopted IFRS 16. For Q4 2019 and 2019, land lease payments applied to lease liability. For Q4 2018 and 2018, land lease payments are included in property costs.
(2) For Q4 2019 and 2019, the REIT did not include straight-line adjustments for land leases since the REIT reclassified land leases in accordance with IFRS 16 as ROU assets.
(3) In 2019, the REIT adopted IFRS 16, resulting in the classification of one office lease as a ROU asset.
(4) 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.
(5) 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 of the REIT.

FFO, AFFO and Cash NOI

In Q4 2019, FFO increased 23.5% to $8,983, which represented a decrease to $0.220 per Unit, compared to $7,274, or $0.234 per Unit, in Q4 2018. The increase in FFO was primarily due to the properties acquired during and subsequent to Q4 2018, and contractual rent increases. The decline in FFO per Unit was primarily due to the one-time Internalization cost and the timing difference between the closing of the December Equity Offering and the deployment of proceeds from the December Equity Offering, as a portion of the proceeds was used to repay the debt incurred to fund the acquisition of the Straightline Kia property, which closed on December 16, 2019.

FFO for 2019 increased 32.7% to $36,148, or $0.997 per Unit, compared to $27,247, or $0.987 per Unit, in 2018. The increase was primarily due to the properties acquired during and subsequent to 2018, and contractual rent increases.

In Q4 2019, AFFO increased 26.0% to $8,227, or decreased to $0.202 per Unit, compared to $6,531, or $0.210 per Unit, in Q4 2018; and Cash NOI in Q4 2019 was $14,301 on $18,122 of revenue (compared to Cash NOI of $10,805 on revenue of $13,741 in Q4 2018). The increases were primarily due to the properties acquired during and subsequent to Q4 2018, and contractual rent increases. The decline in AFFO per Unit in Q4 2019 reflects one-time Internalization costs incurred and the timing difference between the closing of the December Equity Offering and the deployment of proceeds, as noted above.

AFFO for 2019 increased 36.3% to $32,906, or $0.908 per Unit, compared to $24,145, or $0.874 per Unit, in 2018; and Cash NOI in 2019 was $53,844 on $67,580 of revenue (compared to Cash NOI of $37,835 on revenue of $48,254 in 2018). The increases were primarily due to the properties acquired during and subsequent to 2018, and contractual rent increases.

Excluding the total of cost of $957 directly associated with the Internalization, which consists of $737 relating to the issuance of DUs and $220 of advisor fees incurred, AFFO for 2019 would have been $33,863, or $0.934 per Unit, and the REIT's AFFO payout ratio would have been 86.1%.

For Q4 2019, the REIT declared distributions to Unitholders of $8,515 and paid distributions to Unitholders of $7,986, or $0.201 per Unit (Q4 2018 – declared $6,378 and paid $6,036), and for 2019 the REIT declared distributions of $29,794 and paid distributions of $28,729, or $0.804 per Unit (2018 – declared $22,276 and $21,901 paid). This resulted in an AFFO payout ratio of 99.6% in Q4 2019 (Q4 2018 – 95.6%) and 88.6% in 2019 (2018 – 92.0%). The AFFO payout ratio was higher in Q4 2019 due to the timing difference between the closing of the December Equity Offering and the deployment of proceeds. The 2019 AFFO payout ratio was lower than 2018 as a result of organic growth in NOI and acquisitions made during and subsequent to 2018.

Same Property Cash Net Operating Income

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2019	2018	Variance	**2019**	2018	Variance
Same property base rental revenue	**$10,536**	$10,398	$138	**$36,704**	$36,200	$504
Land lease payments	**(159)**	(144)	(15)	**(540)**	(576)	36
Same Property Cash NOI	**$10,377**	$10,254	$123	**$36,164**	$35,624	$540

Same Property Cash NOI increased 1.20% to $10,377 in Q4 2019 from $10,254 in Q4 2018, and 1.52% to $36,164 in 2019 from $35,624 from 2018. The increases are primarily a result of contractual rent increases. For 2019, the increase is also attributable to a rent escalation of 10% which occurred in August 2018 on three investment properties in Edmonton, Alberta. The next rent escalations for these three properties will occur in August 2023.

Reconciliation of Cash Flow from Operating Activities to ACFO

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 2019. 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"). To date, the REIT has not incurred capital expenditure costs. The capital expenditure reserve of 0.5% of base rent is based on the lease terms, renewal retention rates, triple-net lease structure and management's best estimate of cost on a per square foot basis related to sustaining/maintaining existing space that the REIT may incur. Comparatives figures have been adjusted to reflect the change to the calculation of ACFO in 2019. The calculation of ACFO and the reconciliation to cash flow from operating activities are set out in the table below:

	Three Months Ended December 31,			**Twelve Months Ended December 31,**		
($000s)	**2019**	2018	Variance	**2019**	2018	Variance
Cash flow from operating activities	**$9,668**	$10,183	$(515)	**$52,186**	$36,757	$15,429
Change in non-cash working capital	**3,480**	(452)	3,932	**(762)**	(525)	(237)
Interest paid	**(3,995)**	(2,927)	(1,068)	**(15,969)**	(9,923)	(6,046)
Amortization of financing fees	**(128)**	(167)	39	**(642)**	(465)	(177)
Amortization of indemnification fees	**(41)**	(19)	(22)	**(154)**	(74)	(80)
Net interest expense and other financing charges in excess of interest paid	**(84)**	(68)	(16)	**(337)**	(108)	(229)
Capital expenditure reserve	**(72)**	(55)	(17)	**(272)**	(192)	(80)
ACFO	**$8,828**	$6,495	$2,333	**$34,050**	$25,470	$8,580
ACFO payout ratio	**96.5%**	92.9%	3.6%	**87.5%**	86.0%	1.5%

ACFO increased in Q4 2019 to $8,828 and to $34,050 in 2019, as compared to $6,495 in Q4 2018 and $25,470 in 2018 primarily due to the quarterly and contractual rent increases. This resulted in an ACFO payout ratio of 96.5% in Q4 2019 and 87.5% in 2019 (Q4 2018 – 92.9% and 2018 – 86.0%). The ACFO payout ratios for Q4 2019 were higher than the comparative periods primarily due to costs associated with the one-time Internalization, the December Equity Offering, and to prior-period adjustments for non-cash working capital from non-operating activity.

SECTION 7 – LIQUIDITY AND CAPITAL RESOURCES

Capital Structure

Debt	Term (yrs)	Key Terms: Hedged Term (yrs)	Interest Rate	Payments & Interest/Amortization	Effective Interest Rate (fixed)	**Outstanding as at December 31, 2019**	**Outstanding as at December 31, 2018**
Facility 1	3.5 (1)	2.6 to 9.0	BA + 150 bps, Prime +25 bps	(1)	3.75%	**$194,665**(9)	$210,347
Facility 2	4.5 (2)	2.6 to 9.5	BA + 150 bps, Prime +25 bps	(2)	3.53%	**99,913**	85,791
Facility 3	3.9 (3)	6.0 to 8.9	BA + 150 bps, Prime +50 bps	(3)	4.05%	**90,250**	95,000
Mortgages	1.0 to 7.5	n/a	Fixed 3.22% to 3.72 %	P&I, 20 yrs and 25yrs	3.52%	**15,471**	28,376
						$400,299	$ 419,514
Financing fees						**(2,371)**	(2,642)
Weighted Average /Total	**3.9**	**6.0**			**3.77%**	**$397,929**	$ 416,872
Class B LP Units, DUs and IDUs						**$123,935**	$90,173
Cash Balance						**$45,266**	$295

Key Financing Metrics and Debt Covenants (4)(7)	Debt Covenant	Declaration of Trust (5)	**As at December 31, 2019**	**As at December 31, 2018**
Interest coverage	-	-	**2.9**	3.3
Debt to GBV	<60% (6)	<60% (6)	**43.6%**	54.7%
Unitholders' Equity (including Class B LP Units, DUs and IDUs)	>$120,000	-	**$518,527**	$342,647
Debt Service Coverage	>1.35	-	**1.6**	1.9
AFFO payout ratio	<100%	-	**88.6%**	92.0%

(1) Facility 1 and the associated revolving facility matures in June 2023.
(2) The REIT has extended the maturity of Facility 2 and the revolving facility to June 2024.
(3) Facility 3 and the associated revolving facility matures in December 2023.
(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, the maximum ratio is 65%.
(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 Facility 1, Facility 2, Facility 3 and the Mortgages.
(8) Comparative figures have been adjusted to reflect the change to the calculation of AFFO in 2019.
(9) $19,206 of the non-revolving balance of Facility 1 remains at floating rates.

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:

2020	18,130
2021	23,750
2022	18,156
2023	260,259
2024	72,081
Thereafter	7,923
Total	$400,299

The REIT's liquidity position as at December 31, 2019, includes approximately $75,000 of undrawn revolving credit facilities and cash on hand of $45,266. As at the date of the MD&A, the REIT undrawn revolving credit facilities remained at $75,000 and cash on hand was approximately $13,000, which management believes is sufficient to carry out its obligations, discharge liabilities as they come due and fund distributions to Unitholders. A mortgage in the amount of $11,957 expired in September 2019 and was repaid through the use of the REIT's revolving credit facilities. As at December 31, 2019, six properties are unencumbered and able to be used as security in respect of future financing requirements, as and when needed.

Capital requirements in the next two years are low and capital expenditure requirements are expected to be insignificant. Capital required for investing activities will be addressed through additional borrowings or issuances of equity as acquisition and development opportunities arise.

Debt Financing

The REIT's overall borrowing policy is to obtain secured credit facilities, principally on a fixed rate or effectively fixed rate basis, which will allow the REIT to (i) achieve and maintain staggered maturities to lessen exposure to re-financing risk in any particular period; (ii) achieve and maintain fixed rates to lessen exposure to interest rate fluctuations; and (iii) extend loan terms 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 53%-55% of GBV. As at December 31, 2019, the REIT's Debt to GBV ratio was 43.6% (2018 – 54.7%). The reduction from December 31, 2018 is attributable to the repayment of outstanding debt under the REIT's revolving credit facilities from the net proceeds of the June Equity Offering and the December Equity Offering (collectively, "2019 Equity Offerings") and the increase in the REIT's assets through acquisitions funded by the 2019 Equity Offerings. The reduced leverage position allows for more than $100,000 in acquisition capacity. 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 exceed 60% of GBV (or 65% of GBV including convertible debentures).

Secured Credit Facilities, Mortgages and Interest Rate Swap Arrangements

All the Credit Facilities and mortgages are with Canadian Schedule 1 banks and are secured by all but six of the REIT's investment properties. In March 2019, the REIT increased the amount available to be drawn under the non-revolving portion of Facility 1 by $19,800 and in June 2019 the REIT increased the amount available to be drawn under the non-revolving portion of Facility 2 by $29,704.

As at December 31, 2019, the REIT had total revolving credit facilities of $75,000, of which $75,000 was undrawn ($30,000 in Facility 1, $15,000 in Facility 2, and $30,000 in Facility 3).

Financing Fees

During 2019, the REIT incurred financing fees of $407 (2018 – $2,117). The amounts are accounted for using the effective interest method, $2,371 remains unamortized at December 31, 2019 (2018 – $2,642).

Interest Rate Swaps

The REIT enters into interest rate derivative contracts to limit its exposure to fluctuations in the interest rates payable on its variable rate financings under Facility 1, Facility 2 and Facility 3. 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). On June 26, 2019, the REIT increased the amount available to be drawn under Facility 2 by $29,704 to a total of $102,189 and extended the term to maturity from June 2022 to June 2024. The REIT also entered into a $29,704 10-year interest rate swap at a rate of 3.5%.

As a result of the above, the REIT's weighted average interest rate swap term increased from 6.4 years in Q1 2019 to 6.5 years in Q2 2019. The REIT's weighted average interest rate swap term as of December 31, 2019 is 6.0 years.

The following table sets out the combined borrowings under Facility 1, Facility 2 and Facility 3 and the remaining expected term to maturity of the related interest rate swaps as at December 31, 2019.

Remaining Term (yrs)	Amount ($000s)	Total Swapped Fixed Rate Debt (%)
3.0	87,887	24.0
5.2	88,871	24.3
6.1	76,510	20.9
8.8	112,354	30.8
6.0	**365,622**	**100.0**

As at December 31, 2019, the notional principal amount of the interest rate swaps was $365,600 (December 31, 2018 – $352,000) and a liability balance of $5,016 as at December 31, 2019 (December 31, 2018 – $1,114).

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. 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 if, as and when declared by the Board of Trustees (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.

As at December 31, 2019, the total number of REIT Units outstanding was 37,697,052.

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 on a one-for-one basis (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 to which such Special Voting Unit is attached would be entitled. Under IFRS, the Class B LP Units are classified as financial liabilities and measured at fair value through profit and loss (FVTPL). The fair value of the Class B LP Units will be measured every period by reference to the traded value of the REIT Units, with changes in measurement recorded in net income (loss) and comprehensive income (loss). 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, 2019, the total number of Class B LP Units outstanding was 9,933,253.

Deferred Units

The REIT offers an Equity Incentive Plan. Under the Plan, DUs may be granted to Trustees, officers and employees of the REIT on a discretionary basis by the Governance, Compensation and Nominating Committee of the Board. The maximum number of REIT Units available for issuance under the Plan is 1,000,000. 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.

During the year ended December 31, 2019, a total of 232,953 DUs and IDUs were granted (2018 – 83,444), of which 100,999 DUs and IDUs will be accounted for in accordance with the vesting schedule (2018 – 25,999). As at December 31, 2019, a total of 398,571 DUs and IDUs have been granted (2018 - 165,618), of which 267,187 were accounted as outstanding and 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.

In determining the amount of the monthly cash distributions paid to holders of REIT Units, the Board applies discretionary judgment to forward-looking, which includes forecasts, 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 REIT is currently paying monthly cash distributions to Unitholders of $0.067 per Unit, representing $0.804 per Unit on an annualized basis.

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.

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, 2019**	**As at December 31, 2018**
Net Asset Value			
Investment properties, IFRS value		$888,129	$763,998
Cash, prepaid and other assets		47,604	2,241
Accounts payable and accrued liabilities		(14,261)	(5,606)
Credit Facilities, Mortgages and interest rate swaps		(402,945)	(417,986)
Total Net Asset Value		**$518,527**	**$342,647**
REIT Units and Class B LP Units outstanding		47,630,305	31,729,805
Debt to GBV			
Indebtedness outstanding :			
Credit Facilities & Mortgages (excludes deferred financing costs)	**A**	$400,300	$419,514
Lease Liability	**A1**	7,356	-
Gross Book Value			
Total assets	**B**	935,733	766,239
Debt to GBV (1)	**((A+A1)/B) X 100**	**43.6%**	**54.7%**
Unitholders' Equity & Class B LP Units & DUs & IDUs			
Unitholders' Equity		$394,592	$252,474
Value of DUs & IDUs		3,246	1,072
Value of Class B LP Units		120,689	89,101
Total Unitholders' Equity & Class B LP Units & DUs & IDUs		**$518,527**	**$342,647**

Calculations of financial metrics and debt covenants					
Interest coverage		Q4 2019	Q4 2018	2019	2018
Cash NOI		$14,301	$10,805	$53,844	$37,835
General and administrative expenses		(1,887)	(1,057)	(4,090)	(3,002)
Income before interest expense and fair value adjustments	**C**	12,414	9,748	49,754	34,833
Interest expense and other financing charges	**D**	4,207	3,162	16,948	10,496
Interest Coverage Ratio (2)	**C/D**	**3.0X**	**3.1X**	**2.9X**	**3.3X**
Debt Service Coverage					
Consolidated net income (loss)		$3,894	$13,666	$(4,499)	$39,150
Interest expense and other financing charges		4,207	3,162	16,948	10,496
Distribution expense on Class B LP Units		1,997	1,997	7,988	7,988
Amortization of other assets		41	19	154	74
Fair value adjustments, net		3,159	(8,389)	32,827	(19,891)
EBITDA	**E**	13,298	10,455	53,418	37,817
Principal payments (pay down of debt)		4,512	2,827	17,483	9,530
Interest payments on debt (excludes bank charges)		3,953	2,927	15,927	9,923
Debt Service	**F**	8,465	5,754	33,410	19,453
Debt Service Ratio (3)	**E/F**	**1.6X**	**1.8X**	**1.6X**	**1.9X**
AFFO payout ratio					
AFFO		8,227	6,531	32,906	24,145
Distributions on REIT Units		5,989	4,381	20,741	14,288
Distributions on Class B LP Units		1,997	1,997	7,988	7,988
		7,986	5,353	28,729	15,898
AFFO payout ratio (4)		**99.6%**	**95.6%**	**88.6%**	**92.0%**

Notes:

(1) The Debt to GBV ratio as at December 31, 2019 decreased as compared to December 31, 2018, primarily due to the 2019 Equity Offerings, the proceeds of which were used, in part, to fund the 2019 automotive dealership property acquisitions and to repay debt.

(2) The Interest Coverage Ratio for Q4 2019 and 2019 decreased compared to the same periods in the previous year, mainly due to the increase in interest expense and other financing charges.

(3) The Debt Service Ratio for Q4 2019 and 2019 decreased compared to the same periods in the previous year, mainly due to the increase in interest and principal payments.

(4) The AFFO payout ratio is calculated as distributions per REIT 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, 2019 held an approximate 25.6% (2018 - 32.8%) effective interest in the REIT on a fully diluted basis, through its ownership of all of the issued and outstanding Class B LP Units and 2,280,552 REIT 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).

In addition, 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 letters of credit 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. The Dilawri Group held all of the 9,933,253 issued and outstanding Class B LP Units for three years subsequent to the IPO and, accordingly, the LCs are expected to be released. The REIT is working with the applicable tax authorities and Dilawri to secure the release of the LCs.

For additional information on related party agreements and arrangements with Dilawri, please refer to the REIT's AIF, which can be found on SEDAR at www.sedar.com and on the REIT's website www.automotivepropertiesreit.ca.

Administration Agreement

On December 3, 2019, the REIT announced that the Independent Trustees had notified Dilawri of the REIT's intention to terminate the Administration Agreement, which termination was effective as of December 31, 2019. Following termination, the REIT's management, operating and administrative support personnel were employed directly by the REIT. As the termination of the Administration Agreement was completed in accordance with its terms, the REIT was not required to pay Dilawri any termination fees.

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

i. the REIT's President and Chief Executive Officer, Chief Financial Officer and Corporate Secretary, as approved by the REIT;

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

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

Subject to certain exceptions, Dilawri provided these services to the REIT on a cost-recovery basis, reflecting Dilawri's actual costs in providing such services. The REIT was responsible for reimbursing Dilawri for costs incurred in connection with the provision of the above services so long as such costs were identified in the then current annual budget of the REIT or were otherwise approved by the REIT.

The initial term of the Administration Agreement was for five years commencing on closing of the IPO and was subject to automatic renewal unless otherwise terminated in accordance with its terms.

Following termination of the Administration Agreement, limited transition services continue to be provided between the REIT and Dilawri on a reimbursement of cost basis for a limited period of time following termination, and the Strategic Alliance Agreement continues in effect in accordance with its terms.

General and administrative expenses include $266 and $1,050 for Q4 2019 and YTD 2019, respectively (Q4 2018 – $273, YTD 2018 – $1,054), 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. Among other things, 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 and supported by an independent appraisal report. Pursuant to the Strategic Alliance Agreement, the REIT acquired the following investment properties in 2019 and 2018:

- On September 19, 2019, the REIT acquired the Audi Queensway property from a member of the Dilawri Group for approximately $36,500 and leased it to a Dilawri Tenant.
- On June 19, 2018, the REIT acquired the Country Hills property from a member of the Dilawri Group for approximately $18,000 and leased it to a Dilawri Tenant.

SECTION 9 − OUTLOOK

For 2019, new vehicle sales in Canada declined 3.7% as compared to 2018 *(Source: Statistics Canada)*. Although industry analysts had previously projected new vehicle sales in Canada to be stable for the 2020 calendar year. The COVID-19 outbreak is likely to have an adverse impact on consumer spending, which will impact new vehicle sales and the REIT's tenants' overall business, at least in the near term. However, it is too early in the COVID-19 pandemic to provide any assurance in this regard. The supply chain of new vehicles and parts could also be disrupted. However, new vehicle sales represent only a portion of overall dealer profitability. Automotive dealerships also typically generate a significant amount of profit from used vehicle sales, service and parts, and finance and insurance. The Canadian automotive retail industry is a large and stable business with a track record of long-term stability. According to Statistics Canada, overall automotive retail industry sales totaled a record $165 billion in 2019 (up 2% from $161 billion in 2018), 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 4.4%.

Diversification of automobile brand and geography remain important, as some brands continue to gain market share while certain brands are experiencing sales deterioration. Acquisitions will be made on a selective basis and generally funded through debt financing and timely equity offerings. The overall Canadian automotive retail fundamentals support the ability of the automobile dealership tenants and their parent companies within the REIT's portfolio to meet their current lease obligations and the annual rent escalators in place.

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 dealership owners 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. The Canadian automotive dealership industry is highly fragmented, and the REIT expects consolidation will continue due to increased industry sophistication and growing capital requirements for owner operators, which encourages them to pursue increased economies of scale, although the pace of consolidation may be affected by the COVID-19 pandemic and resultant economic uncertainty.

The REIT is in a strong liquidity position with a debt to gross book value of 43.6%, $75,000 of undrawn credit facilities and with approximately $13,000 cash on hand. The past four weeks have seen unusual volatility in financial markets. It is too early for management to know what impact this will have on the cost and availability of capital to the REIT. Management and Trustees are closely monitoring the impact of the COVID-19 pandemic on the REIT's business and the business of the REIT's tenants, and will prudently manage the REIT's available resources during this economic uncertainty. Management has also proactively raised its level of preparedness planning to adapt more quickly should risk levels rise and will continue to monitor and adjust its business continuity and other plans as the COVID-19 pandemic evolves.

SECTION 10 – OTHER DISCLOSURES

Commitments and Contingencies

The REIT, as lessee, is committed under long term land and other leases that are classified as a liability to make lease payments with minimum annual rental commitments as follows:

Within 1 year	$700
After 1 year, but not more than 5 years	2,392
More than 5 years	4,4264
Total	$7,356

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, 2019. There have been no changes to the REIT's ICFR during Q4 2019 and the year ended December 31, 2019, 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, the REIT has filed certificates on Form 52-109F1.

SECTION 11 – QUARTERLY RESULTS OF OPERATIONS

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

($ thousands except where otherwise indicated)	**Fourth Quarter 2019**	Third Quarter 2019	Second Quarter 2019	First Quarter 2019	Fourth Quarter 2018	Third Quarter 2018	Second Quarter 2018	First Quarter 2018
Number of Properties	**62**	61	60	57	54	42	40	39
GLA (sq. ft.)	**2,325,088**	2,296,780	2,231,233	2,139,512	2,024,877	1,665,460	1,467,568	1,425,212
Rental revenue	**18,122**	17,349	16,425	15,684	13,741	11,834	11,373	11,306
Net Operating Income	**15,144**	14,667	13,972	13,571	11,493	9,993	9,659	9,600
Net Income (Loss)	**3,894**	1,054	8,436	(17,882)	13,666	5,675	5,317	14,492
Net Income (Loss) per Unit – basic(i)	**0.096**	0.027	0.264	(0.564)	0.442	0.213	0.203	0.554
Net Income (Loss) per Unit – diluted(ii)	**0.096**	0.026	0.262	(0.561)	0.440	0.212	0.202	0.552
FFO per Unit – basic(iii)	**0.222**	0.247	0.274	0.270	0.235	0.250	0.253	0.255
FFO per Unit – diluted(iv)	**0.220**	0.246	0.272	0.269	0.234	0.249	0.252	0.254
AFFO per Unit – basic(iii), (v)	**0.203**	0.226	0.248	0.245	0.211	0.222	0.223	0.224
AFFO per Unit – diluted(iv), (v)	**0.202**	0.224	0.247	0.243	0.210	0.220	0.222	0.224
AFFO payout ratio(v)	**99.6%**	89.7%	81.4%	82.7%	95.7%	91.4%	90.7%	89.7%
Distribution declared per Unit	**0.201**	0.201	0.201	0.201	0.201	0.201	0.201	0.201
Weighted average Units – basic	**40,502,680**	39,729,805	31,993,541	31,729,805	30,898,283	26,629,805	26,212,622	26,149,253
Weighted average Units – diluted	**40,767,092**	39,981,885	32,238,171	31,898,661	31,057,609	26,780,847	26,355,338	26,232,967
Market price per REIT Unit – close (end of period)	**$12.15**	$11.09	$10.33	$10.78	$8.97	$10.68	$10.44	$10.09
Total assets	**935,733**	871,762	862,580	800,014	766,239	641,630	580,865	555,301
Debt to GBV	**43.6%**	49.6%	49.7%	56.3%	54.7%	53.1%	49.1%	48.7%
Debt service coverage	**1.6X**	1.6X	1.6X	1.6x	1.8X	1.8X	2.5X	1.9x

Notes:

(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, 2019, to certain Trustees and management of the REIT.

(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 2019.

(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, 2019 to certain Trustees and management of the REIT. 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 2019.

(v) Comparative figures have been adjusted to reflect the change to the calculation of AFFO in 2019. See "Non-IFRS Measures".

The increase in rental revenue and NOI is primarily attributable to the thirty-six property acquisitions completed since the REIT's IPO. The net income (loss) is also impacted by the fluctuations in fair value adjustments 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, 2019.

Global Coronavirus Pandemic

In December 2019, a novel strain of coronavirus, COVID-19, was reported to have surfaced in Wuhan, China. On March 11, 2020, the World Health Organization declared this outbreak a global pandemic. Major health issues and pandemics, such as COVID-19, may adversely affect trade and local, national or global economies and could result in a general or acute decline in economic activity in the markets in which the REIT operates, reduced traffic at the REIT's Properties, mobility restrictions and other quarantine measures, supply shortages, increased government regulation, and the quarantine or contamination of one or more of the REIT's Properties. Contagion in one of the REIT's Properties or in a market in which the REIT operates could negatively impact the REIT's reputation, the reputation or operations of the REIT's automotive dealership tenant at such Property, and the attractiveness of that market. All of these factors may 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 Unitholders.

The extent to which COVID-19 impacts the REIT will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others. The REIT is unable to accurately predict the impact that COVID-19 will have on its results of operations, due to uncertainties including the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities to contain COVID-19 or to treat its impact. If the outbreak of COVID-19 and related developments lead to a prolonged or significant impact on global, national or local markets or economic growth, the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to Unitholders may be materially and adversely affected.

Furthermore, the outbreak of COVID-19 may affect the REIT's automotive dealership tenants by disrupting supply chains and transactional activities. The REIT's automotive dealership tenants rely on third-party suppliers and manufacturers, many of which are located outside of Canada. This outbreak has resulted, or may result, in the extended shutdown of certain businesses, including automotive manufacturers, which may in turn result in disruptions, delays or reductions to the REIT's automotive dealership tenants' supply of motor vehicles or replacement parts. These may include disruptions from the temporary closure of third-party supplier and manufacturer facilities, interruptions in supply or restrictions on the export or shipment of key automobile components, including those sourced from China or Europe. The outbreak of COVID-19 may also negatively impact consumer demand for automobiles and motor vehicle consumer spending, which may negatively impact the business of the REIT's automotive dealership tenants. These factors may impact the REIT's automotive dealership tenants' ability to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT.

Risk Factors Related to the REIT's Relationship with Dilawri

Significant Ownership by the Dilawri Organization

As at December 31, 2019, Dilawri had an approximate 25.6% effective interest in the REIT on a fully-diluted basis through ownership, direction or control of all of the Class B LP Units and 2,280,552 REIT 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, 2019, the REIT derives approximately 61.7% 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, the Mazda Des Sources Property, the Country Hills VW Property and the Audi Queensway Property (collectively, the "Dilawri Properties"). Under such leases, Dilawri provided an indemnity for the lease obligations of each other member of the Dilawri Group for the initial lease terms. Consequently, the Dilawri Group will be the REIT's most significant tenant for the foreseeable future, with members of the Dilawri Group occupying 58.8% of the REIT's GLA with the remaining 41.2% the REIT's GLA occupied by other dealership groups as at December 31, 2019.

The initial terms of the Dilawri Leases range from approximately 6.5 to 17.7 years, with a weighted average lease term as at December 31, 2019 of approximately 12.0 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 remaining development and other services to be performed by Mr. Lamb for Dilawri may lead to conflicts of interest between Mr. Lamb and Dilawri. 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, global health conditions 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 other dealership groups. 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 dealership groups under a triple-net lease, which subjects the REIT to additional risk related to the financial strength of the Dilawri Group and such dealership groups relative to multi-tenant properties. Furthermore, as the Dilawri Group will head lease all of the premises currently occupied by both the Dilawri Group and third party tenants at two properties, the Dilawri Group not the REIT, will have control over the re-leasing of such premises at these two properties. 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 approximately 20.7% of the gross automotive dealership rent paid to the REIT in 2019 and approximately 19.7% of the REIT's GLA as at December 31, 2019. Volkswagen and Audi dealerships collectively represent approximately 20.0% of the gross automotive dealership rent paid to the REIT in 2019 and approximately 21.3% of the REIT's GLA as at December 31, 2019. Because Acura is a division of Honda and Audi is a division of Volkswagen, any material adverse changes to the business of Honda and/or Volkswagen 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 British Columbia, Alberta, Saskatchewan, Manitoba, Ontario 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

British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec. Adverse changes in the economic condition or regulatory environment of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario 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.

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.

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 operations 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 operations and may decrease or eliminate the amount of cash available for distribution to REIT Unitholders.

Financing Risks

The REIT has outstanding Indebtedness of approximately $400.3 million as of December 31, 2019. 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 43.6% as of December 31, 2019. 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 interest rate fluctuations 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 value.

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 to Unitholders. The land leases are also subject to renewal terms and may or may not be renewed by their respective third-party lessors.

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.

Furthermore, potential trade tariff policies may have a negative impact on future retail automotive sales through, among other things, increases to new automobile prices.

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 REIT's 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.

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'.

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 other dealer group 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; litigation; or potential trade tariff policies that may impact future retail automotive sales through, among other things, increases to new automobile prices. 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, unemployment levels and consumer confidence, as well as the level of discretionary personal income, credit availability and interest rates. 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 brand 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 management, administrative, operational and accounting resources. In order to meet such requirements, the REIT has 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 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 judgments 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.

APPENDIX

Property List as at December 31, 2019

Operating Name	Address	City/ Province	Year Built /Renov.	GLA
Properties ***(as at December 31, 2019)***				
1. Dixie Auto Mall				
Dilawri-Owned Auto				
Volkswagen	5500 Ambler Drive	Mississauga, ON	1988/2011	39,209
Nissan & Nissan Truck	5500 Dixie Road	Mississauga, ON	1988/2001	40,259
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
Kia	5500 Dixie Road	Mississauga, ON	1987	17,735
Ancillary-other (*formerly 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
3 Asians Express	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	43,210
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	34,539
16. Burrard Acura[(1)]	730 Terminal Avenue	Vancouver, BC	2015	27,640

17. Langley Acura[1]	20257 Langley Bypass	Langley, BC	2015	26,448
18. Distinctive Collection	150 Glendeer Circle S.E.	Calgary, AB	1988/2008	24,367
19. Bolton Toyota	12050 Albion Vaughan Road	Bolton, ON	2004	22,741
20. Hyundai Gallery	11770 Lake Fraser Dr S.E.	Calgary, AB	2006	22,185
21. North Vancouver Nissan Infiniti	819 Automall Drive	N. Vancouver, BC	1992/2002	19,050
22. Regina Hyundai	444 Broad Street	Regina, SK	2005	18,204
23. Ancillary-other *(formerly Dilawri BMW)*	1919 1st Avenue	Regina, SK	1997	12,456
24. Ancillary-other (1921 1st Avenue, *formerly Dilawri Acura)*	1921 1st Avenue	Regina, SK	1997	11,390
25. Audi Service *(formerly Infiniti Vancouver)*	1718 West 3rd Avenue	Vancouver, BC	1999	11,722
26. Dilawri Mitsubishi	1750 6th Avenue	Regina, SK	1993/2003	6,750
27. Toyota Woodland	1000-1009 Woodland Avenue	Montreal, QC	2007/2008	49,737
28. Porsche Centre Edmonton and Jaguar Land Rover Edmonton[2]	17007 111th Avenue N.W.	Edmonton, AB	2014	44,779
29. Audi Barrie	2482 Doral Drive	Innisfil, ON	2015	24,982
30. Pfaff Audi [2]	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[2]	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 Compound[2]	8603,8703,8735,8815 127th Avenue N.W.	Edmonton, AB	1969	4,040
37. Southtown Hyundai[2]	3603 99th Street N.W.	Edmonton, AB	2004	12,554
38. Ericksen Infiniti[2]	17616 111th Avenue N.W.	Edmonton, AB	2008	25,550
39. Mazda des Sources	2345 Place Transcanadienne	Dorval, QC	2017	16,701
40. Country Hills VW	11380 Stonehill Drive NE, Calgary	Calgary, AB	2018	34,650
41. BMW Laval[2]	2440-2450 Chomeday Boulevard	Laval, QC	2000/2012	127,615
42. Sherwood Park VW[2]	2365 Broadmoor Boulevard, Sherwood Park	Sherwood Park, AB	2015	70,277
43. Brimell Toyota[2]	5060 Sheppard Avenue East, Toronto	Scarborough, ON	2002/2010	55,600
44. Elite BMW[2]	1040 Ogilvie Road	Ottawa, ON	2007/2016	48,366
45. Civic Motors[2]	1171 St. Laurent Boulevard	Ottawa, ON	2002/2012	30,000
46. Elite BMW Service[2]	595 St. Laurent Boulevard	Ottawa, ON	1989	7,500
47. Camco Acura[2]	1475 Carling Avenue	Ottawa, ON	2016	45,879

48. MINI Ottawa[2]	1501 Carling Avenue	Ottawa, ON	2015	30,000
49. Mendes Toyota[2]	1811 Bank Street	Ottawa, ON	2013	57,152
50. Ogilvie Subaru[2]	1056 Parisien Street	Ottawa, ON	2014	13,533
51. Subaru Detailing Centre[2]	1352 Gosset Street	Ottawa, ON	1969/2015	5,500
52. Orleans Honda[2]	2055 Mer Bleue Road	Ottawa, ON	2015	24,531
53. Kingston Toyota[2]	1911 Bath Road	Kingston, ON	2005	25,130
54. Lexus of Kingston[2]	1917 Bath Road	Kingston, ON	2005	16,226
55. Tesla KW Service Centre[2]	663 Victoria Street North	Kitchener, ON	2019	18,500
56. St. James Volkswagen[2]	670 Century Street	Winnipeg, MB	2004	39,494
57. McNaught Cadillac Buick GMC [2]	1000-1717 Waverly Street	Winnipeg, MB	2015	56,641
58. Wellington Motors[2]	935 Woodlawn Road West	Guelph, ON	2003	40,793
59. Guelph Hyundai[2]	765 Woodlawn Road West	Guelph, ON	2014	28,007
60. Abbotsford VW[2]	30150 & 30195 Automall Drive	Abbotsford, BC	2018	22,921
61. Audi Queensway	1635 The Queensway	Etobicoke, ON	2018	65,547
62. Straightline Kia[2]	100 Glendeer Circle SE	Calgary, AB	2018	21,808
Portfolio Total				**2,325,088**
Subsequent Acquisitions[3]				
63. Regina BMW……..	1001 Broad Street	Regina, SK	2019	19,619
64. Acura North Vancouver	828 Automall Drive	Vancouver, BC	2010	37,700
Total as at date of the MD&A				**2,382,407**

Notes:

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

(2) The REIT has leased this property to other dealership group tenants unrelated to the Dilawri Group.

(3) Regina BMW was acquired by the REIT on February 5, 2020. Acura North Vancouver was acquired by the REIT on February 6, 2020.

Automotive Properties Real Estate Investment Trust
Consolidated Financial Statements
For the year ended December 31, 2019 and 2018

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Independent Auditor's Report

To the Unitholders of Automotive Properties Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Automotive Properties Real Estate Investment Trust (the "REIT"), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of income (loss) and comprehensive income (loss), changes in unitholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the REIT as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the REIT in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- the information included in Management's Discussion and Analysis for the year ended December 31, 2019; and
- the information, other than the consolidated financial statements and our auditor's report thereon, in the 2019 Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The 2019 Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 REIT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the REIT to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Stephen Spiers.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
March 23, 2020

Automotive Properties REIT
Consolidated Balance Sheets

(in thousands of Canadian dollars)	Note	As at December 31, 2019	As at December 31, 2018
ASSETS			
Cash and cash equivalents		$45,266	$295
Prepaid expenses and other assets	**7**	2,338	1,946
Investment properties	**6**	888,129	763,998
Total assets		**$935,733**	**$766,239**
LIABILITIES AND UNITHOLDERS' EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	**9**	$14,261	$5,606
Credit facilities and mortgages payable	**8**	397,929	416,872
Interest rate swaps	**8**	5,016	1,114
Deferred Units and Income Deferred Units	**12**	3,246	1,072
Class B LP Units	**11**	120,689	89,101
Total liabilities		541,141	513,765
Unitholders' equity		394,592	252,474
Total liabilities and unitholders' equity		**$935,733**	**$766,239**

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	2019	2018
Net Property Income			
Rental revenue from investment properties	**13**	**$67,580**	$48,254
Property costs	**13**	**(10,226)**	(7,509)
Net Operating Income		**57,354**	40,745
Other Income (Expenses)			
General and administrative expenses		**(4,090)**	(3,002)
Interest expense and other financing charges		**(16,948)**	(10,496)
Fair value adjustment on interest rate swaps	**8**	**(3,902)**	(3,669)
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**	**(32,075)**	19,461
Fair value adjustment on investment properties	**6**	**3,150**	4,099
Net Income (Loss) and Comprehensive Income (Loss)		**($4,499)**	$39,150

See accompanying notes to the consolidated financial statements.

Automotive Properties REIT
Consolidated Statements of Changes in Unitholders' Equity

For the year ended December 31, 2019
(in thousands of Canadian dollars)

	Note	Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at December 31, 2018		**$212,334**	**$77,637**	**$(37,497)**	**$252,474**
Issuance of Units	**11**	168,423	-	-	168,423
Net Loss		-	(4,499)	-	(4,499)
Distributions	**10**	-	-	(21,806)	(21,806)
Unitholders' Equity at December 31, 2019		**$380,757**	**$73,138**	**$(59,303)**	**$394,592**

For the year ended December 31, 2018
(in thousands of Canadian dollars)

	Note	Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at December 31, 2017		**$154,933**	**$38,487**	**$(23,209)**	**$170,211**
Issuance of Units	**11**	57,401	-	-	57,401
Net Income		-	39,150	-	39,150
Distributions	**10**	-	-	(14,288)	(14,288)
Unitholders' Equity at December 31, 2018		**$212,334**	**$77,637**	**$(37,497)**	**$252,474**

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	2019	2018
OPERATING ACTIVITIES			
Net income (loss)		**$(4,499)**	$39,150
Straight-line rent		**(2,970)**	(2,910)
Non-cash compensation expense		**1,687**	690
Fair value adjustment on interest rate swaps		**3,902**	3,669
Distribution expense on Class B LP Units		**7,988**	7,988
Fair value adjustment on Class B LP Units and Deferred Units		**32,075**	(19,461)
Fair value adjustment on investment properties		**(3,150)**	(4,099)
Interest expense and other charges		**16,306**	10,031
Financing fees		**642**	465
Amortization of other assets		**154**	74
Change in non-cash operating accounts	**19**	**51**	1,160
Cash Flow from operating activities		**52,186**	36,757
INVESTING ACTIVITIES			
Acquisitions of investment properties		**(102,290)**	(207,346)
Additions to investment properties		**(8,401)**	(2,008)
Cash Flow used in investing activities		**(110,691)**	(209,354)
FINANCING ACTIVITIES			
Proceeds from Credit Facilities and Mortgages-net		**61,604**	183,050
Principal repayment on Credit Facilities and Mortgages		**(80,821)**	(28,845)
Interest paid		**(15,969)**	(9,923)
Financing fees paid		**(407)**	(2,117)
Repayments on lease liabilities		**(625)**	-
Issuance of Units, net of costs		**168,423**	52,401
Distributions to REIT unitholders and Class B LP unitholders		**(28,729)**	(21,901)
Cash Flow from financing activities		**103,476**	172,665
Net increase in cash and cash equivalents during the year		**44,971**	68
Cash and cash equivalents, beginning of year		**295**	227
Cash and cash equivalents, end of year		**45,266**	$295

Supplemental cash flow information

Issuance of units on acquisition of investment property (Note 5)	$-	$5,000

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018
(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 25.6% (2018 - 32.8%) effective interest in the REIT as at December 31, 2019, 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”), and 2,280,552 Units. 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 an initial public offering of Units (the “IPO”). In connection with the completion of 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 at a REIT property after the IPO, the “Dilawri Tenants”).

As at December 31, 2019, the REIT owned a portfolio of 62 income-producing commercial properties. The properties are located in metropolitan areas across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec, totaling approximately 2.3 million square feet of gross leasable area. The Dilawri Tenants are the REIT’s major tenant, occupying 35 of the REIT’s 62 income-producing commercial properties as at December 31, 2019.

The subsidiaries of the REIT included in the REIT’s consolidated financial statements include the Partnership and Automotive Properties REIT GP Inc. Effective December 31, 2019, management, operating and administrative support personnel were employed directly by 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 23, 2020.

(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 (“DUs”) and Income Deferred Units (“IDUs”) which are exchangeable for Units in accordance with their terms 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, and property under development. 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 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. Lease incentives provided to tenants are deferred and amortized on a straight-line basis against revenue over the term of the lease.

(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.

(g) Leases

The REIT adopted IFRS 16 – *Leases* (“IFRS 16”) on January 1, 2019 on a modified retrospective basis. In January 2016, the IASB issued IFRS 16 which replaced IAS 17 — *Leases* (“IAS 17”*)* 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 introduced 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 past accounting practice.

The REIT is the lessee for two land leases and one office lease, which are in the scope of IFRS 16 and, as at January 1, 2019, the REIT recognized right-of-use assets and lease liabilities of $7,694. For all leases for which the REIT is a lessee of investment properties, the right-of-use assets have been measured at fair value with no straight line depreciation and classified as investment property at the date of initial application on January 1, 2019. The office lease right-of-use asset is recognized in prepaid expenses and other assets. IFRS 16 replaces the straight-line operating lease expense with a depreciation charge presented in the general and administrative expense. Amortization is recorded on a straight line basis over the term of the lease. Lease-related expenses previously recorded in property costs were recorded as a fair value adjustment on investment properties recorded in the consolidated statements of income (loss) and comprehensive income (loss). Lease liabilities were discounted at the REIT’s incremental borrowing rate as at January 1, 2019.

The difference between the operating lease commitments disclosed under IAS 17 as at December 31, 2018 and the opening balance for lease liabilities as at January 1, 2019, under IFRS 16, is due to the effect of discounting the operating lease commitments using the REIT’s incremental borrowing rate.

The REIT elected the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied IFRS 16 only to contracts that were previously identified as leases;
- Excluded initial direct costs from measuring right-of-use assets; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(h) 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).

(i) 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 IAS 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.

(j) 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, 2019, there were $44,000 of cash equivalents (December 31, 2018 - $nil).

(k) Financial instruments

Financial instruments are classified as one of the following: (i) measured at amortized cost, (ii) fair value through other comprehensive income ("FVTOCI"), or (iii) FVTPL. 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 amortized cost are measured at amortized cost, using the effective interest method. FVTOCI 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	Amortized cost
Accounts receivable	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Credit facilities and mortgages	Amortized cost
Class B LP Units, Deferred Units and Income Deferred Units	FVTPL
Interest rate swaps	FVTPL

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

(l) Unit-Based Compensation

DUs may be granted to members of the Board ("Trustees"), officers and employees of the REIT (each, a "Participant"). Each DU shall receive a distribution of additional 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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments 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. The REIT applies judgment when reporting any property under development. The cost of the property under development includes the acquisition of the property, direct development costs and borrowing costs attributable to the development.

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.

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) Definition of material

The IASB issued amendments to IAS 1 – *Presentation of Financial Statements* and IAS – 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in October 2018. The amendments clarified the definition of material, within the context that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective from January 1, 2020 and are required to be applied prospectively. Management does not expect these amendments to have a significant impact on the consolidated financial statements.

(ii) Definition of business

The IASB issued amendments to IFRS 3 - *Business Combinations* in October 2018, the amendments clarified and tightened the definition of a business. The amendments will aid companies in determining whether an acquisition is of a business or a group of assets. An abridged assessment of whether an acquired set of activities and assets is a group of assets rather than a business is also permitted. It is important to differentiate between a business and a group of assets due to the recognition of goodwill only upon the acquisition of a business.

The amendments apply to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Management does not expect these amendments to have a significant impact on the consolidated financial statements.

5. ACQUISITIONS

During the year ended December 31, 2019, the REIT completed the following acquisitions:

Property	Location	Date of Acquisition	Total Investment Properties(1)
St. James VW & McNaught Cadillac Buick GMC(i)	Winnipeg, MB	March 29	$24,880
Wellington Motors & Guelph Hyundai(ii)	Guelph, ON	June 25	$30,918
Audi Queensway(iii)	Etobicoke, ON	September 19	$38,056
Straightline Kia(iv)	Calgary, AB	December 16	$8,505
Total Acquisitions			**$102,359**

(1) Includes acquisition costs.

(i) On March 29, 2019, the REIT acquired the real estate underlying two automotive dealership properties located in Winnipeg, Manitoba, for approximately $23,950 plus capital improvement costs of $245 and acquisition costs of $685. The acquisition consists of two full-service automotive dealership properties totaling 96,135 square feet of gross leasable area.

(ii) On June 25, 2019, the REIT acquired the real estate underlying three automotive dealership properties located in Guelph, Ontario and Abbotsford, British Columbia for approximately $30,400 plus acquisition costs of $518. The acquisition consists of three full-service automotive dealership properties totaling 91,721 square feet of gross leasable area.

(iii) On September 19, 2019, the REIT acquired the real estate underlying an automotive dealership property located in Etobicoke, Ontario for approximately $36,500 plus acquisition costs of $1,556. The acquisition consists of a full-service automotive dealership property totaling 65,547 square feet of gross leasable area.

(iv) On December 16, 2019, the REIT acquired the real estate underlying an automotive dealership property located in Calgary, Alberta for approximately $8,415 plus acquisition costs of $90. The acquisition consists of a full-service automotive dealership property totaling 21,808 square feet of gross leasable area.

During the year ended December 31, 2018, the REIT completed the following acquisitions:

Property	Location	Date of Acquisition	Total Investment Properties(1)
Tesla KW	Kitchener-Waterloo, ON	February 13	$5,541
Country Hills VW	Calgary, AB	June 19	$18,069(2)
BMW Laval & Sherwood Park VW	Laval, QC & Sherwood Park, AB	September 28	$56,509
Brimell Toyota	Scarborough, ON	November 30	$27,182
Mierins Auto Group Portfolio	Ottawa, ON & Kingston, ON	December 12	$103,925
Total Acquisitions			**$211,226**

(1) Includes acquisition costs.
(2) The total purchase price includes the issuance of 480,552 Units to one of the vendors, valued at approximately $5,000.

6. INVESTMENT PROPERTIES

	Income producing properties[(1)]	Right-of-use assets[(2)]	December 31, 2019	December 31, 2018
Balance, beginning of year	$763,998	$-	$763,998	$543,135
Adoption of IFRS 16 (Note 2(g))	-	7,244	7,244	-
Acquisitions[(3)]	102,359	-	102,359	211,226
Additions[(3), (4)]	8,408	-	8,408	2,628
Fair value adjustment on investment properties	3,602	(452)	3,150	4,099
Straight-line rent[(5)]	2,970	-	2,970	2,910
Balance, end of year	**$881,337**	**$6,792**	**$888,129**	$763,998

(1) Includes the Tesla KW property that became an income producing property in January 2019.
(2) Refers to two land leases.
(3) Includes acquisition costs.
(4) Includes capitalized interest of $nil (2018 - $620).
(5) Includes a deduction for amortization of tenant allowance of $115 (2018 - $nil).

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. Property under development is measured using both a comparable sales method and a discounted cash flow method, net of costs to complete. The REIT's valuation inputs are supported by market reports from an independent appraiser which indicate no significant change in the capitalization rates for the markets the REIT is in from December 31, 2018. The overall capitalization rate applicable to the REIT's entire portfolio is 6.6% (December 31, 2018 – 6.6%).

In 2019, the REIT provided capital commitments for facility improvements to the tenants of 401 Dixie Automall and Meadowvale Honda automotive dealership properties located in Mississauga, Ontario. The total capital commitments of $7,000, plus transaction costs of $7, resulted in an annual rent increase on these properties effective December 16, 2019. An additional $1,401 of capital commitments for facility improvements was provided to another tenant in 2019.

In 2018, the REIT funded the completed dealership facility expansion at its Frost GM automotive dealership property located in Brampton, Ontario. The total expansion cost approximately $2,000 plus transaction costs of $8, resulting in an annual rent increase effective June 1, 2018. An additional $620 of capitalized interest was incurred on another investment property in 2018.

A 25 basis point decrease or increase in capitalization rates would result in an increase or decrease in the fair value of the investment properties of approximately $34,700 or $(32,200), respectively as at December 31, 2019.

Rental Commitments

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

Within 1 year	$59,408
After 1 year, but not more than 5 years	240,124
More than 5 years	545,781
	$845,313

7. PREPAID EXPENSES AND OTHER ASSETS

As at	**December 31, 2019**	December 31, 2018
Prepaid indemnity fee	**$671**	$746
Right-of-use assets, net of depreciation	**269**	-
Prepaid other	**1,398**	1,200
	$2,338	$1,946

8. CREDIT FACILITIES AND MORTGAGES PAYABLE

(a) Credit facilities and mortgages consist of:

As at	December 31, 2019	December 31, 2018
Facility 1[(i)]	**$194,665**	$210,347
Facility 2[(ii)]	**99,913**	85,791
Facility 3[(iii)]	**90,250**	95,000
Mortgages[(iv)]	**15,471**	28,376
Total	**400,299**	419,514
Financing fees[(v)]	**(2,371)**	(2,642)
	$397,929	$416,872

(i) Facility 1 includes:

A non-revolving loan in the amount of $194,665 (December 31, 2018 – $182,847) bearing interest at the bankers' acceptance ("BA") rate plus 150 basis points ("bps") or the Canadian Prime rate ("Prime") plus 25 bps, maturing in June 2023. The principal is repayable in equal quarterly payments based on a 25 year amortization. The REIT entered into floating-to-fixed interest rate swaps, with remaining terms of 3 to 9 years as at December 31, 2019, which resulted in a weighted average effective interest rate of 3.75% (2018 – 3.75%), of which $19,206 (2018 – $nil) of the non-revolving balance remains at floating rates.

A revolving credit facility in the amount of $30,000 bearing interest at Prime plus 25 bps or BA rate plus 150 bps, maturing in June 2023, of which $nil was drawn as at December 31, 2019 (2018 – $27,500) and of which $838 was secured for the issuance of irrevocable letters of credit (the "LCs") on October 24, 2017.

(ii) Facility 2 includes:

A non-revolving loan in the amount of $99,913 (2018 – $73,991) bearing interest at the BA rate plus 150 bps or Prime plus 25 bps, maturing in June 2024. The principal is repayable in monthly blended payments based on a 20 year amortization. The REIT entered into floating-to-fixed interest rate swaps with remaining terms of 3 to 10 years, which resulted in a weighted average effective interest rate of 3.54% (2018 – 3.55%). On June 26, 2019, the REIT entered into a new floating-to-fixed interest rate swap in the amount of $29,704 for a term of 10 years.

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 2024, of which $nil was drawn as at December 31, 2019 (2018 – $11,800).

(iii) Facility 3 includes:

A non-revolving loan in the amount of $90,250 (2018 – $95,000) bearing interest at the BA rate plus 150 bps or Prime plus 50 bps, maturing in December 2023. The principal is repayable in monthly blended payments based on a 20 year amortization. The REIT entered into floating-to-fixed interest rate swaps with remaining terms of 6 to 9 years, which resulted in a weighted average effective interest rate of 4.05% (2018 – 4.05%).

A revolving credit facility in the amount of $30,000 bearing interest at Prime plus 25 bps or BA rate plus 150 bps, maturing in December 2023, of which $nil was drawn as at December 31, 2019 (2018 – $nil).

(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 January 2021 to June 2027 (the "Mortgages"). A mortgage in the amount of $11,938 was repaid and fully discharged on September 16, 2019. As at December 31, 2019, the weighted average interest rate of the Mortgages was 3.52% (2018 – 3.51%).

(v) During 2019, the REIT incurred financing fees of $407 (2018 – $2,117). The amounts are accounted for using the effective interest method, and $2,371 remains unamortized at December 31, 2019 (2018 – $2,642).

The credit facilities described above (the “Credit Facilities”) and the Mortgages are secured by the REIT’s investment properties. The REIT has six unencumbered properties with a value of $102,000.

Principal repayments are as follows:

2020	$18,130
2021	23,750
2022	18,156
2023	260,259
2024	72,081
Thereafter	7,923
Total	$400,299

(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, Facility 2, and Facility 3. 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), (ii) and (iii) above).

As at December 31, 2019, the notional principal amount of the interest rate swaps was approximately $365,600 (December 31, 2018 – approximately $352,000) and the fair value adjustment of the interest rate swaps was $(3,902) (December 31, 2018 – $(3,669)). This resulted in a liability balance of $5,016 (December 31, 2018 – $1,114).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

As at	December 31, 2019	December 31, 2018
Accounts payable and accrued liabilities	**$3,332**	$3,057
Accrued interest	**381**	423
Distributions payable (Note 10)	**3,192**	2,126
Lease liabilities (Note 2(g))	**7,356**	-
	$14,261	$5,606

As at December 31, 2019, the REIT, as lessee, is committed under long term land and other leases that are classified as a liability to make lease payments with minimum annual rental commitments as follows (not including imputed interest costs):

Within 1 year	$700
After 1 year, but not more than 5 years	2,392
More than 5 years	4,264
Total	$7,356

10. DISTRIBUTIONS

	December 31, 2019			December 31, 2018		
	Units	Class B LP Units	Total	Units	Class B LP Units	Total
Paid in Cash	$20,741	$7,988	$28,729	$13,913	$7,988	$21,901
Declared	21,806	7,988	29,794	14,288	7,988	22,276
Payable as at period end	2,526	666	3,192	1,460	666	2,126

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 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 (which provides the holder with that number of votes at any meeting of Unitholders to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled), and will receive distributions of cash from the Partnership equal to the distributions to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled.

For the year ended December 31, 2019

	Units	Amount
Units, beginning of year	21,796,552	$212,334
Units issued, net of costs	15,900,500	168,423
Total Units, end of year	**37,697,052**	**380,757**
Class B LP Units, beginning of year	9,933,253	$89,101
Fair value adjustment on Class B LP Units	-	31,588
Total Class B LP Units, end of year	**9,933,253**	**$120,689**
Total Units and Class B LP Units, end of year	**47,630,305**	**$501,446**

For the year ended December 31, 2018

	Units	Amount
Units, beginning of year	16,216,000	$154,933
Units issued, net of costs	5,580,552	57,401
Total Units, end of year	**21,796,552**	**$212,334**
Class B LP Units, beginning of year	9,933,253	$108,372
Fair value adjustment on Class B LP Units	-	(19,271)
Total Class B LP Units, end of year	**9,933,253**	**$89,101**
Total Units and Class B LP Units, end of year	**31,729,805**	**$301,435**

12. UNIT BASED-COMPENSATION

The REIT offers an Equity Incentive Plan (the "Plan") whereby DUs may be granted to eligible Participants on a discretionary basis by the Governance, Compensation and Nominating Committee of the Board. The maximum number of Units available for issuance under the Plan is 1,000,000. 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.

The Units are redeemable at the option of the holder and are considered puttable instruments in accordance with IAS 32. As the exemption under IAS 32 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, 2019, the REIT accrued short-term incentive awards in the amount of $384 which will be settled by the granting of DUs (December 31, 2018 – $343).

Certain independent trustees of the REIT 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 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, 2019		As at December 31, 2018	
	Units	**Amount**	Units	Amount
Outstanding DUs and IDUs, beginning of period	**119,417**	**$1,072**	59,088	$645
DUs	**133,366**	**1,505**	52,538	537
IDUs	**14,404**	**182**	7,791	82
Fair value adjustments	**-**	**487**	-	(192)
Outstanding DUs and IDUs, end of period (1)	**267,187**	**$3,246**	119,417	$1,072

(1) During the year ended December 31, 2019, a total of 232,953 DUs and IDUs were granted (2018 – 83,444), of which 100,999 DUs and IDUs will be accounted for in accordance with the vesting schedule (2018 – 25,999). As at December 31, 2019, a total of 398,571 DUs and IDUs have been granted (2018 - 165,618).

13. RENTAL REVENUE AND PROPERTY COSTS

(a) Rental Revenue

For the year ended December 31,	**2019**	2018
Base rent	**$54,384**	$38,441
Property tax recoveries	**10,226**	6,801
Straight line rent adjustment	**2,970**	3,012
Rental revenue	**$67,580**	$48,254

(b) Property Costs

For the year ended December 31,	**2019**	2018
Property tax expense	**$10,226**	$6,831
Land lease	**-**	576
Straight line land lease adjustment	**-**	102
Property cost	**$10,226**	$7,509

Two of the Initial Properties are subject to land leases. In 2018, land lease expense included straight line rent on the land leases over the expected lease term and recoverable realty taxes that was paid by the REIT. In 2019, the REIT adopted IFRS 16. For a description of the resulting changes, see note 2(d) - "Significant Accounting Policies".

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, Credit Facilities and Mortgages which, as at December 31, 2019, totaled $913,210 (December 31, 2018 – $758,447). The REIT is free to determine the appropriate level of capital in the context of its cash flow requirements, overall business risks and potential business opportunities. 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 growth; 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, 2019, the REIT was in compliance with each of the covenants under these agreements.

16. FAIR VALUES AND FINANCIAL INSTRUMENT RISK MANAGEMENT

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, 2019:

Financial Assets/(Liabilities)	Classification/ Measurement	Carrying Value	Fair Value
Credit Facilities and Mortgages Payable	Amortized Cost	$(397,929)	$(400,299)
Interest Rate Swaps	FVTPL	(5,016)	(5,016)
Class B LP Units	FVTPL	(120,689)	(120,689)
DUs and IDUs	FVTPL	(3,246)	(3,246)
		$(526,905)	**$(529,250)**

The following table provides the classification and measurement of financial assets and liabilities as at December 31, 2018:

Financial Assets/(Liabilities)	Classification/ Measurement	Carrying Value	Fair Value
Credit Facilities and Mortgages Payable	Amortized Cost	$(416,872)	$(419,514)
Interest Rate Swaps	FVTPL	(1,114)	(1,114)
Class B LP Units	FVTPL	(89,101)	(89,101)
DUs and IDUs	FVTPL	(1,072)	(1,072)
		$(508,159)	**$(510,801)**

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, 2019 is $888,129 (December 31, 2018 – $763,998) (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 a liability balance as at December 31, 2019 is $5,016 (December 31, 2018 – $1,114). The fair value of an interest rate swap is determined using rates observable in the market (Level 2).

(iv) Class B LP Units

The fair value of the Class B LP Units as at December 31, 2019 is $120,689 (December 31, 2018 – $89,101). The fair value of the Class B LP Units is based on the traded value of the Units as at December 31, 2019 (Level 1).

(v) DUs and IDUs

The fair value of the DUs and IDUs as at December 31, 2019 is $3,246 (December 31, 2018 – $1,072). The fair value of the DUs and IDUs is based on the traded value of the Units as at December 31, 2019 (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 (loss) when the Unit price rises and positively impact net income (loss) when the Unit price declines.

Liquidity Risk

Liquidity risk arises from the possibility of an inability to renew maturing debt or 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 REIT's Credit Facilities and Mortgages. Certain of the Credit Facilities allow for an extension of the term in advance of expiration.

Credit Risk

The REIT is exposed to credit risk from the possibility that counterparties could default on their financial obligations to the REIT. Exposure to credit risk arises from the possibility that the REIT's counterparties may experience financial difficulty and be unable to meet their obligations. The REIT's revenues will be dependent on the ability of the tenants to meet their obligations and the REIT's ability to collect rent thereon.

17. RELATED PARTY TRANSACTIONS

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 accounted for approximately 61.7% of the REIT's rental income for the year ended December 31, 2019 (December 31, 2018 – 83.3%).

Pursuant to the Administration Agreement prior to its termination effective December 31, 2019, Dilawri provided, or caused 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. Services were provided under the Administration Agreement on a cost-recovery basis.

General and administrative expenses include $1,050 for the twelve month period ended December 31, 2019 paid by the REIT to Dilawri pursuant to the Administration Agreement (December 31, 2018 - $1,054).

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 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. To defer the land transfer tax, the REIT subsequently issued the LCs to the land transfer tax authority in the amount of approximately $753 on behalf of specific members of the Dilawri Group that sold certain of the Initial Properties to the REIT in connection with the IPO. The Dilawri Group held all of the 9,933,253 issued and outstanding Class B LP Units for 3 years subsequent to the IPO and, accordingly, the LCs are expected to be released. The REIT is working with the applicable tax authorities and Dilawri to secure the release of the LCs.

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 and supported by an independent appraisal report. Pursuant to the Strategic Alliance Agreement, the REIT acquired the following investment properties in 2019 and 2018:

- On September 19, 2019, the REIT acquired the Audi Queensway property from a member of the Dilawri Group for $36,500 and leased it to a Dilawri Tenant.
- On June 19, 2018, the REIT acquired the Country Hills property from a member of the Dilawri Group for $18,000 and leased it to a Dilawri Tenant.

18. SUPPLEMENTARY INFORMATION

Changes in non-cash operating accounts

(in thousands of Canadian dollars)	**2019**	2018
Prepaid expenses and other assets	**$(197)**	$(330)
Additions to right-of-use assets	**(7,603)**	-
Accounts payable and accrued liabilities	**248**	1,490
Additions to lease liabilities	**7,603**	-
Change in non-cash operating accounts	**$51**	$1,160

19. SUBSEQUENT EVENTS

On February 5, 2020, the REIT purchased the BMW Regina automotive dealership property for $11,350 from the Dilawri Group.

On February 6, 2020, the REIT purchased the North Shore Acura automotive dealership property for $17,500 from the Dilawri Group

The REIT provided capital commitments for facility improvements to one of the tenants of the automotive dealership properties located in Winnipeg, Manitoba. The total capital commitment of $2,003, results in an annual rent increase effective March 6, 2020.

Subsequent to December 31 2019, there has been a negative impact on the financial markets a result of the global outbreak of the COVID-19 virus. On March 12, 2020 the World Health Organization declared COVID-19 a pandemic. This has resulted in economic uncertainty and it is difficult to measure the impact of the uncertainty on the REIT's future financial results.