



2022 ANNUAL REPORT



Consolidating Canada's Automotive Dealership Properties





Fellow unitholders,

Please find enclosed Automotive Properties REIT's 2022 Management's Discussion and Analysis and Financial Statements.

We are pleased with our 2022 performance and strong start in 2023, as we have benefited from a disciplined approach to both acquisitions and debt structure. In 2021, we saw limited attractive acquisition opportunities as the automotive industry was able to access capital at low interest rates. Our acquisition activity picked up in early 2022, as pandemic-related uncertainties diminished, short-term interest rates increased, and yields returned closer to recent historical levels, allowing us to acquire attractive properties in our core markets.

During January and February of 2022, we deployed \$65 million on acquisitions, including two Honda dealership properties in Québec, the land underlying the Langley Acura automotive dealership in Langley, B.C., and Tesla automotive service centre properties in Barrie, Ontario, and Québec City. We now have six properties tenanted by Tesla in our portfolio.

We continued to generate growth in our key performance metrics in 2022, driven by our acquisition program and contractual rent increases. Compared to 2021, our property rental revenue grew 5.9%, cash net operating Income ("NOI") increased by 6.7%, same property cash NOI increased 2.3%, and adjusted funds from operations ("AFFO") per unit increased to \$0.90 on a fully diluted basis, compared to \$0.89 in 2021. For 2022, we paid total cash distributions of \$39.4 million, or \$0.804 per Unit, to our unitholders, representing an AFFO payout ratio of 89.5%, compared to total cash distributions of \$39.2 million, or \$0.804 per unit, in 2021, representing an AFFO payout ratio 90.3%.

As part of our debt strategy, we have consistently completed longer term interest rate swaps or increased our utilization of fixed-rate mortgages to insulate our existing debt from potential future interest rate increases and enhance our financial flexibility. Throughout 2022, we executed several transactions to extend the maturity of our debt, increase the amount available, and reduce our exposure to higher interest rates through rate swaps. At 2022 year-end, our debt carried an effective weighted average interest rate of 3.94% and a weighted average interest rate swap and mortgage term of 5.1 years, and 99% was fixed through interest rate swaps and mortgages.

During the fourth quarter of 2022, we further enhanced our financial flexibility through the sale of the Kingston Toyota and Lexus of Kingston automotive dealership properties. We completed the sale at a capitalization rate of 6.1%, resulting in a sale price of approximately \$18 million, and a gain of approximately \$1.7 million over IFRS fair value as at June 30, 2022.

Our debt structure, combined with capital recycling related to the Kingston properties sale, positioned us to complete our second largest transaction to date. On January 3, 2023, we completed the acquisitions of six full-service automotive dealership properties in Québec for approximately \$98.5 million. Four of these properties, including Hamel Honda, Honda Ste-Rose, Chomedey Toyota and Mazda de Laval, are located in Laval and St. Eustache in the Greater Montreal Area, and two of the properties – Hyundai Sorel and Kia Sorel – are located in Sorel-Tracy, northeast of Montreal. In conjunction with the Québec property acquisitions, we increased the amount available under our non-revolving credit facilities by \$70 million to help finance the aggregate purchase price.



Affiliates of Groupe Olivier Capital are now the operating tenants of these properties, and they have each entered into long-term, triple-net leases with the REIT that include a contractual annual rent increase based on the Québec Consumer Price Index (“CPI”), and no less than 1.5%, after year one of the lease term. The leases have a weighted average term of approximately 16 years.

CPI-linked leases represented 18% of our base rent in 2022, up from 16% in 2021. This increase contributed to our 2.3% same property cash NOI growth for 2022. As a result of our recent acquisitions of the six Québec dealership properties, our leases containing annual CPI-linked adjustments now represent approximately 26% of our full year base rent in 2023. Contracted annual rent increases across our portfolio, including a greater proportion of our leases with CPI-linked adjustments, partially insulate us from inflation. We are further insulated by our triple-net lease structure, as property level, operating and energy costs are the responsibility of our tenants.

In 2024, existing leases containing CPI-linked adjustments will represent approximately 36% of our base rent including leases containing CPI-linked adjustments with a cap. This increased exposure to CPI-linked contractual rent increases will help drive future AFFO and same property cash NOI growth.

We continue to advance our strategy of strengthening our property portfolio through the diversification of our tenant base, geographic presence, automotive brand representation and lease structures. Looking ahead, the focus of our acquisition program will remain on preferred markets, property location, automotive brands, the financial strength of the tenant group, and transactions that increase AFFO per unit. We will continue to monitor the impact of the interest rate environment and inflation on our property portfolio and the overall real estate industry, and strategically adjust our debt structure to minimize any future interest rate increase impact. Fluctuations in interest rates, inflation and the credit environment also impact valuations, and may provide attractive buying opportunities. Following the recent acquisitions of the six properties in Québec, as at March 16, 2023, we had approximately \$60 million of undrawn capacity under our credit facilities and four unencumbered properties with an aggregate value of approximately \$61.5 million. Our Proforma Debt to GBV ratio was 44.9%.

We believe our current tenant group are the leaders in the ongoing consolidation of Canada’s automotive dealership industry, which should present attractive opportunities for us to further strengthen our tenant partnerships, continue to build our portfolio and enhance unitholder value.

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

Sincerely,

Kap Dilawri
Chair of the Board

Milton D. Lamb
President and Chief Executive Officer



Automotive Properties Real Estate Investment Trust

Management's Discussion and Analysis

December 31, 2022

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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, 2022 and December 31, 2021. 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, 2022 ("Q4 2022") are against results for the three months ended December 31, 2021 ("Q4 2021"), and comparisons of results for the twelve months ended December 31, 2022 ("2022") are against results for the twelve months ended December 31, 2021 ("2021"), unless otherwise noted.

This MD&A should be read in conjunction with the audited consolidated financial statements of the REIT and accompanying notes for the years ended December 31, 2022 and December 31, 2021. Further information about the REIT can be found in the REIT's annual information form dated March 16, 2023 (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. This MD&A is dated March 16, 2023.

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.

The REIT

The REIT is an unincorporated, open-ended real estate investment trust that was formed to own primarily income-producing automotive dealership properties in Canada. As at the date of this MD&A, the REIT owns a portfolio of 76 income-producing commercial properties. The properties are located in metropolitan areas across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec, totaling approximately 2.8 million square feet of gross leasable area ("GLA"). The REIT has been internally managed since January 1, 2020.

The REIT commenced operations on July 22, 2015 following completion of its initial public offering of trust 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").

893353 Alberta Inc. ("Dilawri") is a privately held corporation which, together with certain of its affiliates, holds an approximate 31.5% effective interest in the REIT on a fully diluted basis as at December 31, 2022 (December 31, 2021 – 28.4%), through the ownership, direction or control of all of the 9,327,487 outstanding Class B limited partnership units ("Class B LP Units") of Automotive Properties Limited Partnership, the REIT's operating subsidiary (the "Partnership"), and 6,361,620 trust units of the REIT ("REIT Units"). 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". On April 28, 2022, the Dilawri Group exchanged 605,766 Class B LP Units for an equal number of REIT Units in accordance with the terms of the amended and restated limited partnership agreement of the Partnership dated July 22, 2015 (the "Exchange"). The Exchange was valued at \$8,450.

On January 3, 2023, the REIT acquired the real estate underlying six full-service automotive dealerships located in Quebec (“2023 Quebec Properties”), for approximately \$98,500, plus acquisition costs of \$3,600. Four of the 2023 Quebec Properties are located in Laval and St. Eustache in the Greater Montreal Area (Hamel Honda, Honda Ste-Rose, Chomedey Toyota and Mazda de Laval), and two of the 2023 Quebec Properties are located in Sorel-Tracy, northeast of Montreal (Hyundai Sorel and Kia Sorel). The 2023 Quebec Properties cumulatively total 187,421 square feet of GLA. The REIT funded the acquisitions through draws on its non-revolving and revolving credit facilities and cash on hand.

On January 17, 2022, the REIT acquired the real estate underlying the Sherbrooke Honda and Magog Honda automotive dealership properties located in Magog and Sherbrooke, Quebec, for a combined purchase price of approximately \$23,422, plus acquisition costs of \$1,094. The two full-service automotive dealership properties cumulatively total 83,185 square feet of GLA. The REIT funded the acquisitions by drawing on its revolving credit facilities and cash on hand.

On January 20, 2022, the REIT acquired the freehold interest in the approximately 2.15 acres of land underlying the Langley Acura automotive dealership property (the “Langley Land Lease”) for approximately \$15,050, plus acquisition costs of \$125. The land was previously leased to the REIT and continues to be tenanted by the Langley Acura automotive dealership in Langley, British Columbia. The REIT will continue to receive land and leasehold rent payments from the operating tenant of the Langley Acura dealership, an affiliate of the Dilawri Group, but will no longer be required to pay land lease payments. The Langley Acura property is a 26,448 square-foot full-service automotive dealership property. The REIT funded the purchase price by drawing on its revolving credit facilities.

On February 1, 2022, the REIT acquired a parcel of land in Ottawa, Ontario, which adjoins the REIT’s Bank Street Toyota automotive dealership property, for approximately \$650, plus acquisition costs of \$53. The property consists of a 550 square-foot building on 4,500 square feet of land and is currently tenanted by a health care provider. . The REIT funded the purchase price by drawing on its revolving credit facilities.

On February 25, 2022, the REIT acquired the real estate underlying the Tesla automotive service centre properties located at 2180 and 2200 Cyrille-Duquet Street in Quebec City, Quebec, for a combined purchase price of approximately \$16,000, plus acquisition costs of \$511. The two full-service automotive service centre properties are tenanted by Tesla Canada and total 50,673 square feet of GLA. The REIT funded the acquisitions by drawing on its revolving credit facilities.

On February 25, 2022, the REIT acquired the real estate underlying the Tesla Barrie automotive service centre property located in Innisfil, Ontario, for \$9,800, plus acquisition costs of \$483. The Tesla Barrie property includes a 16,670 square-foot automotive service centre tenanted by Tesla Canada. The REIT funded the purchase price by drawing on its revolving credit facilities.

On November 28, 2022 the REIT sold the real estate underlying the Kingston Toyota and Lexus of Kingston automotive dealerships for \$18,000, less disposition costs of \$48.

On March 1, 2021, the REIT acquired the real estate underlying the Lexus Laval automotive dealership located in Laval, Quebec (“Lexus Laval”) from the Dilawri Group for approximately \$14,800 plus acquisition costs of \$462. The Lexus Laval property is a 30,015 square foot full-service automotive dealership property. The REIT funded the transaction through the issuance of 1,369,102 REIT Units to Dilawri valued at approximately \$14,800. The REIT Units were issued at a price of \$10.81 per unit which represents the volume-weighted average price for the first 20 days of 2021 pursuant to the Strategic Alliance 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.

As at December 31, 2022, the total number of issued and outstanding REIT Units and Class B LP Units was 39,727,346 and 9,327,487, respectively, for a total of 49,054,833 Units (as defined below). The REIT Units are listed and posted for trading 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 and paid of \$9,860 for Q4 2022 (Q4 2021 - \$9,574). For the year ended December 31, 2022, the REIT declared and paid total distributions of \$39,427 (2021 - \$39,221).

As at December 31, 2022, the REIT had a Debt to GBV ratio (as defined below) of 40.0% and \$79,121 of undrawn capacity under its Credit Facilities (as defined below), cash on hand of \$396 and ten unencumbered properties with an aggregate value of approximately \$120,000. Following the 2023 Quebec Properties acquisitions, the REIT's Proforma Debt to GBV ratio (calculated as the total debt as at December 31, 2022 of \$433,757 plus the purchase price of \$98,500 and related acquisition costs of \$3,600 divided by the total assets as at December 31, 2022 of \$1,093,818 plus the purchase price of \$98,500), equals 44.9%. The REIT currently has approximately \$60,000 of undrawn capacity under its Credit Facilities and four unencumbered properties with an aggregate value of approximately \$61,500. See Section 7 "Liquidity and Capital Resources".

In April 2022, the REIT increased the non-revolving portion of Facility 1 (as defined below) by \$50,000 at the same credit spread and extended the term to maturity from June 2023 to June 2027. The REIT also entered into floating-to-fixed interest rate swaps totaling \$40,000 for a weighted-average term of 8.5 years at a blended rate of 4.75%. See Section 7 "Liquidity and Capital Resources".

In January 2023, in connection with the acquisition of the 2023 Quebec Properties, the REIT increased the non-revolving portion of Facility 3 by \$70,000 at the same credit spread. The principal is repayable in quarterly blended payments based on a 25-year amortization. The REIT entered into floating-to-fixed interest rate swaps for a weighted-average term of 7.6 years at a blended rate of 4.91%. See Section 7 "Liquidity and Capital Resources".

In February 2023, the REIT entered into a new mortgage in the amount of \$9,000 for a term of five years at an interest rate of 5.05%. See Section 7 "Liquidity and Capital Resources".

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 changes in economic conditions, including changes in interest rates and the rate of inflation;
- 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 REIT's intention with respect to, and ability to execute, its external and internal growth strategies;
- the maintenance by the REIT of a strong balance sheet and prudent financial management and associated minimization of financial risk;
- the REIT's expectations with respect to the proportion of leases containing CPI-related adjustments in 2023 and 2024;
- the REIT representing a unique alternative for automotive dealership operators considering a sale or recapitalization of their business;

- the REIT's capital expenditure requirements and capital expenditures to be made by the REIT and the REIT's tenants;
- the REIT's distribution policy and the distributions to be paid to Unitholders (as defined below);
- the REIT's debt strategy;
- the REIT's access to available sources of debt and/or equity financing;
- the expected tax treatment of the REIT and its distributions to Unitholders;
- the REIT's ability to meet its stated objectives;
- the REIT's ability to expand its asset base and make accretive acquisitions;
- 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 rules in the Tax Act applicable to "SIFT trusts" and "SIFT partnerships" (the "SIFT Rules"); and
- the REIT's ability to acquire automotive dealership and automotive service centre 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 elevated and interest rates may increase in 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, and at which times, 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 on which the statements are made in 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.

The information in this MD&A is current to December 31, 2022, unless otherwise noted.

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. This MD&A contains certain financial measures and ratios 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 and ratios, 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 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 (referred to as “ROU” assets).

“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) on a straight-line basis; and (ii) capital expenditures. The REIT includes 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 costs that the REIT may incur, related to the sustaining/maintaining of the existing leased area.

“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. The REIT includes 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 costs that the REIT may incur, related to the sustaining/maintaining of the existing leased area.

“NOI” is a non-IFRS measure that means 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 a non-IFRS measure that means NOI prior to the effects of straight-line adjustments and 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.

Non-IFRS Ratios:

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

“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 payout ratio” is calculated as distributions declared divided by ACFO.

Supplementary Financial Measures:

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

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.

“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) (except in respect of convertible debt, as described above), 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 (C) REIT Units, Class A LP 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, mortgages 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.

“Proforma Debt to GBV” means the REIT’s ratio of Indebtedness to GBV as at December 31, 2022 adjusted to give effect to the REIT’s acquisition of the 2023 Quebec Properties.

SECTION 2 – OVERVIEW, STRATEGY AND OBJECTIVES

Overview

According to DesRosiers Automotive Consultants Inc., based on original equipment manufacturer submissions, Canadian new, light vehicle unit sales for 2022 decreased by approximately 9.1% compared to 2021, which was predominantly a result of the supply chain constraints experienced within the retail automotive industry in 2022.

Historically, Canada’s automotive retail industry has been characterized by strong industry fundamentals. According to Statistics Canada, automotive retail industry sales totaled approximately \$188 billion in 2022 (up 6.8% from approximately \$176 billion in 2021), representing approximately 25% 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 4.1%. The tables below contain new automobile sales by units in Canada for the 2022 and 2021 calendar years as provided by Statistics Canada:

	Twelve Months Ended December 31 (units)			2021
	2022	YoY unit increase/ (decrease)	YoY % increase/ (decrease)	
Alberta	183,538	(12,387)	(6.5%)	196,362
British Columbia and the Territories	182,607	(16,269)	(8.0%)	198,581
Manitoba	45,024	(4,371)	(9.0%)	49,466
New Brunswick	34,704	(2,925)	(8.2%)	37,817
Newfoundland and Labrador	24,354	(4,148)	(15.1%)	28,673
Nova Scotia	38,198	(6,501)	(14.5%)	44,689
Ontario	645,384	(18,792)	(3.0%)	665,161
Prince Edward Island	6,777	(1,402)	(13.8%)	7,861
Québec	374,111	(32,475)	(7.5%)	404,466
Saskatchewan	41,747	(961)	(1.9%)	42,557
Total Canada	1,576,444	(100,231)	(5.9%)	1,675,633

(Source: Statistics Canada)

New vehicle sales represent a portion of overall dealer profitability, as significant profit contributions are also generated from used vehicle sales, service and parts, finance and insurance. The REIT’s portfolio of diverse dealership and service 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 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 and predictable 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 15% 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 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 13 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 existing 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 (“CPI”) adjustments are expected, wherever possible, to be negotiated into new leases entered into by the REIT. CPI-related leases represented 18% of base rent in 2022 (2021 – 16%). As a result of the acquisition of the 2023 Quebec Properties, the leases containing CPI-related adjustments represent approximately 26% of the REIT’s full year base rent in 2023. The CPI adjustments related to the 2023 Quebec Properties do not commence until 2024. For 2024, the REIT’s existing leases with tenants that contain uncapped CPI-related adjustments will represent approximately 26% of the REIT’s base rent, and an additional 10% of the REIT’s existing leases will be subject to capped CPI-related adjustments.

SECTION 3 - PROPERTY PORTFOLIO

Portfolio Overview

As at December 31, 2022, the REIT’s portfolio consisted of 70 income-producing commercial properties, representing approximately 2.6 million square feet of gross leasable area, in metropolitan markets across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. Out of the 70 income-producing commercial properties, 37 are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while one of the other 33 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 32 properties are exclusively occupied by other dealership groups or original equipment manufacturers for use as automotive dealerships, automotive service centres or for automotive 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 accounted for approximately 58.8% of the REIT’s 2022 base rent, including rent from properties subleased to third parties (2021 - 61.8%).

As of the date of this MD&A, as a result of the acquisition of the 2023 Quebec Properties, the REIT’s portfolio consists of 76 income-producing commercial properties, representing approximately 2.8 million square feet of gross leasable area, in metropolitan markets across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. Out of the 76 income-producing commercial properties, 37 are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while one of the other 39 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 38 properties are exclusively occupied by other dealership groups or original equipment manufacturers for use as automotive dealerships, automotive service centres or for automotive ancillary services, such as a vehicle service compound facility or a repair facility. Consequently, the Dilawri Group is the REIT’s most significant tenant, for 2023 the Dilawri Group will represent approximately 53.8% of the REIT’s base rent, including rent from properties subleased to third parties. The overall portfolio continues to be 100% leased.

The applicable Dilawri Tenant is the lead tenant for the Dixie Auto Mall until July 2030. As of December 31, 2022, two premises at the Dixie Auto Mall were leased but unoccupied and are being used for automotive ancillary purposes; however, this does not affect the term of the applicable Dilawri Leases.

Overall, at December 31, 2022, the REIT’s properties had a weighted average rental rate of \$26.27 per square foot (\$25.92 as at December 31, 2021). The increase from 2021 is due to the contractual rent increases and lease renewals applied to specific properties throughout the year. As of the date of this MD&A, the REIT’s properties had a weighted average rental rate of \$27.03 per square foot, with a weighted average lease term of 10.7 years.

Income Producing Property Portfolio Summary

As at December 31, 2022	Number of Properties	GLA (sq. ft.)	Average rental rate (per sq. ft.)⁽¹⁾	Weighted Average Lease Term (yrs)
British Columbia ⁽²⁾	8	199,244	\$38.95	11.1
Alberta	13	467,508	\$28.70	10.1
Saskatchewan	9	203,560	\$23.82	8.1
Manitoba	2	96,135	\$22.50	15.3
Ontario	27	1,058,889	\$28.31	10.3
Quebec	11	608,967	\$18.12	11.1
Total Portfolio	70	2,634,303	\$26.27	10.5

As at December 31, 2021	Number of Properties	GLA (sq. ft.)	Average rental rate (per sq. ft.)⁽³⁾	Weighted Average Lease Term (yrs)
British Columbia ⁽²⁾	8	199,244	\$37.93	12.1
Alberta	13	467,508	\$28.05	11.1
Saskatchewan	9	203,560	\$23.47	9.1
Manitoba	2	96,135	\$21.62	16.3
Ontario	27	1,083,025	\$27.45	11.9
Quebec	7	475,019	\$17.22	12.2
Total Portfolio	66	2,524,491	\$25.92	11.6

(1) Based on 12-month period contractual rental revenue commencing December 31, 2022.

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

(3) Based on 12-month period contractual rental revenue commencing December 31, 2021.

As of the date of this MD&A (including the 2023 Quebec Properties):

As at March 16, 2023	Number of Properties	GLA (sq. ft.)	Average rental rate (per sq. ft.)⁽²⁾	Weighted Average Lease Term (yrs)
British Columbia ⁽¹⁾	8	199,244	\$39.11	10.9
Alberta	13	467,508	\$28.90	9.9
Saskatchewan	9	203,560	\$23.91	7.8
Manitoba	2	96,135	\$22.67	15.0
Ontario	27	1,058,889	\$28.42	10.0
Quebec	17	796,388	\$22.51	12.2
Total Portfolio	76	2,821,724	\$27.07	10.7

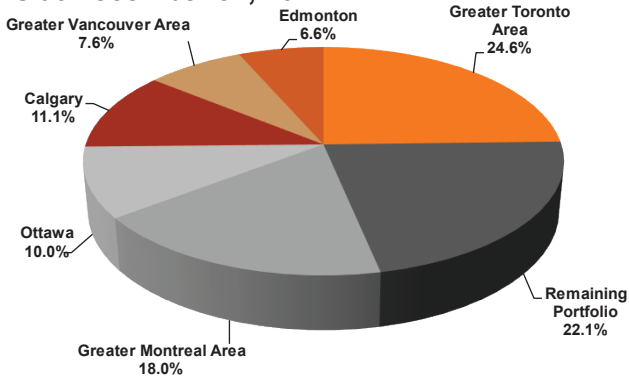
(1) Excludes land leases, which expenses are passed on to the tenant.

(2) Based on 12-month period contractual rental revenue commencing January 1, 2023.

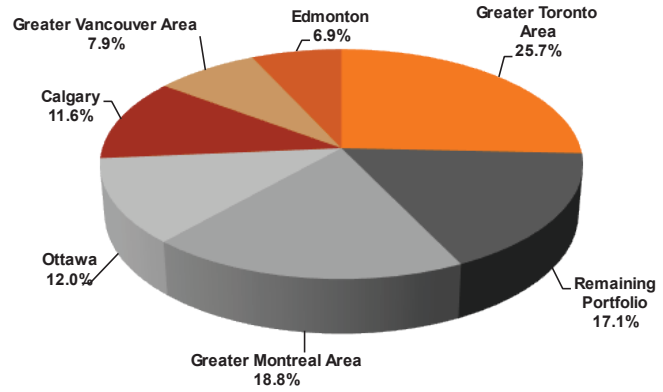
GLA by Major Metropolitan Area Across Canada

A significant majority of the REIT's properties are located within major metropolitan areas across Canada.

As at December 31, 2022



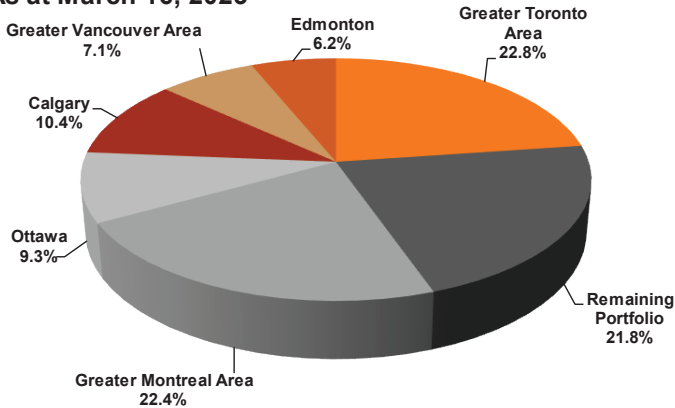
As at December 31, 2021



Appendix "A" in this MD&A contains a list and description of the REIT's properties as at December 31, 2022.

As of the date of this MD&A (including the 2023 Quebec Properties):

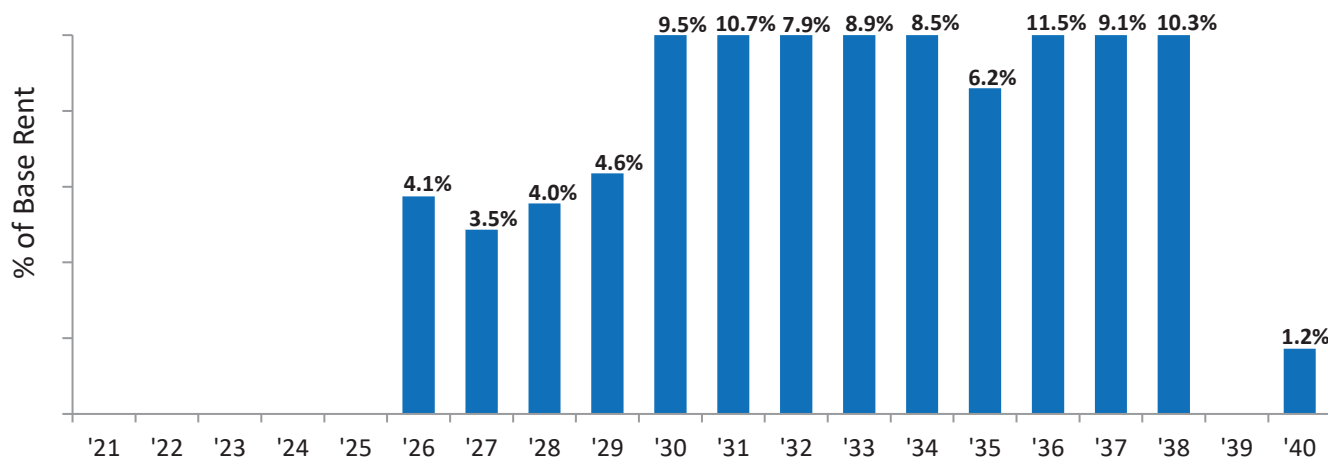
As at March 16, 2023



Profile of Overall Lease Maturity as at December 31, 2022

The REIT's lease portfolio matures between 2026 and 2040 as set out in the chart below:

Lease Maturity Profile ^(*)



(*) Based on 12-month period contractual rental revenue commencing December 31, 2022.

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, 2022:

Manufacturer / Brand	REIT Auto Property GLA (Sq. Feet)	% of REIT Auto Property GLA	% of REIT Base Rent ⁽¹⁾	No. of REIT Locations
Honda ⁽²⁾⁽⁹⁾	435,626	16.8%	15.8%	11
BMW ⁽³⁾	320,824	12.5%	10.6%	7
Volkswagen	252,299	9.6%	10.7%	7
Tesla ⁽⁴⁾	238,879	9.1%	6.3%	6
Audi ⁽⁵⁾	237,484	9.1%	10.9%	6
Toyota ⁽⁹⁾	185,230	7.1%	6.6%	4
Acura ⁽²⁾	162,081	6.2%	7.1%	6
General Motors	99,851	3.8%	3.2%	2
Other ⁽⁶⁾	97,566	3.7%	4.4%	7
Porsche ⁽⁷⁾	84,569	3.2%	4.7%	2

Chrysler ⁽⁸⁾	81,750	3.1%	1.9%	2
Mazda ⁽⁹⁾	81,352	3.1%	3.7%	4
Hyundai ⁽⁹⁾	80,950	3.1%	3.4%	4
Nissan	71,521	2.7%	2.9%	3
Mercedes Benz	60,850	2.3%	2.2%	1
Kia ⁽⁹⁾	39,543	1.5%	1.8%	2
Lexus	30,015	1.1%	1.4%	1
Infiniti	19,355	0.7%	1.2%	3
Subaru	19,033	0.7%	0.6%	2
Mitsubishi	14,750	0.6%	0.6%	2
Total⁽⁹⁾	2,613,528	100.0%	100.0%	82

Notes:

- (1) Based on 12-month period contractual base rent commencing January 1, 2022.
- (2) Includes Honda Used Car and Regina Collision Centre. Regina Honda/Acura split 75% and 25% of 30,863 sq. ft. Also includes the former Markham Ford, which is being used for ancillary purposes by Markham Honda.
- (3) Includes MINI.
- (4) Includes the following Tesla service centre properties: Tesla KW, Tesla Laval, Tesla Edmonton, Tesla Barrie, and Tesla Quebec City (two adjoining properties).
- (5) Includes the Audi service property (formerly Infiniti Vancouver).
- (6) The Dilawri Group subleased a property in Calgary to Grand Touring Automobile which operates Aston Martin and Bentley. In addition, Grand Touring Automobile sells a variety of luxury used vehicles. 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. Also includes: a Harley Davidson dealership and a VinFast dealership located in the Dixie Auto Mall. Also includes a Hyundai dealership which has vacated their premises located in the Dixie Auto Mall. The applicable Dilawri Tenant will continue to be the lead tenant for the Dixie Auto Mall until July 2030. Includes 3 vehicle compound facilities.
- (7) Includes Porsche JLR Edmonton.
- (8) Includes Dodge, FIAT, Jeep and RAM.
- (9) As of the date of this MD&A, as a result of the acquisition of the 2023 Quebec Properties, total GLA increased to 2,805,373 resulting in a total of 88 REIT locations, including: two additional Honda properties, one Toyota property, one Mazda property, one Hyundai property and one Kia property, which are not included in the table above.

Description of the REIT's Key Tenant

At the time of the IPO, Dilawri agreed to provide certain financial information to the REIT pursuant to a financial information and confidentiality agreement for so long as the annual basic rent payable by the applicable members of the Dilawri Group, collectively, under their respective Dilawri Leases represented, in the aggregate, 60% or more of the REIT's Cash NOI during any rolling period of 12 consecutive calendar months, determined quarterly. As of December 31, 2022, such annual basic rent payable represented approximately 59.1% of the REIT's Cash NOI during the 12-month period ended December 31, 2022. As a result, the REIT and Dilawri have entered into an agreement pursuant to which Dilawri will continue to provide its Combined Revenues, EBITDA and Pro Forma Adjusted Rent Coverage Ratio on a trailing 12-month basis (with a comparative period for the prior 12 month period) until the REIT releases its financial results for the fiscal year ended December 31, 2023.

The following chart summarizes certain relevant financial information of the Dilawri Group for the 12 months ended December 31, 2022 with comparative figures for the 12 months ended December 31, 2021 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, 2022 LTM⁽¹⁾	December 31, 2021 LTM⁽¹⁾
Combined Revenues (not audited or reviewed)	\$4.1 billion	\$3.8 billion
EBITDA (not audited or reviewed)	\$235.4 million	\$213.3 million
Pro Forma Adjusted Rent Coverage Ratio (not audited or reviewed)	5.6 ⁽²⁾	4.8 ⁽³⁾

Notes:

- (1) "LTM" means the last twelve months.
(2) As at December 31, 2022.
(3) As at December 31, 2021.

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.

Pursuant to an undertaking provided by Dilawri to the Canadian securities regulatory authorities in connection with the IPO, Dilawri provides to the REIT carve-out interim financial statements and the related management's discussion and analysis in respect of the members of the Dilawri Group subject to leases pertaining to the Initial Properties for the year ended December 31, 2022 and 2021. These documents, once provided by Dilawri to the REIT, will be available on the REIT's SEDAR profile at www.sedar.com.

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 under Canadian accounting standards for private enterprises ("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", which is a key measure of performance used by automotive dealership businesses, refers to the Pro Forma Adjusted Rent Coverage Ratio of the Dilawri Group on a non-consolidated combined basis. Pro Forma Adjusted Rent Coverage Ratio is a non-ASPE financial ratio and is not defined by ASPE or IFRS and does not have a standardized meaning prescribed by ASPE or IFRS.

Non-ASPE financial ratio:

"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.

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,	
	2022	2021	2022	2021
Rental Revenue	\$20,901	\$19,781	\$82,861	\$78,218
NOI ⁽¹⁾	17,629	16,776	70,575	67,081
Cash NOI ⁽¹⁾	17,263	16,128	68,533	64,225
Same Property Cash NOI ⁽¹⁾	16,070	15,722	64,155	62,983
Same Property Cash NOI (excluding bad debt expense) ⁽¹⁾	16,070	15,722	64,155	62,706
Net Income	13,588	10,409	83,365	85,418
FFO ⁽¹⁾	11,008	11,491	46,748	46,529
AFFO ⁽¹⁾	10,641	10,921	44,707	43,987
Fair value adjustment to investment properties	1,791	21,069	(2,285)	75,157
Distributions per Unit	\$0.201	\$0.201	\$0.804	\$0.804
Net Income per Unit – basic ⁽²⁾	0.277	0.212	1.700	1.751
Net Income per Unit – diluted ⁽³⁾	0.273	0.209	1.674	1.728
FFO per Unit – basic ⁽¹⁾⁽⁴⁾	0.224	0.234	0.953	0.954
FFO per Unit – diluted ⁽¹⁾⁽⁵⁾	0.221	0.231	0.939	0.941
AFFO per Unit – basic ⁽¹⁾⁽⁴⁾	0.217	0.223	0.912	0.902
AFFO per Unit – diluted ⁽¹⁾⁽⁵⁾	0.213	0.220	0.898	0.890
Weighted average Units – basic ⁽⁶⁾	49,054,833	49,013,407	49,035,475	48,786,577
Weighted average Units – diluted ⁽⁷⁾	49,847,669	49,733,057	49,802,602	49,446,138
Payout ratio (%)				
FFO ⁽¹⁾	91.0%	87.0%	85.6%	85.4%
AFFO ⁽¹⁾	94.4%	91.4%	89.5%	90.3%

Balance Sheet and Other Metrics	As at December 31, 2022	As at December 31, 2021	As at December 31, 2020
Total assets	\$1,093,818	\$1,051,650	\$936,352
Total liabilities (excluding Class B LP Units)	\$431,075	\$442,777	\$438,718
Number of units outstanding (includes Class B LP Units)	49,054,833	49,013,407	47,630,305
Market price per REIT Unit – close (end of period)	\$12.97	\$14.95	\$10.71
Market capitalization (includes Class B LP Units)	\$636,241	\$732,750	\$510,121
Overall capitalization rate	6.42%	6.30%	6.70%
Fixed weighted average effective interest rate on debt (excludes revolving Credit Facilities) ⁽⁸⁾⁽¹⁰⁾	3.94%	3.72%	3.76%
Proportion of total debt at fixed interest rates through swaps and Mortgages ⁽¹⁰⁾	99%	92%	91%
Weighted average interest rate swap term and Mortgage remaining (years) ⁽¹⁰⁾	5.1	5.3	5.9
Weighted average term to maturity of debt ⁽¹⁰⁾	3.9	2.9	2.9
Interest Coverage Ratio ⁽⁹⁾	3.5X	3.8X	3.6X

Debt Service Coverage Ratio ⁽⁹⁾	1.7X	1.9X	1.8X
Debt to GBV ⁽¹¹⁾	40.0%	40.2%	43.2%

- (1) NOI, Cash NOI, Same Property Cash NOI, FFO, AFFO, FFO per Unit, AFFO per Unit, FFO payout ratio and AFFO payout ratio are non-IFRS measures or non-IFRS ratios, as applicable. See Section 1 “General Information and Cautionary Statements – Non-IFRS Financial Measures” and Section 6 “Non-IFRS Financial Measures” of this MD&A.
- (2) Net Income per Unit — basic is calculated in accordance with IFRS by dividing the Net Income by the amount of the weighted average number of outstanding REIT Units and Class B LP Units.
- (3) Net Income per Unit — diluted is calculated in accordance with IFRS by dividing the Net Income by the amount of the weighted average number of outstanding REIT Units, Class B LP Units, DUs, IDUs, RDUs and PDUs (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, IDUs, RDUs and PDUs 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, IDUs, RDUs and PDUs 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 2022 ratios, see Section 7 “Financing Metrics and Debt Covenants”.
- (10) As at the date of this MD&A, the REIT had a weighted average term to maturity of debt of 3.6 years, weighted average interest rate swap and mortgage term remaining of 4.9 years, and 95% of the REIT’s debt fixed with a weighted average effective interest rate on debt of 4.12%.
- (11) As at the date of this MD&A, the REIT’s Proforma Debt to GBV ratio is 44.9%.

SECTION 5 – RESULTS OF OPERATIONS

Net Income and Comprehensive Income

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Variance	2022	2021	Variance
Net Property Income						
Base rent	\$17,349	\$16,287	\$1,062	\$68,710	\$64,245	\$4,465
Property tax recoveries	3,272	3,005	267	12,454	11,414	1,040
Lease Termination Fee	-	-	-	-	339	(339)
Straight-line rent adjustment	280	489	(209)	1,697	2,220	(523)
Rental Revenue	20,901	19,781	1,120	82,861	78,218	4,643
Property tax expense	(3,272)	(3,005)	(267)	(12,454)	(11,414)	(1,040)
Bad debt recovery	-	-	-	-	277	(277)
Land lease termination	-	-	-	168	-	168
Property Costs	(3,272)	(3,005)	(267)	(12,286)	(11,137)	(1,149)
NOI⁽¹⁾	17,629	16,776	853	70,575	67,081	3,494
Other Income (Expenses)						
General and administrative expenses	(1,860)	(1,252)	(608)	(5,561)	(4,673)	(888)
Interest expense and other financing charges	(4,721)	(3,957)	(764)	(17,957)	(15,580)	(2,377)
Fair value adjustment on interest rate swaps	(180)	3,268	(3,448)	25,999	15,976	10,023
Distribution expense on Class B LP Units	(1,875)	(1,997)	122	(7,621)	(7,988)	367
Fair value adjustment on Class B LP Units and Unit-based compensation	2,804	(23,498)	26,302	20,215	(44,555)	64,770
Fair value adjustment on investment properties	1,791	21,069	(19,278)	(2,285)	75,157	(77,442)
Net Income and Comprehensive Income	\$13,588	\$10,409	\$3,179	\$83,365	\$85,418	\$(2,053)

- (1) NOI is a non-IFRS measure. See Section 1 “General Information and Cautionary Statements – Non-IFRS Financial Measures” and Section 6 “Non-IFRS Financial Measures” of this MD&A.

For Q4 2022, net income was \$13,588 compared to \$10,409 in Q4 2021. The increase was primarily due to an increase in fair value adjustments for Class B LP Units, Unit-based Compensation (which consists of Deferred Units (“DUs”), Income Deferred Units (“IDUs”), Performance Deferred Units (“PDUs”) and Restricted Deferred Units (“RDUs”)), partially offset by fair value adjustments on investment properties and interest rate swaps and increased general and administrative and interest expenses. For 2022, net income was \$83,365 compared to \$85,418 in 2021. The decrease was primarily due to a decrease in fair value adjustments for investment properties, and increased general and administrative and interest expenses, partially offset by an increase in fair value adjustments for Class B LP Units and Unit-based compensation and interest rate swaps. NOI was \$17,629 in Q4 2022 as compared to \$16,776 in Q4 2021,

and for 2022 was \$70,575 compared to \$67,081 in 2021. The increases for were primarily due to the properties acquired during and subsequent to 2021 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 2022, base rent was \$17,349, an increase of \$1,062, or 6.5%, compared to Q4 2021 and rental revenue was \$20,901, an increase of \$1,120, or 5.7%, compared to Q4 2021. The increase was attributable to the properties acquired subsequent to Q4 2021 and contractual rent increases.

For 2022, base rent was \$68,210, an increase of \$4,465, or 6.9%, compared to 2021 and rental revenue was \$82,861, an increase of \$4,643, or 5.9%, compared to 2021. The increase was attributable to the properties during and acquired subsequent to 2021 and contractual rent increases.

Property costs for Q4 2022 and 2022 were \$267 and \$1,149 higher than Q4 2021 and 2021, respectively. The increases in Q4 2022 and 2022 are attributable to the properties acquired during and subsequent to 2021.

General and Administrative Expenses

The table below illustrates the breakdown of general and administrative expenses incurred in Q4 2022 and 2022 as compared to Q4 2021 and 2021:

	Q4 2022	Q4 2021	Variance	2022	2021	Variance
Human resource costs	\$1,159	\$767	\$392	\$3,669	\$3,052	\$617
Public entity and other costs	554	373	181	1,298	1,212	86
Independent Trustee fees	147	112	35	594	409	185
General and administrative expenses	\$1,860	\$1,252	\$608	\$5,561	\$4,673	\$888

Human resource costs reflect the expenses related to the management, operating and administrative support of the REIT. Human resource costs also include accruals for short-term incentive awards for management, accruals for IDUs and the vesting of long-term DUs, PDUs and RDUs. The increases in human resource costs in Q4 2022 and 2022 of approximately \$392 and \$617, respectively, resulted primarily from the increases in short-term and long-term performance awards, and the vesting of long-term compensation.

Public entity and other costs reflect the expenses related to ongoing operations of the REIT, including professional fees for legal and audit services, and depreciation expense for ROU assets. Public entity costs will fluctuate from quarter to quarter depending on when such expenses are incurred. There was an increase in public entity and other costs of \$181 and \$86 for Q4 2022 and 2022, respectively, as compared to Q4 2021 and 2021. The increase in 2022 was primarily due to the REIT's growth and inflation.

As at December 31, 2022, all independent Trustees of the REIT ("Independent Trustees") elected to receive board and committee fees in the form of DUs. The non-cash Unit-based compensation expense relates to DUs and IDUs granted in accordance with the REIT's Equity Incentive Plan (the "Plan"). 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. For Q4 2022 and 2022, the REIT paid the Independent Trustees \$147 and \$594, respectively, related to the granting of DUs and IDUs, representing an increase of \$35 and \$185, respectively, compared to the corresponding prior-year periods.

Interest Expense and Other Financing Charges

Interest expense includes amounts payable to lenders under the REIT's Credit Facilities and Mortgages (each as defined in Section 7 "Liquidity and Capital Resources" below), as well as amortization of upfront costs and costs to hedge the applicable Credit Facilities and Mortgages at fixed rates. For Q4 2022 and 2022, the interest expense and other financing

charges were \$4,721 and \$17,957, respectively, representing increases of \$764 and \$2,377 from Q4 2021 and 2021, respectively. The increases are primarily due to additional debt incurred by the REIT to acquire properties subsequent to Q4 2021, together with an increase to interest rates.

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 that 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 indicated an increase in capitalization rates from December 31, 2021. The nominal fair value adjustments for Q4 2022 reflects the changes in the valuation inputs, resulting in an increase in value for the properties containing CPI adjustments, partially offset by the changes in valuation inputs decreasing the value of the properties containing fixed rate escalators.

For Q4 2022 and 2022, the fair value adjustments in investment properties were \$1,791 and \$(2,285), respectively, compared to \$21,069 for Q4 2021 and \$75,157 for 2021. Overall, there was a capitalization rate increase of 5 basis points applicable to the entire portfolio for Q4 2022, and an increase of 12 basis points for 2022. The increase was a result of market conditions, where valuation inputs were adjusted across the entire portfolio, which resulted in the increase in the overall capitalization rate to 6.42% (September 30, 2022 – 6.37%; December 31, 2021 – 6.30%). Furthermore, the REIT continued to amortize one land lease property. The historical book value of the investment properties owned by the REIT as at December 31, 2022 was \$947,622 (December 31, 2021 – \$899,000).

The weighted average discount rate applicable to the whole portfolio as at December 31, 2022 was 7.18% (December 31, 2021 – 7.07%). The weighted average terminal capitalization rate applicable to the whole portfolio as at December 31, 2022 was 6.88% (December 31, 2021 – 6.75%).

The fair value adjustments for 2022 were a result of the following factors:

- The transaction costs related to all acquisitions completed during 2022 resulting in a fair value decrease in 2022.
- As a result of market conditions, the REIT adjusted valuation inputs in 2022 which resulted in fair value decreases for properties with fixed rate escalators and fair value increases for properties with CPI-related adjustments.
- The REIT recognized a gain as a result of the sale of the real estate underlying the Kingston Toyota and Lexus automotive dealership properties in November 2022.
- NOI increases from investment properties resulted in a fair value increase for 2021.

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 will be appraised annually. In 2022, the REIT had 20 investment properties (2021 – 21) independently appraised, representing approximately \$392,000 (2021 – \$440,000) of the REIT's fair value of income producing properties. The REIT's historical capitalization rate has ranged from 6.3% to 6.7% since its IPO.

A 25 basis point decrease or increase in capitalization rates or discount rates would result in an increase or decrease in the fair value of investment properties of approximately \$43,300 or \$(40,000), respectively.

A 50 basis point decrease or increase in capitalization rates or discount rates would result in an increase or decrease in the fair value of the investment properties of approximately \$90,200 or \$(77,200), respectively.

Changes in Fair Values of Class B LP Units, Unit-based compensation and Interest Rate Swaps

The Class B LP Units, Unit-based compensation 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 and comprehensive income.

Under IFRS, the Class B LP Units and Unit-based compensation are classified as financial liabilities and measured at fair value through profit and loss (FVTPL). The fair value of the Class B LP Units and Unit-based compensation will be measured every period by reference to the traded value of the REIT Units, with changes in measurement recorded in net income and comprehensive income. Distributions on the Class B LP Units will be recorded in interest expense and other financing charges in the period in which they become payable.

The impact of the movement in the traded value of the REIT Units resulted in an increase in fair value adjustment for Class B LP Units and Unit-based compensation in Q4 2022 of \$2,804 (Q4 2021 – decrease of \$23,498) and an increase of \$20,215 for 2022 (2021 – decrease of \$44,555).

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 and comprehensive income.

The fair value adjustments for interest rate swaps for Q4 2022 and 2022 reflected a loss of \$(180) (Q4 2021 – gain of \$3,268) and a gain of \$25,999 (2021 – gain of \$15,976), respectively. The Q4 2022 and 2022 variance reflect an increase in interest rates in the derivative market as at December 31, 2022.

SECTION 6 – NON-IFRS FINANCIAL MEASURES

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

The REIT uses the following non-IFRS key performance indicators and ratios: 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”). The calculations of these measures and the reconciliation to net income and comprehensive income are set out in the following table:

(\$000s, except per Unit amounts)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Variance	2022	2021	Variance
Calculation of NOI						
Property revenue	\$20,901	\$19,781	\$1,120	\$82,861	\$78,218	\$4,643
Property costs	(3,272)	(3,005)	(267)	(12,286)	(11,137)	(1,149)
NOI (including straight-line adjustments)	\$17,629	\$16,776	\$853	\$70,575	\$67,081	\$3,494
Adjustments:						
Land lease payments	(86)	(159)	73	(345)	(635)	290
Straight-line adjustment	(280)	(489)	209	(1,697)	(2,221)	524
Cash NOI	\$17,263	\$16,128	\$1,135	\$68,533	\$64,225	\$4,308
Reconciliation of net income to FFO and AFFO						
Net income and comprehensive income	\$13,588	\$10,409	\$3,179	\$83,365	\$85,418	\$(2,053)
Adjustments:						
Change in fair value — Interest rate swaps	180	(3,268)	3,448	(25,999)	(15,976)	(10,023)
Distributions on Class B LP Units	1,875	1,997	(122)	7,621	7,988	(367)
Change in fair value – Class B LP Units and Unit-based compensation	(2,804)	23,498	(26,302)	(20,215)	44,555	(64,770)
Change in fair value — investment properties	(1,791)	(21,069)	19,278	2,285	(75,157)	77,442

ROU asset net balance of depreciation/interest and lease payments ⁽¹⁾	(40)	(76)	36	(309)	(299)	(10)
FFO	\$11,008	\$11,491	\$(483)	\$46,748	\$46,529	\$219
Adjustments:						
Straight-line adjustment	(280)	(489)	209	(1,697)	(2,221)	524
Capital expenditure reserve	(87)	(81)	(6)	(344)	(321)	(23)
AFFO	\$10,641	\$10,921	\$(280)	\$44,707	\$43,987	\$720
Number of Units outstanding (including Class B LP Units)	49,054,833	49,013,407	41,426	49,054,833	49,013,407	41,426
Weighted average Units Outstanding — basic	49,054,833	49,013,407	41,426	49,035,475	48,786,577	248,898
Weighted average Units Outstanding — diluted	49,847,669	49,733,057	114,612	49,802,602	49,446,138	356,464
FFO per Unit — basic⁽²⁾	\$0.224	\$0.234	\$(0.01)	\$0.953	\$0.954	\$(0.001)
FFO per Unit — diluted⁽³⁾	\$0.221	\$0.231	\$(0.01)	\$0.939	\$0.941	\$(0.002)
AFFO per Unit — basic⁽²⁾	\$0.217	\$0.223	\$(0.006)	\$0.912	\$0.902	\$0.010
AFFO per Unit — diluted⁽³⁾	\$0.213	\$0.220	\$(0.007)	\$0.898	\$0.890	\$0.008
Distributions per Unit	\$0.201	\$0.201	—	\$0.804	\$0.804	—
FFO payout ratio	91.0%	87.0%	(4.0)%	85.6%	85.4%	0.2%
AFFO payout ratio	94.4%	91.4%	(3.0)%	89.5%	90.3%	0.8%

(1) Includes the Langley Land Lease termination of \$168 for 2022.

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

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

FFO, AFFO and Cash NOI

In Q4 2022, FFO decreased 4.2% to \$11,008, compared to \$11,491 in Q4 2021. FFO per Unit (diluted) for Q4 2022 was \$0.221, compared to \$0.231 in Q4 2021. The decrease was primarily due to the increases in short-term and long-term performance awards, interest expense and the vesting of long-term Unit-based compensation, partially offset by the properties acquired subsequent to Q4 2021.

FFO for 2022 increased 0.5% to \$46,748, compared to \$46,529 in 2021. The increase was primarily due to the properties acquired subsequent to 2021, together with contractual rent increases. FFO per Unit (diluted) was \$0.939 in 2022, compared to \$0.941 in 2021. The decrease was primarily due to the increase in short-term and long-term performance awards, interest expense and the vesting of long-term Unit-based compensation, partially offset by the properties acquired during and subsequent to 2021.

In Q4 2022, AFFO decreased 2.6% to \$10,641, compared to \$10,921 in Q4 2021. AFFO per Unit (diluted) was \$0.213 in Q4 2022, compared to \$0.220 in Q4 2021. The decrease was primarily due to the increase in short-term and long-term performance awards, interest expense and the vesting of long-term Unit-based compensation, partially offset by the properties acquired subsequent to Q4 2021.

Cash NOI in Q4 2022 was \$17,263 on \$20,901 of revenue, compared to Cash NOI of \$16,128 on revenue of \$19,781 in Q4 2021. The increase was primarily due to the properties acquired subsequent to Q4 2021, together with contractual rent increases.

AFFO for 2022 increased 1.6% to \$44,707, compared to \$43,987 in 2021; and Cash NOI in 2022 was \$68,533 on \$82,861 of rental revenue, compared to Cash NOI of \$64,225 on rental revenue of \$78,218 in 2021. The increases were primarily due to the properties acquired subsequent to 2021, together with contractual rent increases. AFFO per Unit (diluted) was \$0.898 in 2022, compared to \$0.890 in 2021. The increase in AFFO per Unit (diluted) in 2022 was primarily due to the properties acquired during and subsequent to 2021 and contractual rent increases.

For Q4 2022, the REIT declared and paid distributions to Unitholders of \$9,860, or \$0.201 per Unit (Q4 2021 — declared and paid \$9,852), and for 2022 the REIT declared and paid total distributions of \$39,427 (2021 — declared and paid \$39,221). This resulted in an AFFO payout ratio of 94.4% in Q4 2022 (Q4 2021 — 91.4%) and 89.5% in 2022 (2021 — 90.3%). The AFFO payout ratio was higher in Q4 2022 primarily as a result of the increase in interest expense and

short-term and long-term performance awards, and the vesting of long-term Unit-based compensation, partially offset by the positive impact of acquisitions and contractual rent increases. The AFFO payout ratio was lower in 2022 primarily due to the properties acquired during and subsequent to Q4 2021 and contractual rent increases.

Same Property Cash Net Operating Income

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Variance	2022	2021	Variance
Same property base rental revenue	\$16,156	\$15,808	\$348	\$64,500	\$63,051	\$1,449
Bad debt recovery	—	—	—	—	277	(277)
Land lease payments	(86)	(86)	—	(345)	(345)	—
Same Property Cash NOI	\$16,070	\$15,722	\$348	\$64,155	\$62,983	\$1,172
Bad debt expense (recovery)	—	—	—	—	277	(277)
Same Property Cash NOI (excluding bad debt expense)	\$16,070	\$15,722	\$348	\$64,155	\$62,706	\$1,449

Excluding bad debt recovery, Same Property Cash NOI increased 2.2% to \$16,070 in Q4 2022 from \$15,722 in Q4 2021, and 2.3% to \$64,155 in 2022 from \$62,706 in 2021. The increases are primarily a result of contractual rent increases.

Reconciliation of Cash Flow from Operating Activities to ACFO

The REIT uses the following non-IFRS key performance indicator and ratio: ACFO and ACFO payout ratio. 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, assumed 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. The calculation of ACFO and the reconciliation to cash flow from operating activities are set out in the table below:

(\$000s)	Twelve Months Ended December 31, 2022		
	2022	2021	Variance
Cash flow from operating activities	\$64,544	\$62,212	\$2,332
Change in non-cash working capital	618	2,262	(1,644)
Interest paid	(16,919)	(14,674)	(2,245)
Amortization of financing fees	(784)	(557)	(227)
Amortization of indemnification fees	(697)	(183)	(514)
Net interest expense and other financing charges in excess of interest paid	(254)	(349)	95
Capital expenditure reserve	(170)	(321)	151
ACFO	\$46,338	\$48,390	\$(2,052)
ACFO payout ratio	85.1%	81.1%	4.0%

ACFO decreased to \$46,338 in 2022, compared to \$48,390 in 2021, primarily due to the increase in interest costs due to additional debt incurred by the REIT to acquire properties subsequent to Q4 2021, and higher interest rates. This resulted in an ACFO payout ratio of 85.1% in 2022 (2021 – 81.1%).

The REIT's 2022 distributions were funded from cash flows from operating activities as well as cash on hand. The REIT believes that future distributions will be funded through cash flows from operating activities. As at December 31, 2022, the REIT had a Debt to GBV ratio of 40.0% and \$79,121 of undrawn capacity under its Credit Facilities, cash on hand of \$396 and ten unencumbered properties with an aggregate value of approximately \$120,000. As at the date of this MD&A, the REIT's Proforma Debt to GBV ratio is 44.9% and the REIT had approximately \$60,000 of undrawn capacity under its Credit Facilities and four unencumbered properties with an aggregate value of approximately \$61,500.

SECTION 7 – LIQUIDITY AND CAPITAL RESOURCES

Capital Structure

Debt	Key Terms					Outstanding as at December 31, 2022	Outstanding as at December 31, 2021
	Term (yrs)	Hedged Term (yrs)	Interest Rate	Payments & Interest/Amortization	Effective Interest Rate (fixed)		
Facility 1	4.5 ⁽¹⁾	0.5 to 9.8	BA + 150 bps, Prime +25 bps	(1)	4.20%	\$223,926⁽⁵⁾	\$190,206 ⁽⁵⁾
Facility 2	2.1 ⁽²⁾	0.5 to 7.9	BA + 150 bps, Prime +25 bps	(2)	3.52%	85,901	90,707
Facility 3	3.5 ⁽³⁾	3.0 to 9.0	BA + 150 bps, Prime +50 bps	(3)	3.91%	100,672⁽⁶⁾	111,100 ⁽⁶⁾
Mortgages	4.5 to 8.3 ⁽⁴⁾	n/a	Fixed 2.21% to 3.72 %	P&I, 20 yrs and 25 yrs	3.25%	23,258	24,148
						\$433,757	\$416,161
Financing fees						(2,682)	(2,178)
Weighted Average /Total	3.9	5.1			3.94%	\$431,075	\$413,983
Class B LP Units and Unit-based compensation						\$130,558	\$157,386
Cash Balance						\$396	\$474

Key Financing Metrics and Debt Covenants ⁽⁷⁾⁽⁸⁾	Debt Covenant	Declaration of Trust ⁽⁹⁾	As at December 31, 2022	As at December 31, 2021
Interest coverage	-	-	3.5	3.8
Debt to GBV	<60% ⁽¹⁰⁾	<60% ⁽¹⁰⁾	40.0%⁽¹⁰⁾	40.2%
Unitholders' Equity (including Class B LP Units and Unit-based compensation)	>\$120,000	-	\$651,502	\$617,757
Debt Service Coverage	>1.35 ⁽¹¹⁾	-	1.7	1.9
AFFO payout ratio	⁽¹²⁾ ⁽¹³⁾	-	89.5%	90.3%

(1) In April 2022, the REIT increased the non-revolving portion of Facility 1 by \$50,000 at the same credit spread and extended the term to maturity from June 2023 to June 2027.

(2) In December 2022, the REIT extended the maturity of Facility 2 and the associated revolving facility from June 2024 to January 2025.

(3) Facility 3 and the associated revolving facility matures in June 2026.

(4) In January 2021, the REIT renewed a Mortgage in the amount of approximately \$5,791 for a term of 7 years at an interest rate of 2.21%. In April 2021, the REIT entered into a Mortgage with a life insurance company in the amount of \$10,000 for a term of 10 years at an interest rate of 3.39%.

- (5) \$nil of the non-revolving balance of Facility 1 remains at floating rates (December 31, 2021 – \$18,414).
- (6) \$nil of the non-revolving balance of Facility 3 remains at floating rates (December 31, 2021 – \$5,187).
- (7) The calculations of these ratios, which are non-IFRS measures, are set out under “Financing Metrics and Debt Covenants” below. See also Section 1, “General Information and Cautionary Statements – Non-IFRS Financial Measures”.
- (8) 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.
- (9) 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.
- (10) Including convertible debentures, the maximum ratio is 65%. As a result of the REIT’s acquisition of the 2023 Quebec Properties, the REIT’s Proforma Debt to GBV ratio is 44.9%.
- (11) Facility 1 changed in December 2022, from >1.40 to >1.35, Facility 2 >1.35, Facility 3 changed in December 2022, from >1.40 to >1.35.
- (12) The AFFO payout ratio in respect of Facility 1 may exceed 100% so long as (i) the REIT’s Debt to GBV ratio is less than 55% or (ii) the REIT’s 12 month retrospective rolling AFFO payout ratio is less than 100%.
- (13) The AFFO payout ratio in respect of Facility 3 may exceed 100% (four quarter rolling) so long as (i) the REIT’s Debt to GBV ratio is less than 55% and (ii) the REIT’s cash on hand plus the cumulative amount available to be drawn under the revolving Credit Facilities exceeds \$17,000.

Facility 1, Facility 2 and Facility 3 described above are collectively referred to as the “Credit Facilities” and the mortgages described above are referred to as the “Mortgages”.

The AFFO payout ratio debt covenant is based on the rolling average of the last four fiscal quarters. For the four quarters ended December 31, 2022, the AFFO payout ratio was approximately 89.5%.

In April 2022, the REIT increased the non-revolving portion of Facility 1 by \$50,000 at the same credit spread and extended the term to maturity from June 2023 to June 2027. The REIT also entered into floating-to-fixed interest rate swaps totaling \$40,000 for a weighted-average term of 8.5 years at a blended rate of 4.75%. In November 2022, the non-revolving balance in Facility 1 of \$26,800 was entered into floating-to-fixed interest rate swaps of an equivalent amount, for a term of 10 years at an interest rate of 5.27%. In December 2022, the REIT blended and extended an interest rate swap in Facility 1 for a term of 7 years at an interest rate of 5.24%.

In December 2022, the REIT extended the term to maturity of Facility 2 from June 2024 to January 2025 and paid down the non-revolving portion of Facility 3 of \$4,800.

In January 2023, as a result of the acquisition of the 2023 Quebec Properties, the REIT increased the non-revolving portion of Facility 3 by \$70,000 at the same credit spread. The principal is repayable in quarterly blended payments based on a 25-year amortization. The REIT entered into floating-to-fixed interest rate swaps for a weighted-average term of 7.6 years at a blended rate of 4.91%.

In February 2023, the REIT entered into a new Mortgage in the amount of \$9,000 for a term of 5 years at an interest rate of 5.05%.

As at the date of this MD&A the REIT’s debt (excludes revolving credit facilities) was fixed with a weighted average interest rate of 4.12%.

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:

2023	\$21,650
2024	21,791
2025	89,742
2026	94,981
2027	191,153
Thereafter.....	<u>14,440</u>
Total	<u>\$433,757</u>

The REIT's liquidity position as at December 31, 2022 includes approximately \$79,121 of undrawn capacity under its revolving Credit Facilities, which management believes is sufficient to carry out its obligations, discharge liabilities as they come due and fund distributions to Unitholders. Capital requirements in the next two years are low and capital expenditure requirements are expected to be insignificant. Nonetheless, the current economic, operating and capital market environment resulting from the pandemic, inflation and increased interest rates has led to an increased emphasis on liquidity. While the REIT has not changed its objectives in managing its capital structure, the current focus has been on ensuring that the REIT retains sufficient liquidity.

Capital required for investing activities will be addressed through additional borrowings or issuances of equity as acquisition and development opportunities arise. As at December 31, 2022, ten of the REIT's properties are unencumbered and can be used as security in respect of future financing requirements, as and when needed. As at the date of this MD&A, the REIT has approximately \$60,000 of undrawn capacity under its Credit Facilities and four unencumbered properties with an aggregate value of approximately \$61,500.

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 50%-53% of GBV. As at December 31, 2022, the REIT's Debt to GBV ratio was 40.0% (2021 – 40.2%). The nominal change was a result of the repayment of existing debt from the proceeds of the sale of real estate underlying the Kingston Toyota and Lexus automotive dealership properties. As a result of the REIT's acquisition of the 2023 Quebec Properties, the Proforma Debt to GBV ratio is 44.9%. 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 of the REIT's Credit Facilities and Mortgages are with Canadian Schedule 1 banks and one life insurance company and are secured by all but four of the REIT's investment properties as of December 31, 2022 and as of the date of this MD&A.

As at December 31, 2022, the REIT had total revolving Credit Facilities of \$85,000 (\$30,000 in Facility 1, \$15,000 in Facility 2, and \$40,000 in Facility 3), of which \$79,121 was undrawn (approximately \$60,000 as of the date of this MD&A).

Financing Fees

During 2022, the REIT incurred financing fee expenses of \$784 (2021 – \$871). As at December 31, 2022, the amounts are accounted for using the effective interest method, \$2,682 remains unamortized (December 31, 2021 – \$2,178).

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 and comprehensive income.

The REIT's weighted average interest rate swap term as of December 31, 2022 was 5.1 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, 2022.

Remaining Term (yrs)	Amount (\$000s)	Total Swapped Fixed Rate Debt (%)
Less than 1 Year	30,390	7.5
1-2 Years	22,743	5.6
2-5 Years	119,430	29.5
5-7 Years	120,167	29.7
Greater than 7 Years	112,438	27.7
5.1	405,168	100.0

As at December 31, 2022, the notional principal amount of the interest rate swaps was \$405,168 (December 31, 2021 – \$357,327) and the fair value adjustments for interest rate swaps for Q4 2022 and 2022 were a loss of \$(180) (Q4 2021 – gain of \$3,268) and a gain of \$25,999 (2021 – gain of \$15,976), respectively. This resulted in an asset balance of \$19,127 (December 31, 2021 – liability of \$6,872).

In January 2023, as a result of the acquisition of the 2023 Quebec Properties, the REIT increased the non-revolving portion of Facility 3 by \$70,000 at the same credit spread. The principal is repayable in quarterly blended payments based on a 25-year amortization. The REIT entered into floating-to-fixed interest rate swaps for a weighted-average term of 7.6 years at a blended rate of 4.91%. As at the date of this MD&A, the notional principal amount of the interest rate swaps was \$469,897 at a weighted average interest rate swap term of 4.9 years and the REIT's debt (excludes revolving credit facilities) was fixed with a weighted average interest rate of 4.12%.

Unitholders' Equity (including Class B LP Units and Unit-based compensation)

Unitholders' equity consists of the 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 of the REIT (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.

During the first quarter of 2022, 18,000 DUs were exchanged for REIT Units valued at \$262, and in August 2022, 23,426 DUs and IDUs were exchanged for REIT Units valued at \$302.

During the second quarter of 2022 (“Q2 2022”), the Dilawri Group exchanged 605,766 Class B LP Units for an equal number of REIT Units.

As at December 31, 2022, the total number of REIT Units outstanding was 39,727,346.

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 and comprehensive income. Distributions on the Class B LP Units will be recorded in interest expense and other financing charges in the period in which they become payable.

During Q2 2022, the Dilawri Group exchanged 605,766 Class B LP Units for an equal number of REIT Units.

As at December 31, 2022, the total number of Class B LP Units outstanding was 9,327,487.

Unit-based compensation

The REIT offers an Equity Incentive Plan whereby DUs, PDUs and RDUs may be granted to Trustees, officers and employees of the REIT and other eligible persons (collectively, “Participants”) 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 1,750,000. Each DU, PDU and RDU is economically equivalent to one REIT Unit, however, under no circumstances shall they 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, PDU and RDU 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, PDUs, RDUs and IDUs, a Participant may elect, prior to their expiry, to exchange such vested DUs, PDUs, RDUs and IDUs (subject to satisfaction of any applicable withholding taxes) for an equal number of REIT Units. The holder of such DUs, PDUs, RDUs and IDUs cannot settle these instruments in cash.

Certain DUs and RDUs awarded under the Plan will vest over time. PDUs awarded under the Plan will vest upon the achievement of applicable performance vesting conditions, which may include but are not limited to, financial or operational performance of the REIT, total unitholder return or individual performance criteria, measured over a performance period.

During the year ended December 31, 2022, a total of 119,551 DUs, PDUs, RDUs and IDUs were granted (2021 – 139,423), of which 31,251 DUs, PDUs, RDUs and IDUs will be accounted for in accordance with the vesting schedule (2021 – 49,003). As at December 31, 2022, a total of 808,820 DUs, PDUs, RDUs and IDUs have been granted (2021 – 730,695), of which 738,621 were accounted as outstanding (2021 – 594,244).

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 information, 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:

<i>Calculations of financial metrics and debt covenants</i>		As at December 31, 2022	As at December 31, 2021	
Net Asset Value				
Investment properties, IFRS value		\$1,071,308	\$1,025,207	
Cash, accounts receivable and other assets		22,510	26,443	
Accounts payable and accrued liabilities		(11,241)	(13,038)	
Credit Facilities, Mortgages and interest rate swaps		<u>(431,075)</u>	<u>(420,855)</u>	
Total Net Asset Value		\$651,502	\$617,757	
Total Net Asset Value excluding interest rate swaps		\$632,375	\$624,629	
REIT Units and Class B LP Units outstanding		49,054,833	49,013,407	
Debt to GBV				
<i>Indebtedness outstanding:</i>				
Credit Facilities & Mortgages (excludes deferred financing costs)	A	\$433,757	\$416,161	
Lease Liability	A1	3,820	6,602	
<i>Gross Book Value</i>				
Total assets	B	1,093,818	1,051,650	
Debt to GBV ⁽¹⁾	((A+A1)/B) X 100	40.0%	40.2%	
Unitholders' Equity & Class B LP Units & DUs & IDUs				
Unitholders' Equity		\$520,944	\$460,371	
Value of Unit-based compensation		9,580	8,884	
Value of Class B LP Units		<u>120,978</u>	<u>148,502</u>	
Total Unitholders' Equity & Class B LP Units & Unit-based compensation		\$651,502	\$617,757	
Calculations of financial metrics and debt covenants				
Interest Coverage Ratio	Q4 2022	Q4 2021	2022	2021
Cash NOI ⁽²⁾	\$17,263	\$16,128	\$68,533	\$64,225

General and administrative expenses		<u>(1,860)</u>	<u>(1,252)</u>	<u>(5,561)</u>	<u>(4,673)</u>
Income before interest expense and fair value adjustments	C	15,403	14,876	62,972	59,552
Interest expense and other financing charges	D	4,721	3,957	17,957	15,580
Interest Coverage Ratio ⁽³⁾	C/D	3.3X	3.8X	3.5X	3.8X
Debt Service Coverage Ratio					
Consolidated net income		\$13,588	\$10,409	\$83,365	\$85,418
Interest expense and other financing charges		4,721	3,957	17,957	15,580
Distribution expense on Class B LP Units		1,875	1,997	7,620	7,988
Amortization of other assets		46	45	197	181
Fair value adjustments, net		<u>(4,415)</u>	<u>(839)</u>	<u>(43,929)</u>	<u>(46,578)</u>
EBITDA ⁽²⁾	E	15,815	15,569	65,210	62,589
Principal payments on debt		5,370	4,855	20,977	18,626
Interest payments on debt (excludes bank charges)		<u>4,501</u>	<u>3,698</u>	<u>16,919</u>	<u>14,674</u>
Debt Service	F	9,871	8,553	37,896	33,300
Debt Service Coverage Ratio ⁽⁴⁾	E/F	1.6X	1.8X	1.7X	1.9X
AFFO payout ratio					
AFFO ⁽²⁾		<u>10,641</u>	<u>10,921</u>	<u>44,707</u>	<u>43,987</u>
Distributions on REIT Units		7,985	7,855	31,804	31,233
Distributions on Class B LP Units		<u>1,875</u>	<u>1,997</u>	<u>7,620</u>	<u>7,988</u>
		9,860	9,852	39,427	39,221
AFFO payout ratio ⁽²⁾⁽⁵⁾		94.4%	91.4%	89.5%	90.3%

Notes:

- (1) As a result of the REIT's acquisition of the 2023 Quebec Properties, the Proforma Debt to GBV ratio is 44.9%.
- (2) Cash NOI, EBITDA, AFFO and AFFO payout ratio are non-IFRS measures or non-IFRS ratios, as applicable. See Section 1, "General Information and Cautionary Statements – Non-IFRS Financial Measures" and Section 6, "Non-IFRS Financial Measures" of this MD&A.
- (3) The Interest Coverage Ratio for Q4 2022 was lower compared to the same period in the previous year, due to an increase in interest expense and other financing charges resulting from higher debt placed as a result of the property acquisitions completed in 2022.
- (4) The Debt Service Coverage Ratio for Q4 2022 was lower compared to the same period in the previous year, primarily due to an increase in interest expense and other financing charges resulting from higher debt placed as a result of the property acquisitions completed in 2022.
- (5) 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, 2022 held an approximate 31.5% (2021 –28.4%) 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 6,361,620 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, of which \$579 remains outstanding as at December 31, 2022 (the "LCs"). 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 outstanding 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.

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 2022 and 2021:

- On March 1, 2021, the REIT acquired the Lexus Laval automotive dealership property in Laval, Quebec from a member of the Dilawri Group for \$14,800 and leased it to a Dilawri Tenant.

SECTION 9 – OUTLOOK

The REIT is subject to risks associated with rising inflation, interest rates and availability of capital. As a result of rising inflation and various factors occurring globally, as of the date of this MD&A, the Bank of Canada ("BoC") has raised the overnight rate by 425 basis points since the beginning of 2022. As at the date of this MD&A, the BoC 10-year benchmark bond yield has increased by 1.2% since the beginning of 2022 to approximately 2.8%. The REIT will continue to monitor the impact of the interest rate environment and inflation on its property portfolio and the overall real estate industry. Higher interest rates and inflation may also have an adverse effect on consumer demand. The REIT's annual contractual rent increases across its portfolio partially insulate it from inflation.

As at December 31, 2022, 99% of the REIT's debt was fixed with a weighted average interest rate of 3.94% with a weighted average interest swap term and Mortgages remaining of 5.1 years and weighted average term to maturity of debt of 3.9 years. The REIT's overall borrowing policy is to obtain secured credit facilities, principally on a fixed rate or effectively fixed rate basis. This allows the REIT to achieve and maintain staggered maturities to lessen exposure to re-financing risk in any particular period and achieve and maintain fixed rates to lessen exposure to interest rate increases. The REIT also continues to extend loan terms and fixed rate periods as long as possible when borrowing conditions are favourable.

The financial markets continually fluctuate, and it is therefore difficult for management to quantify the impact that the pandemic and the other factors described above will have on the cost and availability of debt and equity capital to the REIT. Management and the Trustees are continuing to closely monitor the impact of the pandemic, inflation and interest rates on the REIT's business and will continue to prudently manage the REIT's available resources, and access to equity and financing. The REIT has approximately \$60,000 of undrawn capacity under its Credit Facilities and four unencumbered properties with an aggregate value of approximately \$61,500. The REIT's Proforma Debt to GBV ratio is 44.9%.

The REIT will continue to monitor and strategically move floating and short term debt into fixed rate and/or long term debt minimize any future interest rate increase impact. The fluctuation in the interest rate environment, inflation and credit environment, impacts rental growth and capitalization rates overall in the real estate industry, and may also provide attractive buying opportunities for the REIT.

The COVID-19 pandemic has impacted the vehicle supply chain, resulting in constraints of specific parts, models and brands. Management believes these supply chain constraints will continue into the foreseeable future but will not have a significant impact on the REIT’s tenants’ ability to pay rent.

Overall, the REIT believes that the fundamentals of the automotive dealership business remain solid, and that the industry is resilient and essential.

As the only publicly traded Canadian real estate entity focused on owning automotive 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 continued consolidation over the mid to long term due to increased industry sophistication and growing capital requirements for owner operators, which encourages them to pursue increased economies of scale.

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.....	\$184
After 1 year, but not more than 5 years.....	1,445
More than 5 years.....	<u>2,191</u>
Total.....	<u>\$3,820</u>

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, 2022. There have been no changes to the REIT’s ICFR during Q4 2022 and the year ended December 31, 2022 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 2022	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021
Number of Properties	70	72	72	72	66	66	66	66
GLA (sq. ft.)	2,638,177	2,679,533	2,679,533	2,679,533	2,524,491	2,524,491	2,524,491	2,524,491
Rental revenue	20,901	20,691	20,835	20,434	19,781	19,462	19,562	19,413
Net Operating Income	17,629	17,719	17,684	17,543	16,776	16,688	16,860	16,757
Net Income	13,588	8,897	31,174	29,706	10,409	30,824	17,858	26,329
Net Income per Unit — basic ⁽ⁱ⁾	0.277	0.181	0.636	0.606	0.212	0.629	0.364	0.547
Net Income per Unit — diluted ⁽ⁱⁱ⁾	0.273	0.179	0.626	0.597	0.209	0.620	0.359	0.541
FFO per Unit — basic ⁽ⁱⁱⁱ⁾	0.224	0.240	0.245	0.244	0.234	0.237	0.240	0.242
FFO per Unit — diluted ^(iv)	0.221	0.237	0.241	0.240	0.231	0.234	0.236	0.239
AFFO per Unit — basic ⁽ⁱⁱⁱ⁾	0.217	0.230	0.233	0.232	0.223	0.225	0.224	0.230
AFFO per Unit — diluted ^(iv)	0.213	0.227	0.229	0.228	0.220	0.221	0.221	0.227
AFFO payout ratio	94.4%	88.5%	87.8%	88.2%	91.4%	91.0%	91.0%	88.5%
Distribution declared per Unit	0.201	0.201	0.201	0.201	0.201	0.201	0.201	0.201
Weighted average Units — basic	49,054,833	49,041,338	49,031,407	49,031,407	49,013,407	49,013,407	49,005,099	48,101,885
Weighted average Units — diluted	49,847,669	49,834,877	49,799,512	49,748,964	49,733,057	49,717,307	49,685,935	48,712,838
Market price per REIT Unit — close (end of period)	\$12.97	\$13.25	\$13.49	\$14.57	\$14.95	\$12.73	\$12.43	\$11.44
Total assets	1,093,818	1,109,437	1,112,169	1,101,997	1,051,650	1,011,008	992,449	965,510
Debt to GBV	40.0%	41.2%	41.2%	41.6%	40.2%	40.1%	41.2%	41.7%
Debt service coverage ratio	1.6X	1.7X	1.7X	1.9X	1.9X	1.9X	1.9X	1.9X

Notes:

- (i) Net Income per Unit – basic is calculated in accordance with IFRS by dividing the Net Income by the amount of the weighted average number of outstanding REIT Units and Class B LP Units.
- (ii) Net Income per Unit – diluted is calculated in accordance with IFRS by dividing the Net Income by the amount of the weighted average number of outstanding REIT Units, Class B LP Units, DUs, PDUs, RDUs and IDUs granted as at December 31, 2022, 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. FFO and AFFO per Unit are non-IFRS ratios. See Section 1 "General Information and Cautionary Statements – Non-IFRS Financial Measures" of this MD&A.
- (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, 2022 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. FFO and AFFO per Unit are non-IFRS ratios. See Section 1 "General Information and Cautionary Statements – Non-IFRS Financial Measures" of this MD&A.

The increase in rental revenue and NOI is primarily attributable to property acquisitions subsequent to 2020. Net income is also impacted by fluctuations in fair value adjustments of Class B LP Units, investment properties and interest rate swaps.

SECTION 12 – RISKS & UNCERTAINTIES, CRITICAL JUDGMENTS & 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, 2022.

Risk Factors Related to the REIT's Relationship with Dilawri

Significant Ownership by the Dilawri Organization

As at December 31, 2022 and as at the date of this MD&A, Dilawri had an approximate 31.5% effective interest in the REIT on a fully-diluted basis through ownership, direction or control of 6,361,620 REIT Units and all of the Class B LP Units. Each Class B LP Unit has attached to it, a Special Voting Unit of the REIT, providing for voting rights in the REIT.

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

As a result, the Dilawri Organization has the ability to influence many matters affecting the REIT. Accordingly, the REIT Units may be less liquid and trade at a relative discount compared to such REIT Units in circumstances where the Dilawri Organization did not have the ability to influence or determine matters affecting the REIT. Additionally, the Dilawri Organization's significant effective interest in the REIT may discourage transactions involving a change of control of the REIT, including transactions in which an investor, as a holder of the REIT Units (a "REIT Unitholder"), might otherwise receive a premium for its REIT Units over the then-current market price. Further, the Dilawri Organization's significant effective interest in the REIT may discourage competing bids if Dilawri or another member of the Dilawri Organization bids for the REIT.

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

The Dilawri Group as Key Tenant

As at December 31, 2022, the REIT derived approximately 58.8% of its annual base rent from the Dilawri Group. As a result of the 2023 Quebec Properties acquisition, for 2023 the Dilawri Group will represent approximately 53.8% of the REIT's base rent. 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, the Audi Queensway Property, the BMW Regina Property, the Acura North Vancouver Property and the Lexus Laval 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 terms of the leases. Consequently, the Dilawri Group will be the REIT's most significant tenant for the foreseeable future, with members of the Dilawri Group and sublease arrangements with the Dilawri Group occupying

approximately 53.7% of the REIT's GLA as of December 31, 2022 and other dealership groups occupying the remainder. The rent from the portions of the Dilawri Properties occupied by the Dilawri Group and sublease arrangements with the Dilawri Group represents approximately 58.8% of the REIT's base rent as of December 31, 2022, with the portions of the REIT's properties occupied by other dealership group tenants accounting for the remainder.

As of the date of this MD&A, the remaining terms of the Dilawri Leases range from approximately 3.3 to 17.0 years, with a weighted average lease term of approximately 9.2 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.

Dilawri agreed to provide certain financial information to the REIT for inclusion in its public disclosure filings pursuant to the terms of a financial information and confidentiality agreement entered into in conjunction with the IPO. Pursuant to the terms of the agreement, Dilawri will provide this financial information to the REIT for so long as the annual basic rent payable by the applicable members of the Dilawri Group, collectively, under their respective Dilawri Leases represents, in the aggregate, 60% or more of the REIT's Cash NOI during any rolling period of 12 consecutive calendar months, determined quarterly, following which Dilawri will no longer be required to provide the above financial information to the REIT and investors will no longer have access to this information, which could have an adverse effect on the trading price of the REIT Units. As of December 31, 2022, the annual basic rent payable by the applicable members of the Dilawri Group, collectively, under their respective Dilawri Leases represents approximately 59.1% of the REIT's Cash NOI during the 12-month period ended December 31, 2022. As a result, the REIT and Dilawri have entered into an agreement pursuant to which Dilawri will continue to provide its Combined Revenues, EBITDA and Pro Forma Adjusted Rent Coverage Ratio on a trailing 12-month basis (with a comparative period for the prior 12 month period) until the REIT releases its financial results for the fiscal year ended December 31, 2023.

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. 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.

Assumption of Liabilities

The REIT will assume liabilities arising out of or related to the business, operations or assets acquired by the REIT and has agreed to indemnify the vendors of the Initial Properties for, among other matters, such liabilities. The REIT may assume unknown liabilities that could be significant. The allocation of value for assets and liabilities between the vendors of the Initial Properties and the REIT may not reflect the allocation that would have been reached between the REIT and a party that was not in a position to exercise significant influence over it.

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

Interest Rate Risk

The REIT required extensive financial resources to complete the IPO, the acquisition of the Initial Properties in conjunction with the IPO and the 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 low interest rate environment resumes. Given the historically low interest rates, followed by rate increases since the beginning of 2022 there is a risk that interest rates will continue to increase. An increase in interest rates could result in a significant increase in the amount paid by the REIT to service debt, resulting in a decrease in or the elimination of distributions to REIT Unitholders, which could materially adversely affect the trading price of the REIT Units. In addition, increasing interest rates may put competitive pressure on the levels of distributable income made by the REIT to REIT Unitholders, increasing the level of competition for capital faced by the REIT, which could have a material adverse effect on the trading price of the REIT Units.

The REIT has implemented interest rate swap arrangements in respect of each of the Credit Facilities 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 growth strategy as well as its ability to sell any of its properties at fair value.

Current Economic Environment

Continued concerns about the uncertainty over whether the economy will be adversely affected by the COVID-19 pandemic, inflation, deflation or stagflation, recessionary concerns, rapidly rising interest rates 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 tenants 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.

The continued military conflict in Ukraine has resulted in higher oil prices, which has led to continued high vehicle fuel costs. Combined with higher interest rates and inflation, this may have an adverse effect on consumer demand. Furthermore, future trade tariff policies may have a negative impact on future retail automotive sales through, among other things, increases to new automobile prices.

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 (including but not limited to the COVID-19 pandemic) and the ability of the owner to provide adequate maintenance at competitive costs.

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

The Properties generate income through rent payments made by the Dilawri Group and third parties. The REIT depends on tenants who lease its properties to pay rent, maintain its properties and meet their other lease obligations. All of the REIT's properties rely on the Dilawri Group and third parties under a triple-net lease, which subjects the REIT to additional risk related to the financial strength of the Dilawri Group and such third parties relative to multi-tenant properties. Furthermore, as the Dilawri Group will head lease all of the premises currently leased to third party tenants (with the exception of properties that are leased by the REIT to other dealership groups), the Dilawri Group, not the REIT, will have control over the re-leasing of such premises. Upon the expiry of any lease, there can be no assurance

that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. In addition, historical occupancy rates and rents are not necessarily an accurate prediction of future occupancy rates for the REIT's properties. The REIT's cash flows and financial position would be materially adversely affected if its tenants (and especially the Dilawri Group) were to become unable to meet their obligations under their leases or if a significant amount of available space in the REIT's properties was not able to be leased on economically favourable lease terms.

The COVID-19 pandemic has also resulted in the disruption of the supply chain of the REIT's automotive dealership tenants; however, this has not impacted the automotive dealership tenants' ability to meet their rental payments. The REIT's automotive dealership tenants rely on third-party suppliers and manufacturers, many of which are located outside of Canada. COVID-19 has resulted in, and may result in, additional, extended shutdowns of certain businesses, including automotive manufacturers, which may result in further disruptions, delays or reductions to the REIT's automotive dealership tenants' supply of motor vehicles or replacement parts.

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 or impacting the REIT's tenants could have an adverse effect on the REIT's 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 and service centre 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 22.9% of the gross automotive dealership rent paid to the REIT in 2022 and approximately 23.0% of the REIT's GLA as at December 31, 2022. Volkswagen and Audi dealerships collectively represent approximately 21.5% of the gross automotive dealership rent paid to the REIT in 2022 and approximately 18.7% of the REIT's GLA as at December 31, 2022. 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 and other tenants to meet 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 its tenants to make, the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues to the extent permissible under its leases, 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 \$433.8 million as of December 31, 2022 (approximately \$531 million as of the date of this MD&A). 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 limit 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 Debt to GBV Ratio was approximately 40.0% as of December 31, 2022. The REIT's Proforma Debt to GBV ratio is 44.9%. 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).

Land Leases

One of the REIT's properties is subject to a land lease. 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 lease 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 lease is also subject to renewal terms and may or may not be renewed by their respective third-party lessors.

Acquisitions and Associated Undisclosed Defects and Obligations

The REIT's business plan contemplates, among other things, growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and leasing the properties. The REIT has made and intends to continue to make acquisitions and dispositions of properties in accordance with its growth strategy. If the REIT is unable to manage its growth effectively, it could materially adversely impact the REIT's financial position and results of operations and decrease or eliminate the amount of cash available for distribution to REIT Unitholders. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to REIT Unitholders will be maintained or increase in the future.

Acquired properties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. For example, the REIT could acquire a property that contains undisclosed defects in design or construction. Representations and warranties given by third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Furthermore, it is not always possible to obtain from the seller the records and documents that are required in order to fully verify that the buildings to be acquired are constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated. These circumstances could lead to additional costs and could have a material adverse effect on rental income of the relevant properties or the sale prices of such properties upon a disposition of such properties.

The REIT's ability to acquire properties on satisfactory terms and successfully integrate them is subject to the following additional risks: (a) the REIT may be unable to acquire desired properties because of competition from other real estate investors with more capital, including other real estate operating companies, real estate investment trusts and investment funds; (b) the REIT may acquire properties that are not accretive to results upon acquisition, and the REIT may not successfully manage and lease those properties to meet its expectations; (c) competition from other potential acquirers may significantly increase the purchase price of a desired property; (d) the REIT may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; (e) the REIT may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; (f) agreements for the acquisition of properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations,

and the REIT may spend significant time and money on potential acquisitions that the REIT does not consummate; (g) the process of acquiring or pursuing the acquisition of a new property may divert the attention of the REIT's management team from existing business operations; (h) the REIT may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations; (i) market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and (j) the REIT may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by tenants, vendors or other persons against the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

In addition, after the acquisition of a property, the market in which the acquired property is located may experience unexpected changes that materially adversely affect the property's value. The occupancy of properties that are acquired may decline during the REIT's ownership, and rents that are in effect at the time a property is acquired may decline thereafter.

If the REIT cannot complete property acquisitions on favourable terms to meet the REIT's goals or expectations, the REIT's business, financial condition, results of operations and cash flow, the per Unit trading price and the REIT's ability to satisfy Debt Service obligations and to make cash distributions to REIT Unitholders could be materially and adversely affected.

Operational Risk

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. Management will endeavour to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls will be regularly reviewed and, if deemed necessary, improvements will be implemented.

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties and refinance its indebtedness, as well as to fund its growth strategy and certain capital expenditures from time to time. Although the REIT has access to the revolving credit facilities, there can be no assurance that the REIT will otherwise have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, refinancing its indebtedness, financing or refinancing of properties, funding operating expenses or other purposes. Also, raising capital will be impacted directly by the equity capital markets. Further, in certain circumstances, the REIT may not be able to borrow funds due to limitations set forth in the REIT's Declaration of Trust. Failure by the REIT to access required capital 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.

Potential Conflicts of Interest

The trustees of the REIT will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interests of these persons could conflict with those of the REIT. Pursuant to the REIT's Declaration of Trust, all decisions to be made by the Board which involve the REIT are required to be made in accordance with the trustees' duties and obligations to act honestly and in good faith with a view to the best interests of the REIT and the voting REIT Unitholders. In addition, the Declaration of Trust contains provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters and the REIT's Related Party Transaction Policy creates a specific process to be undertaken by the REIT and its independent trustees in connection with transactions involving related parties, including Dilawri. Conflicts may also exist as certain trustees will be affiliated with the Dilawri Organization and may be nominated by Dilawri in certain circumstances in the future. There can be no assurance that the provisions of the Declaration of Trust or the Related Party Transaction Policy will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favour of the REIT.

General Insured and Uninsured Risks

The Dilawri Leases require Dilawri (or the applicable member of the Dilawri Group) and leases with other tenants, except for Tesla, require such other tenants 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) and leases with other tenants , except for Tesla, require such other tenants 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. With respect to the leases with Tesla, the REIT purchases insurance policies comparable to those obtained by other tenants and charges back the premium of such policies back to Tesla. 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.

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.

New Markets

If the opportunity arises, the REIT may explore acquisitions of properties in new markets, such as the United States. Each of the risks applicable to the REIT’s ability to acquire and successfully integrate and operate properties in its current markets is also applicable to its ability to acquire and successfully integrate and operate properties in new markets. In

addition to these risks, the REIT may not possess the same level of familiarity with the dynamics and market conditions of any new markets, which could materially adversely affect its ability to expand into or operate in those markets. The REIT may be unable to achieve a desired return on its investments in new markets. If the REIT is unsuccessful in expanding into new markets, it could materially adversely affect its business, financial condition, results of operations and cash flow, its per REIT Unit trading price and its ability to satisfy Debt Service obligations and to make distributions to REIT Unitholders.

Property Development, Redevelopment and Renovation Risks

Although the REIT may engage in development, redevelopment or major renovation activities with respect to its properties, it does not expect to do so in any material way in the near term. However, if it does so, it will be subject to certain risks, including: (a) the availability and pricing of financing on satisfactory terms or at all; (b) the availability and timely receipt of zoning and other regulatory approvals; (c) the ability to achieve an acceptable level of occupancy upon completion; (d) the potential that the REIT may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (e) the potential that the REIT may expend funds on and devote management time to projects which it does not complete; (f) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (g) the time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting the REIT's cash flow and liquidity; (h) the cost and timely completion of construction (including risks beyond the REIT's control, such as weather, labour conditions or material shortages); (i) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (j) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (k) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (l) the REIT's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (m) the availability and pricing of financing to fund the REIT's development activities on favourable terms or at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Any of these risks could have an adverse effect on the REIT's financial condition, results of operations, cash flow, the trading price of the Units, distributions to Unitholders and ability to satisfy the REIT's principal and interest obligations.

Derivative Risks

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 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, desire and cost to finance the sale of vehicles or provide warranties to consumers on vehicles sold; vehicle design; production capabilities and management of the manufacturer; supply chain disruptions, strikes and other labour actions by unions; negative publicity; product recalls; litigation; or future 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 and parts 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 and consumer confidence, as well as the level of discretionary personal income, credit availability and interest rates. Uncertainty as a result of the current military conflict in Ukraine may also adversely affect consumer demand. 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.

In addition, the automotive industry may experience significant change in the coming years, including as a result of increases in ride-sharing services, increased focus on electric vehicles and direct-to-consumer sales and financing channels. As these changes continue to evolve, the overall impact of these changes on the automotive dealership industry and its real estate needs remains uncertain.

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. Uncertainty as a result of the current military conflict in Ukraine may also adversely affect consumer demand, including as a result of the impact on the price of oil. 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 Tax Act at all relevant times such that it maintains its status as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. 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 Tax Act, the consequences may be material and adverse.

Non-Resident Ownership — Under the Tax Act, a trust may lose its status 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 Tax Act) (“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 Tax Act for a trust qualifying as a “real estate investment trust” under the Tax Act applies to the REIT (the “REIT “Exception”), the SIFT Rules may have an adverse impact on the taxation of the REIT. 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” (as defined in the Tax Act), 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 fair market value at the time of acquisition. 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 respective tax costs equal to their fair market values at the time of acquisition. For the purpose of claiming capital cost allowance, the “undepreciated capital cost” (as defined in the Tax Act) 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 properties 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 equal to their fair market values.

Loss Restriction Event — The Tax Act 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 Tax Act, or any group of persons, 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 federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency applicable to the REIT, including the treatment of “real estate investment trusts” and “mutual fund trusts” under the Tax Act, 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.

EIFEL rules — The 2021 Canadian federal budget included proposals to amend the Tax Act to introduce a new limitation on the deductibility of interest and other financing-related expenses. Revised draft legislation to implement these proposals was released on November 3, 2022, with a proposed effective date of January 1, 2024 (the “Draft EIFEL Rules”). In general, the Draft EIFEL Rules propose to limit the deductibility of interest and other financing-related expenses by an entity to the extent that such expenses, net of interest and other financing-related income, exceed a

fixed ratio of the entity's tax EBITDA. The rules provide, in certain circumstances, for unused deduction capacity in a particular year to be carried back to a preceding taxation year or forward to three subsequent taxation years. The Draft EIFEL Rules and their application are highly complex, and there can be no assurances that the Draft EIFEL Rules, if enacted as proposed, will not have adverse consequences to the REIT or REIT Unitholders. In particular, if these rules were to apply to restrict deductions otherwise available to the REIT, the taxable component of distributions paid by the REIT to REIT Unitholders may be increased, which may reduce the after tax return associated with an investment in REIT Units.

Potential Volatility of REIT Unit Prices

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

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” (as defined in the Tax Act) 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 Tax Act.

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.

Critical Accounting and Judgments and Estimates

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.

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 valuator's review of projected cash flows involves a review of assumptions relating to rental rates and residual values. These assumptions may not ultimately be achieved.

Income Taxes

The REIT is a mutual fund trust and a real estate investment trust as defined in the Tax Act. 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 Tax Act 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 Tax Act, 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, 2022

Operating Name	Address	City/ Province	Year Built /Renov.	GLA
Properties (as at December 31, 2022)				
1. Dixie Auto Mall				
Dilawri-Owned Auto				
Volkswagen	5500 Ambler Drive	Mississauga, ON	1988/2011	39,209
Nissan	5500 Dixie Road	Mississauga, ON	1988/2001	26,369
Mazda	5500 Ambler Drive	Mississauga, ON	1987/2014	16,713
Infiniti	5500 Ambler Drive	Mississauga, ON	1988/2014	14,592
Mitsubishi	5525 Ambler Drive	Mississauga, ON	1998	8,000
Harley-Davidson	5500 Dixie Road	Mississauga, ON	1997/2020	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 Auto				
VinFast (formerly Nissan Truck)	5500 Dixie Road	Mississauga, ON	1998/2020	13,890
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/Ice Flame	1475 Aerowood Drive	Mississauga, ON	1999/2011/ 2012	2,200
Enterprise Rent-a-Car	1475 Aerowood Drive	Mississauga, ON	1999/2011/ 2012	2,000
Euro Shawarma	1475 Aerowood Drive	Mississauga, ON	1999/2011/ 2012	1,875
Dixie Auto Mall Total				188,156
2. Markham Honda				
Dilawri-Owned Auto				
Markham Honda	8220 Kennedy Road	Markham, ON	2004	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	2013/2018	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 ^(1,5)	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 1 st 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 99 th Street N.W.	Edmonton, AB	2004	12,554
38. Tesla Edmonton ⁽²⁾⁽³⁾	17616 111 th 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	2019	34,650
41. BMW Laval ⁽²⁾	2440-2450 Boulevard Chomedey	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. Bank Street Toyota ⁽²⁾⁽⁶⁾	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. Tesla KW Service Centre ⁽²⁾	663 Victoria Street North	Kitchener, ON	2021	18,500
54. St. James Volkswagen ⁽²⁾	670 Century Street	Winnipeg, MB	2004	39,494
55. McNaught Cadillac Buick GMC ⁽²⁾	1000-1717 Waverly Street	Winnipeg, MB	2015	56,641
56. Wellington Motors ⁽²⁾	935 Woodlawn Road West	Guelph, ON	2003	40,793
57. Guelph Hyundai ⁽²⁾	765 Woodlawn Road West	Guelph, ON	2014	28,007
58. Abbotsford VW ⁽²⁾	30150 & 30195 Automall Drive	Abbotsford, BC	2018	22,921
59. Audi Queensway	1635 The Queensway	Etobicoke, ON	2018	65,547
60. Straightline Kia ⁽²⁾	100 Glendeer Circle SE	Calgary, AB	2018	21,808
61. Regina BMW	1001 Broad Street	Regina, SK	2019	19,619
62. Acura North Vancouver	828 Automall Drive	N. Vancouver, BC	2010	22,373
63. Tesla Laval ⁽²⁾	3755 AutoRoute Des Laurentides	Laval, QC	2022	127,396
64. Lexus Laval	2000 Boulevard Chomeday	Laval, QC	2006/2013	30,015
65. Magog Honda ⁽²⁾	2390,2400 Sherbrooke Street	Magog, QC	2006/2009/ 2011	56,195
66. Sherbrooke Honda ⁽²⁾	2555-2615 King Street West	Sherbrooke, QC	1960/2014	26,990
67. Walkley Road ^{(2) (4)}	1223 Walkley Road	Ottawa, ON	2006	550
68. Tesla Barrie ⁽²⁾	2474 Doral Drive	Innisfil, ON	2022	16,670
69. Tesla Quebec ⁽²⁾	2200 Cyrille-Duquet Street	Quebec City, QC	2019	30,663
70. Tesla Quebec ⁽²⁾	2180 Cyrille-Duquet Street	Quebec City, QC	2019	20,100

Portfolio Total as at December 31, 2022 **2,634,303**

Subsequent Acquisitions

71. Hyundai Sorel ⁽²⁾⁽⁷⁾	1864 Boulevard Fiset, Sorel-Tracy	Sorel Tracy, QC	2018	16,820
72. Kia Sorel ⁽²⁾⁽⁷⁾	1918 Boulevard Fiset, Sorel-Tracy	Sorel Tracy, QC	2018	14,276
73. Hamel Honda ⁽²⁾⁽⁷⁾	332 Rue Dubois, Saint Eustache	Saint Eustache, QC	2008/2017	61,186
74. Honda Ste-Rose ⁽²⁾⁽⁷⁾	4555 av. De. la Renaissance, Laval	Laval, QC	2022	24,782
75. Chomeday Toyota ⁽²⁾⁽⁷⁾	2385 Boulevard Chomeday, Laval	Laval, QC	2002/2010	44,265
76. Mazda de Laval ⁽²⁾⁽⁷⁾	2200 Boulevard Chomeday, Laval	Laval, QC	2008	26,092

Total as at the date of this MD&A **2,821,724**

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) In January 2022, the lease was assigned to Tesla Canada.
- (4) Walkley Road, a small parcel of land in Ottawa, ON, was acquired by the REIT in February 2022 as part of a strategic acquisition of land adjoining the REIT's Bank Street Toyota property and is leased to a third-party health care provider.
- (5) The leasehold interest in the Langley Acura dealership property was acquired by the REIT in January 2022.
- (6) Includes parcel of land located on 2 Laser Street, Ottawa, ON.
- (7) Acquired by the REIT in January 2023.



Automotive Properties Real Estate Investment Trust
Consolidated Financial Statements
For the year ended December 31, 2022 and 2021

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 and its subsidiaries (the "REIT"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income and comprehensive income, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

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.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair Value of Investment Properties

Refer to Note 6 - Investment Properties

As at December 31, 2022, the fair value of the REIT's investment properties totaled \$1,071 million, which accounted for approximately 98% of the REIT's total assets.

The valuation of investment properties is a key audit matter due to the significant subjective judgement involved with the key inputs used in the valuation techniques and the sensitivity of fair value to changes in significant assumptions. The key inputs include capitalization rates, discount rates and are dependent on the nature of each investment property and the current prevailing market conditions.



How the Audit Matter was Addressed in the Audit

Our audit included the following procedures, among others:

- assessed the competence, capabilities and objectivity of a sample of external appraisers engaged by the REIT and the REIT's management who were involved in the valuation process;
- obtained an understanding of the techniques used by the external appraisers and management in determining the valuation of investment properties on a sample basis;
- with the assistance of our real estate valuation experts, evaluated the fair value methodology used by the external appraisers and management;
- performed an assessment of the internal consistency of significant underlying assumptions such as capitalization rates and net operating incomes and compared the significant underlying assumptions to the market;
- assessed management's review and approval process for valuations and budgets; and
- evaluated the adequacy of the disclosures included in the consolidated financial statements relating to the fair value of investment properties

Because of the subjectivity involved in determining fair value for individual investment properties and the existence of alternative assumptions and valuation methods, we determined a range of fair values that were considered reasonable to evaluate the fair values determined by external appraisers and management.

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, 2022; and
- the information, other than the consolidated financial statements and auditors' report thereon, in the 2022 Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do 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 2022 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 IFRSs, 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kerri Plexman.

/s/ BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

*Toronto, Ontario
March 16, 2023*

Automotive Properties REIT Consolidated Balance Sheets

<i>(in thousands of Canadian dollars)</i>	Note	As at December 31, 2022	As at December 31, 2021
ASSETS			
Cash and cash equivalents		\$396	\$474
Accounts receivable and other assets	7	2,987	25,969
Interest rate swaps	8	19,127	-
Investment properties	6	1,071,308	1,025,207
Total assets		\$1,093,818	\$1,051,650
LIABILITIES AND UNITHOLDERS' EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	9	\$11,241	\$13,038
Credit facilities and mortgages payable	8	431,075	413,983
Interest rate swaps	8	-	6,872
Unit-based compensation	12	9,580	8,884
Class B LP Units	11	120,978	148,502
Total liabilities		572,874	591,279
Unitholders' equity		520,944	460,371
Total liabilities and unitholders' equity		\$1,093,818	\$1,051,650

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Trustees

"Julie Morin"

Julie Morin
Trustee, Audit Committee Chair

"John Morrison"

John Morrison
Trustee, Lead Independent

Automotive Properties REIT

Consolidated Statements of Income and Comprehensive Income

<i>(in thousands of Canadian dollars)</i>			
For the year ended December 31,		2022	2021
	Note		
Net Property Income			
Rental revenue from investment properties	13	\$82,861	\$78,218
Property costs	13	(12,286)	(11,137)
Net Operating Income		\$70,575	\$67,081
Other Income (Expenses)			
General and administrative expenses		(5,561)	(4,673)
Interest expense and other financing charges		(17,957)	(15,580)
Fair value adjustment on interest rate swaps	8	25,999	15,976
Distribution expense on Class B LP Units	10	(7,621)	(7,988)
Fair value adjustment on Class B LP Units and Unit-based compensation	11, 12	20,215	(44,555)
Fair value adjustment on investment properties	6	(2,285)	75,157
Net Income and Comprehensive Income		\$83,365	\$85,418

See accompanying notes to the consolidated financial statements.

Automotive Properties REIT

Consolidated Statements of Changes in Unitholders' Equity

For the year ended December 31, 2022
(in thousands of Canadian dollars)

	Note	Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at December 31, 2021		\$395,694	\$185,521	\$(120,844)	\$460,371
Units issued, net of costs for acquisition	11	9,014	-	-	9,014
Units issued under Unit-based compensation	12	-	-	-	-
Net Income		-	83,365	-	83,365
Distributions	10	-	-	(31,806)	(31,806)
Unitholders' Equity at December 31, 2022		\$404,708	\$268,886	\$(152,650)	520,944

For the year ended December 31, 2021
(in thousands of Canadian dollars)

	Note	Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at December 31, 2020		\$380,757	\$100,103	\$(89,611)	\$391,249
Units issued, net of costs for acquisition	11	14,762	-	-	14,762
Units issued under Unit-based compensation	12	175	-	-	175
Net Income		-	85,418	-	85,418
Distributions	10	-	-	(31,233)	(31,233)
Unitholders' Equity at December 31, 2021		\$395,694	\$185,521	\$(120,844)	\$460,371

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	2022	2021
OPERATING ACTIVITIES			
Net income		\$83,365	\$85,418
Straight-line rent		(1,697)	(2,220)
Bad debt expense (recovery)		-	(277)
Non-cash compensation expense		1,838	1,983
Fair value adjustment on interest rate swaps		(25,999)	(15,976)
Distribution expense on Class B LP Units		7,621	7,988
Land lease termination		(168)	-
Fair value adjustment on Class B LP Units and Unit-based compensation		(20,215)	44,555
Fair value adjustment on investment properties		2,285	(75,157)
Interest expense and other charges		17,173	15,024
Financing fees		784	556
Amortization of other assets		696	183
Change in non-cash operating accounts	18	(1,136)	135
Cash Flow from operating activities		64,547	62,212
INVESTING ACTIVITIES			
Deposits for acquisitions of investment properties	7	-	(24,445)
Acquisitions of investment properties		(42,692)	(423)
Dispositions of investment properties		17,952	-
Cash Flow used in investing activities		(24,740)	(24,868)
FINANCING ACTIVITIES			
Proceeds from Credit Facilities and Mortgages		50,000	40,688
Principal and Revolver repayment on Credit Facilities		(32,377)	(22,326)
Interest paid		(16,919)	(14,674)
Financing fees paid		(1,288)	(871)
Repayments on lease liabilities		(438)	(736)
Cost of issuances of Units		564	(38)
Distributions to REIT unitholders and Class B LP unitholders		(39,427)	(39,221)
Cash Flow used in financing activities		(39,885)	(37,178)
Net increase (decrease) in cash and cash equivalents during the year		(78)	166
Cash and cash equivalents, beginning of year		474	308
Cash and cash equivalents, end of year		\$396	\$474

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(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 internally managed, 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 to own primarily 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 31.5% effective interest in the REIT on a fully diluted basis as at December 31, 2022 (December 31, 2021 – 28.4%), through the ownership, direction or control of all of the 9,327,487 Class B limited partnership units (“Class B LP Units”) of Automotive Properties Limited Partnership, the REIT’s operating subsidiary (the “Partnership”), and 6,361,620 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, 2022, the REIT owned a portfolio of 70 income-producing commercial properties. The properties are located in metropolitan areas across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec, totaling approximately 2.6 million square feet of gross leasable area. The Dilawri Tenants are the REIT’s major tenant, occupying 38 of the REIT’s 70 income-producing commercial properties as at December 31, 2022. See Note 19 – Subsequent Events.

The subsidiaries of the REIT included in the REIT’s consolidated financial statements include the Partnership and Automotive Properties REIT GP Inc. Effective January 1, 2020, 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 16, 2023.

(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”), Income Deferred Units (“IDUs”), Restricted Deferred Units (“RDUs”) and Performance Deferred Units (“PDUs”, and together with DUs, IDUs and RDUs, “Unit-based compensation”) which are exchangeable for Units in accordance with their terms as described in Note 2(I) and 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 and comprehensive income 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 is the lessee for one land lease and one office lease, which are in the scope of IFRS 16 – *Leases* (“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 accounts receivable and other assets. The depreciation charge is presented in the general and administrative expense. Amortization is recorded on a straight line basis over the term of the lease. Lease liabilities were discounted at the REIT’s incremental borrowing rate as at January 1, 2019.

(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 income and comprehensive income.

(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 and comprehensive income 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, 2022, there were \$nil of cash equivalents (December 31, 2021 - \$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 and comprehensive income. Financial instruments classified as amortized cost are measured at amortized cost, using the effective interest method. The REIT recognizes an allowance for expected credit losses (“ECL”) for financial assets measured at amortized cost at each balance sheet date. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability weighted basis. Impairment losses, if incurred, would be recorded as expenses in the consolidated statements of income and comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. FVTOCI financial instruments are measured at fair value and any unrealized gains and losses will be recognized in other comprehensive income.

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
Interest rate swaps	FVTPL
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Credit Facilities and Mortgages	Amortized cost
Class B LP Units and Unit-based compensation	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, employees and other eligible persons of the REIT (each, a “Participant”). DUs granted to Trustees will generally vest immediately. DUs granted to officers, employees and other eligible persons of the REIT will generally vest as to one-third on each of the third, fourth and fifth anniversary of the applicable grant date. RDUs are granted to officers, employees and other eligible persons of the REIT only and vest over a three-year period following the applicable grant date. PDUs are granted to officers, employees and other eligible persons of the REIT only and cliff vest at the end of the applicable three-year performance period based on the relative performance of the REIT over the performance period. Each DU, PDU and RDU 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, PDUs, RDUs 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 and comprehensive income. The holder of such DUs, PDUs, RDUs and IDUs cannot settle their DUs, PDUs, RDUs or IDUs for cash.

3. CRITICAL ACCOUNTING JUDGMENTS 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

There are new standards and interpretations that are issued but not effective and these do not have a significant impact on the consolidated financial statements as at December 31, 2022.

5. ACQUISITIONS AND DISPOSITIONS

During the year ended December 31, 2022, the REIT completed the following acquisitions:

Property	Location	Date of Acquisition	Total Investment Properties ⁽¹⁾
Magog & Sherbrooke Honda ⁽ⁱ⁾	Magog/Sherbrooke, QC	January 17, 2022	\$24,516
Langley Acura Land ⁽ⁱⁱ⁾	Langley, BC	January 20, 2022	\$15,175
Walkley Road ⁽ⁱⁱⁱ⁾	Ottawa, ON	February 1, 2022	\$703
Tesla Quebec ^(iv)	Quebec City, QC	February 25, 2022	\$16,511
Tesla Barrie ^(v)	Innisfil, ON	February 25, 2022	\$10,283
Total Acquisitions			\$67,188

(1) Includes acquisition costs.

During the year ended December 31, 2022, the REIT completed the following disposition:

Property	Location	Date of Disposition	Total Investment Properties ⁽¹⁾
Kingston Toyota and Lexus ^(vi)	Kingston, ON	November 28, 2022	\$17,952
Total Dispositions			\$17,952

(1) Includes disposition costs.

- i) On January 17, 2022, the REIT acquired the real estate underlying the Sherbrook Honda and Magog Honda automotive dealership properties located in Magog and Sherbrooke, Quebec, for a combined purchase price of approximately \$23,422, plus acquisition costs of \$1,094. The portfolio consists of two full-service automotive dealership properties, totaling 83,185 square feet of gross leasable area. The REIT funded the acquisitions by drawing on its revolving Credit Facilities (as defined herein) and cash on hand.
- ii) On January 20, 2022, the REIT acquired the freehold interest in the approximately 2.15 acres of land underlying the Langley Acura automotive dealership property for approximately \$15,050, plus acquisition costs of \$125. The land was previously leased to the REIT and continues to be tenanted by the Langley Acura automotive dealership in Langley, British Columbia. The REIT will continue to receive land and leasehold rent payments from the operating tenant of the Langley Acura dealership, an affiliate of the Dilawri Group, but will no longer be required to pay land lease payments. The REIT funded the purchase price by drawing on its revolving Credit Facilities.
- iii) On February 1, 2022, the REIT acquired a parcel of land in Ottawa, Ontario, which adjoins the REIT's Bank Street Toyota automotive dealership property, for approximately \$650, plus acquisition costs of \$53, and is currently tenanted by a health care provider. The property consists of 4,424 square feet of gross leasable area. The REIT funded the purchase price by drawing on its revolving Credit Facilities.
- iv) On February 25, 2022, the REIT acquired the real estate underlying two Tesla automotive service centre properties located in Quebec City, Quebec, for a combined purchase price of approximately \$16,000, plus acquisition costs of \$511. The portfolio consists of two full-service automotive service centre properties tenanted by Tesla Canada, totaling 50,763 square feet of gross leasable area. The REIT funded the acquisitions by drawing on its revolving Credit Facilities.
- v) On February 25, 2022, the REIT acquired the real estate underlying the Tesla Barrie automotive service centre property located in Innisfil, Ontario, for \$9,800, plus acquisition costs of \$483. The Tesla Barrie property is a 16,670 square foot automotive service centre property tenanted by Tesla Canada. The REIT funded the purchase price by drawing on its revolving Credit Facilities.
- vi) On November 28, 2022, the REIT disposed of the real estate underlying the Kingston Toyota and Lexus automotive dealership properties for proceeds of approximately \$18,000, less disposition costs of \$48.

During the year ended December 31, 2021, the REIT completed the following acquisition:

Property	Location	Date of Acquisition	Total Investment Properties ⁽¹⁾
Lexus Laval	Laval, QC	March 1, 2021	\$15,262
Total Acquisitions			\$15,262

(1) Includes acquisition costs.

During the year ended December 31, 2021, the REIT did not complete any dispositions.

6. INVESTMENT PROPERTIES

	Income producing properties	Right-of-use assets ⁽¹⁾	December 31, 2022	December 31, 2021
Balance, beginning of year	\$1,019,321	\$5,886	\$1,025,207	\$932,229
Acquisitions ⁽²⁾	67,188	-	67,188	15,262
Additions	-	-	-	339
Dispositions	(17,952)	-	(17,952)	-
Fair value adjustment on investment properties	(2,221)	(64)	(2,285)	75,157
Land lease termination	-	(2,547)	(2,547)	-
Straight-line rent ⁽³⁾	1,697	-	1,697	2,220
Balance, end of year	\$1,068,033	\$3,275	\$1,071,308	\$1,025,207

(1) Refers to two land leases.

(2) Includes acquisition costs.

(3) Includes a deduction for amortization of tenant allowance of \$65 (2021 - \$260).

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 quarterly market reports from an independent appraiser. In 2022, the REIT had 20 investment properties (2021 – 21) independently appraised, representing approximately \$392,000 (2021 – \$440,000) of the REIT's fair value of income producing properties. For the year ended December 31, 2022, the nominal fair value adjustments were a result of an increase in value of the properties containing Consumer Price Index escalators and offset by the changes in valuation inputs decreasing the value of the properties containing fixed rate escalators. The fair value loss adjustments for the year ended December 31, 2022 resulted in the overall capitalization rate applicable to the REIT's entire portfolio increasing to 6.42% as at December 31, 2022 (December 31, 2021 – 6.30%). The following table highlights the significant valuation inputs used in determining the fair value of the REIT's income producing properties:

Significant Valuation Inputs

Total Income Producing Properties	December 31, 2022		December 31, 2021	
	Range	Weighted average	Range	Weighted average
Discount rate	4.65% - 9.25%	7.18%	4.55% - 9.10%	7.07%
Terminal capitalization rate	4.45% - 9.05%	6.88%	4.25% - 8.85%	6.75%

In 2021, the REIT provided \$339 of capital commitments for facility improvements to one of the tenants of the REIT's properties located in Edmonton, Alberta.

A 25 basis point decrease or increase in capitalization rates or discount rates would result in an increase or decrease in the fair value of the investment properties of approximately \$43,300 or \$(40,000), respectively, as of December 31, 2022.

A 50 basis point decrease or increase in capitalization rates or discount rates would result in an increase or decrease in the fair value of the investment properties of approximately \$90,200 or \$(77,200), respectively, as of December 31, 2022.

Rental Commitments

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

Within 1 year.....	\$69,540
After 1 year, but not more than 5 years.....	281,625
More than 5 years.....	438,682
	\$789,847

7. ACCOUNTS RECEIVABLE AND OTHER ASSETS

As at	December 31, 2022	December 31, 2021
Prepaid indemnity fee	\$450	\$523
Right-of-use assets, net of depreciation ⁽¹⁾	191	90
Prepaid and other receivables ⁽²⁾	2,346	25,356
	\$2,987	\$25,969

(1) This increase relates to the extension of the REIT's existing office lease.

(2) For the year ended December 31, 2021, prepaids included deposits of \$24,445 in respect of the property acquisitions completed in January 2022.

8. CREDIT FACILITIES AND MORTGAGES PAYABLE

(a) Credit facilities and mortgages consist of:

As at	December 31, 2022	December 31, 2021
Facility 1 ⁽ⁱ⁾	\$223,926	\$190,206
Facility 2 ⁽ⁱⁱ⁾	85,901	90,707
Facility 3 ⁽ⁱⁱⁱ⁾	100,672	111,100
Mortgages ^(iv)	23,258	24,148
Total	433,757	416,161
Financing fees ^(v)	(2,682)	(2,178)
	\$431,075	\$413,983

(i) Facility 1 includes:

A non-revolving loan in the amount of \$218,047 (December 31, 2021 - \$178,306) 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 2027. The principal is repayable in equal quarterly payments based on a 25 year amortization. In April 2022, the REIT increased the non-revolving portion of Facility 1 by \$50,000 and extended the term to maturity from June 2023 to June 2027. In November 2022, the REIT fixed \$26,828 of non-revolving debt for a term of 10 years at an interest rate of 5.27%. The REIT entered into floating-to-fixed interest rate swaps, with remaining terms of 0.5 to 9.8 years as at December 31, 2022, which resulted in a weighted average effective interest rate of 4.20% (December 31, 2021 - 3.72%), of which \$nil (December 31, 2021 - \$17,820) 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 2027, of which \$5,300 was drawn as at December 31, 2022 (December 31, 2021 - \$11,900) and \$579 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 \$85,901 (December 31, 2021 - \$90,707) bearing interest at the BA rate plus 150 bps or Prime plus 25 bps, maturing in January 2025. In December 2022, the REIT extended the term to maturity from June 2024 to January 2025. 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 0.5 to 7.9 years as at December 31, 2022, which resulted in a weighted average effective interest rate of 3.52% (December 31, 2021 - 3.52%).

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 January 2025, of which \$nil was drawn as at December 31, 2022 (2021 - \$nil).

(iii) Facility 3 includes:

A non-revolving loan in the amount of \$100,672 (December 31, 2021 - \$111,100) bearing interest at the BA rate plus 150 bps or Prime plus 50 bps, maturing in June 2026. The principal is repayable in quarterly blended payments based on a 20 year amortization. The REIT entered into floating-to-fixed interest rate swaps with remaining terms of 3.0 to 9.0 years, which resulted in a weighted average effective interest rate of 3.91% (December 31, 2021 - 3.59%), of which \$nil (December 31, 2021 - \$5,187) of the non-revolving balance remains at floating rates. See Note 19 – Subsequent Events.

A revolving credit facility in the amount of \$40,000 bearing interest at Prime plus 25 bps or the BA rate plus 150 bps, maturing in June 2026, of which \$nil was drawn as at December 31, 2022 (December 31, 2021 - \$nil).

(iv) Mortgages:

The REIT has entered into certain mortgages with Canadian Schedule 1 banks and a life insurance company that have interest rates that range from 2.21% to 3.72% and have maturity dates that range from June 2027 to April 2031 (the "Mortgages"). In January 2021, the REIT renewed a Mortgage in the amount of approximately \$5,791 for a term of 7 years and, in April 2021, the REIT entered into a new Mortgage in the amount of \$10,000 for a term of 10 years. As at December 31, 2022, the weighted average interest rate of the Mortgages was 3.25% (December 31, 2021 - 3.24%). See Note 19 – Subsequent Events.

- (v) During the twelve-month period ended December 31, 2022, the REIT incurred financing fees of \$1,288 (December 31, 2021 - \$871). The amounts are accounted for using the effective interest method, and \$2,682 remains unamortized at December 31, 2022 (December 31, 2021 - \$2,178).

The credit facilities described above (the "Credit Facilities") and the Mortgages are secured by the REIT's investment properties. As of December 31, 2022, the REIT had ten unencumbered properties with an aggregate fair value of approximately \$120,000.

Principal repayments are as follows:

2023	\$21,650
2024	21,791
2025	89,742
2026	94,981
2027	191,153
Thereafter.....	<u>14,440</u>
Total	<u>\$433,757</u>

(b) Interest Rate Swaps

The REIT entered into interest rate derivative contracts to limit its exposure to fluctuations in the interest rates payable on variable rate financings 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 income and comprehensive income (terms described in Note 8 (a)(i), (ii) and (iii) above).

As at December 31, 2022, the notional principal amount of the interest rate swaps was approximately \$405,168 (December 31, 2021 – approximately \$357,327) and the fair value adjustment of the interest rate swaps was \$25,999 (December 31, 2021 – \$15,976). This resulted in an asset balance of \$19,127 (December 31, 2021 – liability of \$6,872).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

As at	December 31, 2022	December 31, 2021
Accounts payable and accrued liabilities	\$3,757	\$2,831
Accrued interest	377	321
Distributions payable (Note 10)	3,287	3,284
Lease liabilities (Note 2(g))	3,820	6,602
	\$11,241	<u>\$13,038</u>

As at December 31, 2022, 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.....	\$184
After 1 year, but not more than 5 years.....	1,445
More than 5 years.....	<u>2,191</u>
Total	<u>\$3,820</u>

10. DISTRIBUTIONS

	December 31, 2022			December 31, 2021		
	Units	Class B LP Units	Total	Units	Class B LP Units	Total
Paid in Cash	\$31,806	\$7,621	\$39,427	\$31,233	\$7,988	\$39,221
Declared	31,806	7,621	39,427	31,233	7,988	39,221
Payable as at period end	2,662	625	3,287	2,618	666	3,284

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, 2022

	Units	Amount
Units, beginning of period	39,080,154	\$395,694
Units issued, net of costs	41,426	564
Units exchanged from Class B LP Units	605,766	8,450
Total Units, end of period	39,727,346	\$404,708
Class B LP Units, beginning of period	9,933,253	\$148,502
Class B LP Units exchanged for Units	(605,766)	(8,450)
Fair value adjustment on Class B LP Units	-	(19,074)
Total Class B LP Units, end of period	9,327,487	\$120,978
Total Units and Class B LP Units, end of period	49,054,833	\$525,686

For the year ended December 31, 2021

	Units	Amount
Units, beginning of year	37,697,052	\$380,757
Units issued, net of costs	1,383,102	14,937
Total Units, end of year	39,080,154	395,694
Class B LP Units, beginning of year	9,933,253	\$106,385
Fair value adjustment on Class B LP Units	-	42,117
Total Class B LP Units, end of year	9,933,253	\$148,502
Total Units and Class B LP Units, end of year	49,013,407	\$544,196

12. UNIT-BASED COMPENSATION

The REIT offers an Equity Incentive Plan (the "Plan") whereby DUs, PDUs and RDUs 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 1,750,000. Each DU, PDU and RDU is economically equivalent to one Unit, however, under no circumstances shall they be considered Units nor entitle a Participant to any rights as a Unitholder, including, without limitation, voting rights or rights on liquidation. Each DU, PDU and RDU 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, PDUs, RDUs and IDUs, a Participant may elect, prior to their expiry, to exchange such vested DUs, PDUs, RDUs and IDUs (subject to satisfaction of any applicable withholding taxes) for an equal number of Units. The holder of such DUs, PDUs, RDUs and IDUs cannot settle them for cash. Under the Plan, the fair value of the DUs, PDUs, RDUs 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*, Unit-based compensation is 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, 2022, the REIT accrued short-term incentive awards in the amount of \$820 which will be settled by the granting of DUs and/or cash (December 31, 2021 – \$463).

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 Units for the five trading

days immediately preceding the grant date. The amount of DUs, PDUs, RDUs and IDUs vested and outstanding under the Plan is outlined below:

As at December 31, 2022

	Units Granted ⁽¹⁾⁽²⁾	Units Outstanding ⁽²⁾	Outstanding Unit-based compensation End of Period ⁽³⁾
DUs	559,315	542,084	7,029
PDUs	47,362	25,818	335
RDUs	47,362	38,692	502
IDUs	154,781	132,027	1,714
Total	808,820	738,621	\$9,580

As at December 31, 2021

	Units Granted	Units Outstanding	Outstanding Unit-based compensation End of Year ⁽³⁾
DUs	546,703	468,826	7,010
PDUs	34,707	11,789	176
RDUs	34,707	18,761	280
IDUs	114,578	94,868	1,418
Total	730,695	594,244	\$8,884

(1) For the twelve-month period ended December 31, 2022, 119,551 DUs, PDUs, RDUs and IDUs were granted, of which 31,251 DUs, PDUs, RDUs and IDUs were accounted for in accordance with the vesting schedule.

(2) 18,000 DUs were exchanged for Units valued at \$262 in March 2022, and 23,426 DUs and IDUs were exchanged for Units valued at \$302 in August 2022.

(3) Includes a fair value adjustment of \$1,140 for the twelve months ended December 31, 2022 (December 30, 2021 - (\$2,438)).

13. RENTAL REVENUE AND PROPERTY COSTS

(a) Rental Revenue

<i>For the year ended December 31,</i>	2022	2021
Base rent	\$68,710	\$64,245
Property tax recoveries	12,454	11,414
Straight line rent adjustment	1,697	2,220
Lease termination fee ⁽¹⁾	-	339
Rental revenue	\$82,861	\$78,218

(1) Relates to a fee charged to a tenant for early termination of a lease agreement.

(b) Property Costs

<i>For the year ended December 31,</i>	2022	2021
Property tax expense	\$12,454	\$11,414
Bad debt expense (recovery)	-	(277)
Land lease termination ⁽¹⁾	(168)	-
Property cost	\$12,286	\$11,137

(1) Relates to the termination of the land lease in January 2022 associated with the Langley Acura Land acquisition

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, 2022, totaled \$1,072,997 (December 31, 2021 – \$1,022,856). 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, 2022, 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, 2022:

Financial Assets/(Liabilities)	Classification/ Measurement	Carrying Value	Fair Value
Credit Facilities and Mortgages payable	Amortized Cost	\$(431,075)	\$(433,757)
Interest Rate Swaps	FVTPL	(19,127)	(19,127)
Class B LP Units	FVTPL	(120,978)	(120,978)
Unit-based compensation	FVTPL	(9,580)	(9,580)
		\$(580,760)	\$(583,442)

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

Financial Assets/(Liabilities)	Classification/ Measurement	Carrying Value	Fair Value
Credit Facilities and Mortgages payable	Amortized Cost	\$(413,983)	\$(416,161)
Interest Rate Swaps	FVTPL	(6,872)	(6,872)
Class B LP Units	FVTPL	(148,502)	(148,502)
Unit-based compensation	FVTPL	(8,884)	(8,884)

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, 2022 is \$1,071,308 (December 31, 2021 – \$1,025,207) (Level 3).

(ii) Credit Facilities and Mortgages

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

(iii) Interest Rate Swaps

The fair value of the REIT's interest rate swaps which represents an asset balance as at December 31, 2022 is \$19,127 (December 31, 2021 – liability of \$6,872). 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, 2022 is \$120,978 (December 31, 2021 – \$148,502). The fair value of the Class B LP Units is based on the traded value of the Units as at December 31, 2022 (Level 1).

(v) Unit-based compensation

The fair value of Unit-based compensation as at December 31, 2022 is \$9,580 (December 31, 2021 – \$8,884). The fair value of Unit-based compensation is based on the traded value of the Units as at December 31, 2022 (Level 2).

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, liquidity and credit risks. Below is a description of those risks and how the exposures are managed.

Market Risk

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

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

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

Liquidity Risk

Liquidity risk arises from the possibility of 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 therefrom.

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 58.8% of the REIT's rental income for the year ended December 31, 2022 (December 31, 2021 – 61.8%).

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 \$753, of which \$579 remains outstanding as at December 31, 2022, 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 outstanding 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 2021 and 2022:

- On March 1, 2021, the REIT acquired the Lexus Laval dealership property in Laval, Quebec from a member of the Dilawri Group for \$14,800 and leased it to a Dilawri Tenant.

Key personnel consist of the REIT's executive officers and independent Trustees. Compensation of key personnel are as follows:

<i>For the year ended December 31,</i>	2022	2021
Salaries and benefits paid to executive officers	\$817	\$817
Unit-based compensation and short term incentives paid to executive officers	2,195	1,629
Independent Trustee fees paid in DUs and IDUs	594	409
Compensation of key personnel	\$3,606	\$2,855

18. SUPPLEMENTARY INFORMATION

Changes in non-cash operating accounts

<i>(in thousands of Canadian dollars)</i>	2022	2021
Accounts receivable and other assets	\$(1,596)	\$2,383
Accounts payable and accrued liabilities	460	(2,248)
Change in non-cash operating accounts	\$(1,136)	\$135

19. SUBSEQUENT EVENTS

On January 3, 2023, the REIT acquired the real estate underlying six full-service automotive dealership properties located in Quebec for approximately \$98,500, plus acquisition costs of \$3,600. The properties totaled 187,421 square feet of gross leasable area. The REIT funded the acquisitions by drawing on its Credit Facilities, and cash on hand.

In January 2023, as a result of the property acquisitions described above, the REIT increased the non-revolving portion of Facility 3 by \$70,000 at the same credit spread and entered into floating-to-fixed interest rate swaps for a weighted-average term of 7.6 years at a blended rate of 4.91%.

On February 2, 2023, the REIT entered into a new Mortgage in the amount of \$9,000 for a term of 5 years at an interest rate of 5.05%.