Automotive Properties REIT

Driving Unitholder Value

2016 SECOND QUARTER REPORT

Consolidating Canada's Automotive Dealership Properties

Brand and Geographic Diversification

Strong, Reliable Cash Flow

Automotive Properties Real Estate Investment Trust

Management's Discussion and Analysis

June 30, 2016

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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 three month period of April 1, 2016 to June 30, 2016 ("Q2 2016") and for the six month period of January 1, 2016 to June 30, 2016 ("YTD 2016"). The REIT commenced operations on July 22, 2015 upon completion of its initial public offering ("IPO"). Prior thereto, the REIT generated no revenue and incurred no expenses. As described in this MD&A, the REIT's financial forecast that was included in its IPO prospectus (the "Financial Forecast") has been adjusted (the "Adjusted Financial Forecast") to reflect the issuance of 620,000 trust units of the REIT ("REIT Units") at a price of $10.00 per REIT Unit for gross proceeds of $6,200 pursuant to the partial exercise of the over-allotment option granted by the REIT to the underwriters in the IPO. 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.

This MD&A should be read in conjunction with the condensed consolidated interim financial statements of the REIT and accompanying notes for the three and six months ended June 30, 2016. Further information about the REIT can be found in the REIT's annual information form dated March 21, 2016 (the "AIF"). The AIF, along with other continuous disclosure documents required by the Canadian securities regulators, can be found on the SEDAR website at www.sedar.com and on the REIT's website at: www.automotivepropertiesreit.ca.

The REIT

The REIT was formed primarily to own income-producing automotive dealership properties located in Canada. In connection with the completion of the REIT's IPO, the REIT indirectly acquired a portfolio of 26 commercial properties from certain members of the Dilawri Group (as defined below) (the "Initial Properties"). The REIT currently owns a portfolio of 29 commercial properties, including the Initial Properties, located in Ontario, Saskatchewan, Alberta, British Columbia and Québec, totaling approximately 1.1 million square feet of gross leasable area ("GLA"). 893353 Alberta Inc. ("Dilawri") is a privately held corporation, which, together with certain of its affiliates, holds a 55% effective interest in the REIT, through the ownership, direction or control of all of the Class B limited partnership units ("Class B LP Units") of Automotive Properties Limited Partnership, the REIT's operating subsidiary (the "Partnership"). The Class B LP Units are economically equivalent to REIT Units, and exchangeable generally on a one-for-one basis. Dilawri and its affiliates, other than its shareholders and controlling persons, are referred to herein as the "Dilawri Group".

Out of the 29 properties, 26 are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while two of the other three 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). The remaining property is exclusively occupied by a third party tenant for use as two automotive dealerships. At the time of the acquisition of each applicable property, the REIT entered into a lease with the applicable member of the Dilawri Group (collectively, the "Dilawri Tenants") in respect of each of the 28 investment properties occupied by the Dilawri Group.

The first acquisition of a dealership property undertaken by the REIT with the Dilawri Group pursuant to the Strategic Alliance Agreement was completed on December 23, 2015. The REIT acquired the Toyota Woodland property ("Toyota Woodland"), a 49,737 square foot automotive dealership property located at 1000 – 1009 Woodland Avenue in Montréal, Québec, from a third party for $7,200, representing a capitalization rate of approximately 7.3% on forecast net operating income. On closing of the transaction, the applicable Dilawri Tenant entered into a 16-year triple-net lease with the REIT.

The REIT's first acquisition of a dealership property with a third-party dealer as a tenant was completed on December 30, 2015. The REIT acquired the Porsche Centre and Jaguar Land Rover Edmonton property ("Porsche JLR Edmonton"), a 44,779 square foot automotive dealership property occupied by two third-party dealerships and located at 17007 111th Avenue N.W. in Edmonton, Alberta, for $23,000, representing a capitalization rate of approximately 6.6%

on forecast net operating income. On closing of the transaction, the third party tenants entered into a 17-year triple-net lease with the REIT.

On January 14, 2016, the REIT acquired the Audi Barrie property (“Audi Barrie”) from the Dilawri Group, a newly constructed 24,982 square foot automotive dealership property located on 3.1 acres at 2484 Doral Drive in Innisfil, near Barrie, Ontario, for approximately $11,100, representing a capitalization rate of approximately 7.1% on forecast net operating income. Audi Barrie was one of three development properties owned by the Dilawri Group at the time of the IPO and was acquired pursuant to the REIT’s right of first offer to acquire any REIT-suitable properties from the Dilawri Group pursuant to the Strategic Alliance Agreement. On closing of the transaction, the applicable Dilawri Tenant entered into a 19-year triple-net lease with the REIT.

At June 30, 2016, the Dilawri Group is the REIT’s most significant tenant and will be for the foreseeable future, with members of the Dilawri Group occupying 94% of the REIT’s GLA (as defined below) including third parties occupying the subleases. The remaining 6% of the REIT’s GLA is occupied by Porsche JLR Edmonton. The remaining terms of the leases with the Dilawri Tenants (the “Dilawri Leases”) range from 10 to 18.6 years. Overall, the REIT’s portfolio has a weighted average lease term of approximately 14.2 years, including the aforementioned acquisitions closed subsequent to the IPO in 2015 and 2016.

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

This MD&A is dated as at August 8, 2016.

Forward-Looking Statements

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

- the REIT’s relationship with the Dilawri Group, Dilawri’s shareholders and certain other related persons and entities (collectively, the “Dilawri Organization”), including in respect of (i) the Dilawri Organization’s retained interest in the REIT and its current intention with respect thereto, (ii) the services to be provided to the REIT (whether directly or indirectly) by Dilawri pursuant to the Administration Agreement, (iii) expected transactions to be entered into between Dilawri and the REIT (including the REIT’s acquisition of certain interests in properties held by the Dilawri Group); (iv) substantial completion of the Development Properties (as defined below) and occupancy and leasing arrangements relating thereto; and (v) the Strategic Alliance Agreement;
- the REIT’s intention with respect to, and ability to execute, its external and internal growth strategies;
- the REIT representing a unique alternative for automotive dealership operators considering a sale or recapitalization of their business;
- the REIT’s capital expenditure requirements and capital expenditures to be made by the REIT and the Dilawri Group;
- the REIT’s distribution policy and the distributions to be paid to Unitholders (as defined below);

- the REIT's debt strategy;
- the REIT's access to available sources of debt and/or equity financing;
- the REIT's ability to meet its stated objectives; and
- the REIT's ability to expand its asset base and make accretive acquisitions.

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

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

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

Non-IFRS Measures

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

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

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

(iv) amortization of tenant incentives; and (v) distributions on redeemable or exchangeable units treated as interest expense.

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

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

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

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

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

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

"GBV" means, at any time, the greater of: (A) the book value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, less the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT; and (B) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents, (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations. "Debt to GBV" means the ratio of Indebtedness to GBV at a particular time.

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

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

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

SECTION 2 – OVERVIEW, STRATEGY AND OBJECTIVES

Overview

The REIT is an unincorporated, open-ended real estate investment trust, offering exposure to a unique real estate asset class. At June 30, 2016, the REIT’s portfolio consisted of 29 commercial properties located in Ontario, Saskatchewan, Alberta, British Columbia and Québec. The properties encompass approximately 1,077,810 square feet of GLA, and are primarily occupied by retail automotive dealerships, which also include service centres and in certain instances, ancillary businesses. The REIT’s automotive dealership business tenants represent the largest, most recognizable global automotive brands ranging from mass market vehicle brands through to the ultra-luxury segment, with a focus on European and Asian brands. The REIT Units are listed on the Toronto Stock Exchange under the symbol “APR.UN”.

Canada’s automotive retail industry is characterized by strong industry fundamentals. According to Statistics Canada, at over 6.0% of gross domestic product in 2015, the automotive retail industry represented the largest component of retail sales and merchandise in Canada. Industry sales totaled a record $128 billion in 2015 (up 6.6% from 2014), 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 4.5%. The tables below contain new automobile sales by units in Canada for the 2015 and 2014 calendar years, and for the five months ended May 31, 2016 and May 31, 2015 (the latest available information from Statistics Canada).

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

(Source: Statistics Canada)

	5 Months Ended May 31, 2016			
	2016	YoY unit increase / decrease	YoY % increase / decrease	2015
Alberta	91,113	(8,729)	-8.7%	99,842
British Columbia and the Territories	91,148	6,749	8.0%	84,399
Manitoba	22,749	766	3.5%	21,983
New Brunswick	19,081	1,658	9.5%	17,423
Newfoundland and Labrador	13,949	410	3.0%	13,539
Nova Scotia	22,719	1,254	5.8%	21,465
Ontario	333,865	27,348	8.9%	306,517
Prince Edward Island	3,485	460	15.2%	3,025
Québec	194,170	12,093	6.6%	182,077
Saskatchewan	20,037	(1,477)	-6.9%	21,514
Total Canada	**812,316**	**40,532**	**5.3%**	**771,784**

(Source: Statistics Canada)

The REIT's lead tenant is the Dilawri Group, one of the largest automotive dealership groups in Canada. Building on a strong track record of development and active management, revenues of the Dilawri Group were approximately $2.2 billion over the 12 month period from July 1, 2015 to June 30, 2016 (the "LTM"). The Dilawri Leases are structured as triple-net leases under which the tenant is responsible for all costs relating to repair and maintenance, realty taxes, property insurance, utilities and all non-structural capital improvements. The REIT's overall portfolio has a weighted average lease term of 14.2 years and Dilawri indemnifies its individual dealerships' rental obligations.

The Dilawri Leases include a fixed rent escalator of 1.5% per annum, which translates to an approximate 2.4% increase in AFFO per annum. The Porsche JLR Edmonton lease includes an annual rent escalator of 1.0% after the end of the fifth year of the 17-year term.

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

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

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

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

Growth Strategies

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

External Growth

Accretive Acquisitions of Third Party Properties

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

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

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

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

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

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

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

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

The Dilawri Group has two properties under development, representing an aggregate of approximately 75,000 square feet of GLA that it will offer to sell to the REIT upon substantial completion. One of the properties is located in Barrie, Ontario and one is located in Calgary, Alberta (collectively, the "Development Properties"). They are currently in various stages of development and it is expected that they will be substantially complete by the end of 2016. If acquired by the REIT, these properties are expected to be 100% leased to members of the Dilawri Group on substantially the same terms as the Initial Properties.

Internal Growth

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

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

SECTION 3 – FINANCIAL OVERVIEW AND KEY PERFORMANCE INDICATORS

The financial results described herein relate to Q2 2016 and YTD 2016. The Adjusted Financial Forecast reflects the issuance of 620,000 REIT Units at a price of $10.00 per REIT Unit for gross proceeds of $6,200 pursuant to the partial exercise of the over-allotment option granted by the REIT to the underwriters in the IPO. The Adjusted Financial Forecast has not been adjusted to account for the three acquisitions completed by the REIT subsequent to the IPO.

The REIT's results for the three-month period ended June 30, 2016 exceeded the Adjusted Financial Forecast, due to the addition of the three properties acquired subsequent to the IPO (Toyota Woodland, Porsche JLR Edmonton and Audi Barrie). During the three month period ended June 30, 2016, the REIT's properties generated AFFO of $4,319 (compared to $3,891 in the Adjusted Financial Forecast), or $0.239 per Unit (compared to $0.216 in the Adjusted Financial Forecast); and Cash NOI was $6,553 on $8,302 of revenue (compared to Cash NOI of $5,844 on $7,475 of revenue in the Adjusted Financial Forecast). Excluding the impact of the acquisitions, the AFFO and Cash NOI metrics are in line with the Adjusted Financial Forecast. During the six month period ended June 30, 2016, the REIT's properties generated AFFO of $8,621 (compared to $7,771 in the Adjusted Financial Forecast), or $0.477 per Unit (compared to $0.430 in the Adjusted Financial Forecast); and Cash NOI was $13,080 on $16,609 of revenue (compared to Cash NOI of $11,688 on $14,950 revenue in the Adjusted Financial Forecast). Excluding the impact of the acquisitions, the REIT's AFFO and Cash NOI for YTD 2016 are in line with the Adjusted Financial Forecast.

In Q2 2016, the REIT declared and paid total distributions of $3,629, or $0.201 per Unit, to holders of REIT Units and Class B LP Units (collectively, "Unitholders"), representing an AFFO payout ratio of 84.1%. This compares to the Adjusted Financial Forecast AFFO payout ratio of 93.1%. For the YTD 2016 period, the REIT declared and paid total distributions of $7,257, or $0.402 per Unit, to Unitholders, representing an AFFO payout ratio of 84.3%. The lower actual AFFO payout ratio reflects the increase in the Cash NOI from the three properties acquired subsequent to the IPO.

The Credit Facilities, as well as the components of the REIT's equity, are more fully described under "Liquidity and Capital Resources" (as defined below) in this MD&A.

The REIT's total assets stand at $407,366 as at June 30, 2016, representing a debt to GBV ratio of 55.6%. As at June 30, 2016, the REIT's weighted average in-place interest rate on its debt is 3.16%. The remaining outstanding expected term of the Credit Facilities is 4 years, and the remaining expected term to maturity of the related interest rate swaps is 5.4 years.

Key Performance Indicators

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

Portfolio	As at June 30, 2016[1]
Number of properties	29
GLA (sq. ft.)	1,077,810
Average in-place base rent per sq. ft.	$24.88
Weighted average remaining lease term (years)	14.2

	For the three months ended June 30, 2016		For the six months ended June 30, 2016	
Operating Results	**Actual[1]**	Adjusted Financial Forecast[2]	**Actual[1]**	Adjusted Financial Forecast[2]
Revenue from investment properties	$ **8,302**	$ 7,475	$ **16,609**	$ 14,950
Cash NOI	**6,553**	5,844	**13,080**	11,688
FFO	**4,861**	4,555	**9,889**	9,099
AFFO	**4,319**	3,891	**8,621**	7,771
Fair value adjustment to investment properties	**289**	-	**2,327**	-
Per Unit amounts				
Distributions per Unit	$ **0.201**	$ 0.201	$ **0.402**	$ 0.402
FFO	**0.269**	0.252	**0.548**	0.504
AFFO	**0.239**	0.216	**0.477**	0.430
Payout ratio (%)				
FFO	**74.7%**	79.8%	**73.4%**	79.8%
AFFO	**84.1%**	93.1%	**84.3%**	93.5%

Balance Sheet Metrics	As at June 30, 2016
Total assets	$407,366
Units outstanding (includes Class B LP Units)	18,053,253
Market capitalization (includes Class B LP Units)	$180,713
Weighted average effective interest rate on debt	3.16%
Proportion of debt at fixed rates through swaps	83%
Weighted average interest rate swap term remaining	5.4
Interest coverage ratio	3.4X
Debt Service Coverage	1.8X
Debt to GBV	55.6%

(1) Includes the 26 Initial Properties from the IPO and the properties subsequently acquired (Toyota Woodland, Porsche JLR Edmonton, and Audi Barrie).

(2) The REIT's Financial Forecast has been adjusted to reflect the issuance of 620,000 REIT Units at a price of $10.00 per REIT Unit for gross proceeds of $6,200 pursuant to the partial exercise of the over-allotment option granted by the REIT to the underwriters in the IPO.

SECTION 4 - PROPERTY PORTFOLIO

Property Portfolio Summary

City or Region	Number of Properties	GLA (sq. ft.)	Average rental rate (per sq. ft.)	Weighted Average Lease Term (yrs)(1)	% of Cash NOI for current quarter
Greater Vancouver Area (GVA)	6	153,950	$35.65	16.6	19%
Calgary	4	177,787	21.16	14.2	14%
Regina	8	183,978	19.56	12.9	14%
Montréal	1	49,737	10.62	15.5	2%
Edmonton	1	44,779	34.00	16.5	6%
Innisfil (Barrie)	1	24,982	31.50	18.6	3%
Greater Toronto Area (GTA)	8	442,597	25.15	13.3	42%
Total Portfolio	**29**	**1,077,810**	**$24.88**	**14.2**	**100%**

(1) As at June 30, 2016.

Appendix “A” in this MD&A contains a list and description of the REIT’s properties as of June 30, 2016.

Portfolio Overview

At June 30, 2016, the REIT’s portfolio consisted of 29 properties, including the 26 Initial Properties and the Toyota Woodland property (acquired on December 23, 2015), the Porsche JLR Edmonton property (acquired on December 30, 2015) and the Audi Barrie property (acquired on January 14, 2016). 26 of the REIT’s properties are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility. Two properties are jointly occupied by Dilawri and third parties for use as automotive dealerships and complementary retail uses and one property is leased to a third party for use as two automotive dealerships. 28 properties are entirely leased to entities within the Dilawri Group, with the Dilawri Group subletting those portions of the properties that are occupied by third parties. At June 30, 2016, the Porsche JLR Edmonton property was the only property not leased to a member of the Dilawri Group. Consequently, the Dilawri Group is the REIT’s lead tenant and provides 94% of the REIT’s rental income as of the date of this MD&A. As the REIT grows, management intends to continue to diversify the REIT’s tenant base, but management expects that the Dilawri Group will provide a significant proportion of the REIT’s rental revenue for the foreseeable future.

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

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

Profile of the Dilawri Leases

The remaining terms of the Dilawri Leases range from 10 years to 18.6 years, with a weighted average lease term of 14.2 years. The weighted average annual basic rent payable under the Dilawri Leases for the Initial Properties for the first year of the lease terms is approximately $25.01 per square foot. As of June 30, 2016, the weighted average annual basic rent payable under the Dilawri Leases, including Toyota Woodland and Audi Barrie, is approximately $24.49 per square foot. The basic annual rental rates of these leases increase by 1.5% annually, which equates to approximately 2.4% of the REIT's forecasted AFFO commencing with the second year of the lease.

Material terms of the Dilawri Leases include the following:

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

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

Profile of Porsche JLR Edmonton

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

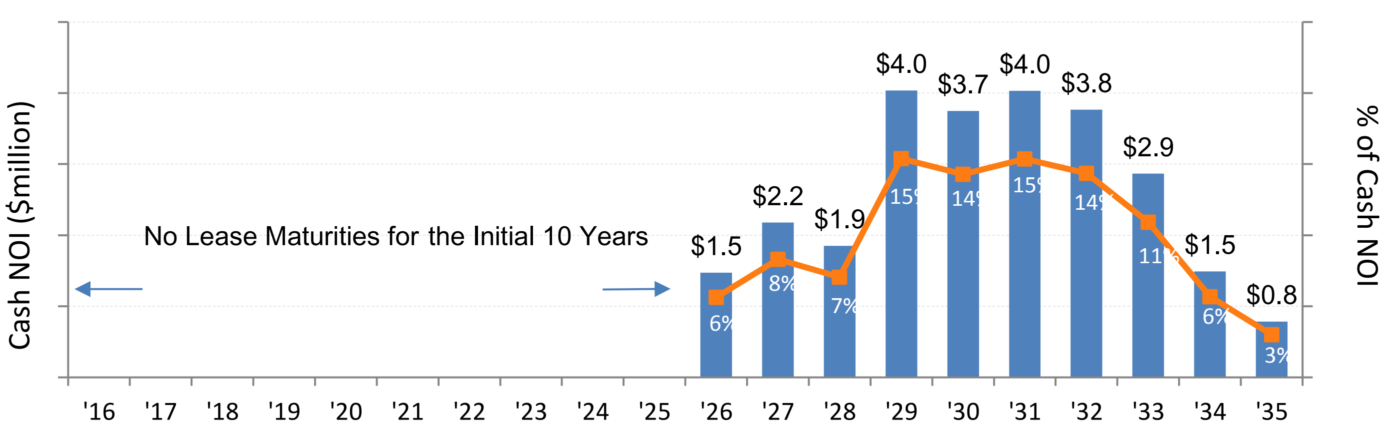
Profile of Overall Rent

Overall, at June 30, 2016, the REIT's properties have a weighted average base rental rate of $24.88 per square foot.

Profile of Overall Lease Maturity

The lease portfolio matures between 2026 and 2035 as set out in the chart below:

Lease Maturity Profile



Property Use and Brand Diversification

Sales for an individual automotive dealership are heavily influenced by the popularity of the automobile brands being marketed, and these, in turn, are often cyclical for each brand as new models are introduced and existing models are updated and refreshed. In addition, prospects for both mass market and luxury brands can vary with economic cycles. Management believes that the portfolio's broad automotive brand diversification contributes to the quality and stability of the REIT's cash flows. The table below sets out the breakdown of automotive brands that are marketed, retailed and serviced at the REIT's properties as of June 30, 2016.

Manufacturer / Brand	REIT Auto Dealership GLA (Sq. Feet)	% of REIT Auto Dealership GLA	% of REIT Auto Dealership Rent	No. of REIT Locations
Honda(1)	210,974	19.9%	19.6%	7
Porsche(2)	84,569	8.0%	11.8%	2
Acura	93,838	8.9%	9.0%	3
Nissan	76,283	7.2%	8.4%	3
BMW (3)	100,180	9.5%	7.4%	2
Audi	54,282	5.1%	7.2%	2
Toyota	94,556	8.9%	6.3%	3
Mazda	47,501	4.5%	4.8%	2
Hyundai	49,734	4.7%	4.5%	3
Infiniti	26,314	2.5%	3.7%	2
Volkswagen	39,209	3.7%	3.7%	1
General Motors	35,504	3.4%	3.5%	1
Ford	39,287	3.7%	2.6%	1
Chrysler (4)	40,957	3.9%	2.2%	1
Mitsubishi	14,750	1.4%	1.5%	2
Kia	13,890	1.3%	1.1%	1
Other (5)	35,757	3.4%	3.0%	2
Total	**1,057,585**	**100.0%**	**100.0%**	**38**

Notes:

(1) *Includes Honda Used Car and Regina Collision Centre. Regina Honda/Acura split 75% & 25% of 30,900 sq. ft.*

(2) *Includes Porsche JLR Edmonton.*

(3) *Includes MINI.*

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

(5) *Represents the Dilawri Distinctive Collection property in Calgary, which currently has franchise agreements with Aston Martin and Bentley. In addition, the Dilawri Distinctive Collection sells a variety of used vehicles, including Audi, BMW, Lamborghini, Maserati, McLaren, and Mercedes-Benz.*

Description of the REIT's Key Tenant

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

Dilawri Group's Financial Information (approximations)	
Combined Revenues (not audited or reviewed)	2.2 billion(1)
EBITDA (not audited or reviewed)	$ 71.1 million(1)
Pro Forma Adjusted Rent Coverage Ratio (not audited or reviewed)	3.1 (2)
Term Debt (not audited or reviewed)	$ 143.7 million(2)
Term Debt to EBITDA Ratio (not audited or reviewed)	2.0 (2)

Notes:

(1) For the LTM.
(2) As at June 30, 2016.

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

Dilawri Additional and Non-ASPE Measure

Dilawri uses "EBITDA" in its financial statements which is an additional ASPE (as defined below) measure. "EBITDA" is defined as the earnings of the Dilawri Group before interest, taxes, depreciation and amortization, all as reflected in the non-consolidated combined financial statements of the Dilawri Group prepared in accordance with the recognition, measurement and disclosure principles of ASPE. 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.

Reference to "Pro Forma Adjusted Rent Coverage Ratio", "Term Debt" and "Term Debt to EBITDA Ratio", which are key measures of performance used by automotive dealership businesses, refer to the Pro Forma Adjusted Rent Coverage Ratio, Term Debt and Term Debt to EBITDA Ratio of the Dilawri Group on a non-consolidated combined basis. Pro Forma Adjusted Rent Coverage Ratio, Term Debt and Term Debt to EBITDA Ratio are not defined by Canadian accounting standards for private enterprises ("ASPE") or IFRS and do not have standardized meanings prescribed by ASPE or IFRS.

"**Pro Forma Adjusted Rent Coverage Ratio**" is calculated by Dilawri as EBITDA (approximately $71.1 million) 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 (net amount of approximately $34.5 million). 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 (net amount of approximately $34.5 million).

"**Term Debt**" is calculated by Dilawri as the Dilawri Group's total debt reflected in its non-consolidated combined financial statements as at June 30, 2016 prepared in accordance with the recognition, measurement and disclosure principles of ASPE.

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

SECTION 5 – RESULTS OF OPERATIONS

Results of Operations - For the three and six months ended June 30, 2016

Net Income (Loss) and Comprehensive Income (Loss)

For period ended June 30, 2016	**Three months ended June 30, 2016**			**Six months ended June 30, 2016**		
	Actual	Adjusted Financial Forecast	Variance	**Actual**	Adjusted Financial Forecast	Variance
Net Property Income						
Rental revenue from investment properties	$ 8,302	$ 7,475	$ 827	$ 16,609	$ 14,950	$ 1,659
Property costs	(1,036)	(996)	(40)	(2,108)	(1,992)	(116)
NOI	**7,266**	**6,479**	**787**	**14,501**	**12,958**	**1,543**
Other Income (Expenses)						
General and administrative expenses	(600)	(375)	(225)	(1,011)	(749)	(262)
Interest expense and other financing charges	(1,805)	(1,549)	(256)	(3,601)	(3,110)	(491)
Distribution expense on Class B LP Units	(1,997)	(1,987)	(10)	(3,993)	(3,974)	(19)
Fair value adjustment on Class B LP Units	(5,066)	-	(5,066)	(17,483)	-	(17,483)
Fair value adjustment on interest rate swaps	(617)	-	(617)	(2,942)	-	(2,942)
Fair value adjustment on investment properties	289	-	289	2,327	-	2,327
Net Income (Loss) and Comprehensive Income (Loss)	**$ (2,530)**	**$ 2,568**	**$ (5,098)**	**$ (12,202)**	**$ 5,125**	**$ (17,327)**
Units Outstanding including Class B LP units (thousands)	***18,053***	*18,053*	**-**	***18,053***	*18,053*	**-**
Per Unit	***$ (0.140)***	*$ 0.142*	*$ (0.282)*	***$ (0.676)***	*$ 0.284*	*$ (0.96)*

Property Revenue and Property Costs

Rental revenue is based on rents from leases entered into with tenants on closing of the applicable acquisitions, all of which are triple-net leases and as such include recoverable realty taxes. The Dilawri Leases have remaining lease terms ranging from approximately 10 to 18.6 years, with an average remaining lease term of 14.2 years and an annual basic rent escalation of 1.5% in each year during the initial term. The Porsche JLR Edmonton property has an initial 17-year term and an annual base rent escalator of 1.0% after the fifth year of the term. Two of the Initial Properties are subject to land leases. Land lease expense includes straight line rent on the land leases over the expected lease term and recoverable realty taxes that have been paid by the REIT.

For Q2 2016, rental revenue of $8,302 was $827 higher than the Adjusted Financial Forecast. For YTD 2016, rental revenue of $16,609 was $1,659 higher than the Adjusted Financial Forecast. The increases were attributable mainly to the three properties acquired subsequent to the IPO (Toyota Woodland, Porsche JLR Edmonton and Audi Barrie).

The increase in property costs of $40 and $116 from the Adjusted Financial Forecast for Q2 2016 and for YTD 2016, respectively, was attributable to the three properties acquired subsequent to the IPO (Toyota Woodland, Porsche JLR Edmonton and Audi Barrie).

General and Administrative Expenses

The REIT has two broad categories of general and administrative expenses consisting of: i) public entity costs, and ii) outsourced costs. The public entity costs reflect the expenses related to ongoing operations of the REIT (including professional fees and fees payable to members of the REIT's Board of Trustees (the "Board") and will fluctuate depending on when such expenses are incurred. The outsourced costs are largely related to the services provided by Dilawri pursuant to the Administration Agreement. The Administration Agreement provides for services to the REIT to be on a cost-recovery basis with a fixed fee during the Forecast Period (as defined below) and, as such, it is not expected that such costs will fluctuate materially from quarter to quarter prior to July 2016. General and administrative expenses in the second quarter and for the year-to-date periods were above the Adjusted Financial Forecast level due to additional tax filings required for the three properties acquired subsequent to the IPO (Toyota Woodland, Porsche JLR Edmonton and Audi Barrie) for the amount of $15 and an additional $24 in Q2 2016 and $61 in YTD 2016 for legal and regulatory filing costs for the REIT.

On June 8, 2016, the REIT's Unitholders approved the adoption of an Equity Incentive Plan (the "Plan") whereby Deferred Units ("DUs") may be granted to Trustees, officers and employees of the REIT (each, a "Participant") on a discretionary basis by the Governance, Compensation and Nominating Committee, subject to approval by the Board of Trustees. Each DU shall receive a distribution of additional Income Deferred Units ("IDUs") equal to the amount of distributions paid per Unit by the REIT on its Units. Under the Plan, the fair value of the DUs and IDUs is recognized as compensation expense over the vesting period. The deferred unit liability is adjusted to reflect the change in their fair value at each reporting period with the changes in fair value recognized as compensation expense. Under the Plan, the Chief Executive Officer and the Chief Financial Officer will be eligible to receive a short-term incentive of 50% and 40% of base salary up to a maximum of 75% and 60% respectively, which will be payable in fully vested Deferred Units. In addition, the Chief Executive Officer and the Chief Financial Officer will be eligible to receive a long-term incentive grant of Deferred Units with a grant fair value of up to 50% and 40% respectively, of base salary. During the period ended June 30, 2016, the REIT accrued an estimate for short-term incentive awards of $186 which will eventually be settled by the granting of DUs.

Interest Expense and Other Financing Charges

Interest expenses include amounts payable to lenders under the REIT's Credit Facilities as well as amortization of upfront costs and costs to hedge the Credit Facilities at fixed rates. For Q2 2016, the interest expense and other financing charges for the 26 Initial Properties was $1,805, $256 higher than the Adjusted Financial Forecast of $1,549. The YTD 2016 interest expense of $3,601 was $491 higher than the Adjusted Financial Forecast of $3,110. The increase in interest expense and other financing charges is due to financing charges incurred in connection with the three property acquisitions completed subsequent to the IPO. The weighted average fixed rate of interest on the REIT's hedges for the initial properties was 3.16% compared to the 3.2% forecasted.

Changes in Fair Values of Investment Properties

During the six month period ended June 30, 2016, the weighted average capitalization rate on the REIT's properties was unchanged at 6.5%. The table outlines the details of the change in fair values:

As at	June 30, 2016	December 31, 2015
Balance, beginning of period	$389,650	$-
Acquisition of Initial Properties	-	357,742
Subsequent acquisitions	11,432	30,846
Fair value adjustment on investment properties	2,327	(94)
Straight-line rent	1,421	1,156
Balance, end of period	**$404,830**	**$389,650**

The REIT assessed the valuation of the investment properties using an income approach whereby a current capitalization rate was applied to the projected net operating income, which a property can reasonably be expected to produce. In determining fair value, the REIT considers various market evidence, including market information, and reviewing the results with a nationally recognized independent appraiser on a quarterly basis. The $2,327 fair value gain recognized for in the first half of 2016, is primarily due to the contractual rent increases over the next 12 months and a decrease in capitalization rates for the Vancouver market. The overall implied capitalization rate applicable to the entire portfolio remained at 6.5% which is consistent with the REIT's overall assessment as at December 31, 2015.

A 25 basis point decrease or increase in capitalization rates would result in an increase or decrease in the fair value of investment properties of approximately $16,000.

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

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

The Adjusted Financial Forecast did not contemplate the future fair value adjustments of the Class B LP Units or interest rate swaps. The REIT entered into interest rate swaps on August 7, 2015 and December 30, 2015 to limit its exposure to fluctuations in the interest rates on variable rate financings for Facility 1 and 2 (see "Liquidity and Capital Resources" in this MD&A). Gains or losses arising from the change in the fair value of the interest rate derivative contracts are recognized in the consolidated statements of net income and comprehensive income.

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

The net loss for Q2 2016 and YTD 2016, is primarily attributable to the fair value adjustments for both Class B LP Units for Q2 2016 of $5,066 and YTD 2016 of $17,483 and interest rate swaps for Q2 2016 of $617 and YTD 2016 $2,942.

NOI, Cash NOI, FFO and AFFO

The REIT uses the following non-IFRS key performance indicators: NOI, Cash NOI, FFO, AFFO and AFFO Payout Ratio. The REIT believes these non-IFRS measures and ratios provide useful supplemental information to both management and investors in measuring the financial performance and financial condition of the REIT for the reasons outlined below. These measures and ratios do not have a standardized meaning prescribed by IFRS and therefore 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.

	Three months ended June 30, 2016			Six months ended June 30, 2016		
	Actual	Adjusted Financial Forecast	Variance	**Actual**	Adjusted Financial Forecast	Variance
($000s, except per Unit amounts)						
Calculation of NOI						
Property revenue	$8,302	$7,475	$827	$16,609	$14,950	$1,659
Property costs	(1,036)	(996)	(40)	(2,108)	(1,992)	(116)
NOI (including straight-line adjustments)	**7,266**	**6,479**	**787**	**14,501**	**12,958**	**1,543**
Reconciliation of net income to FFO and AFFO						
Net income (loss) and comprehensive income (loss)	(2,530)	2,568	(5,098)	(12,202)	5,125	(17,327)
Adjustments:						
Change in fair value – Class B LP Units	5,066	-	5,066	17,483	-	17,483
Change in fair value – Interest rate swaps	617	-	617	2,942	-	2,942
Change in fair value – Investment properties	(289)	-	(289)	(2,327)	-	(2,327)
Distributions on Class B LP Units	1,997	1,987	10	3,993	3,974	19
FFO	**4,861**	**4,555**	**306**	**9,889**	**9,099**	**790**
Adjustments:						
Amortization of deferred financing costs and indemnity fee[1]	56	34	22	112	68	44
Straight-line adjustment (rent and land lease) [2]	(713)	(635)	(78)	(1,421)	(1,270)	(151)
Equity Incentive Plan[3]	186	-	186	186	-	186
Structural reserve[4]	(71)	(63)	(8)	(145)	(126)	(19)
AFFO	**4,319**	**3,891**	**428**	**8,621**	**7,771**	**850**
NOI (including straight-line adjustments)	7,266	6,479	787	14,501	12,958	1,543
Adjustments:						
Straight-line adjustment (rent and land lease)	(713)	(635)	(78)	(1,421)	(1,270)	(151)
Cash NOI	**$6,553**	**$5,844**	**$709**	**$13,080**	**$11,688**	**$1,392**
Number of Units outstanding (including Class B LP Units)	18,053,253	18,053,253	-	18,053,253	18,053,253	-
FFO per Unit	**$0.269**	**$0.252**	**$0.017**	**$0.548**	**$0.504**	**$0.044**
AFFO per Unit	**$0.239**	**$0.216**	**$0.023**	**$0.477**	**$0.430**	**$0.047**
Distributions per Unit	**$0.201**	**$0.201**	**-**	**$0.402**	**$0.402**	**-**
AFFO payout ratio	**84.1%**	**93.1%**	**9.0%**	**84.3%**	**93.5%**	**9.2%**

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

(1) Amortization of deferred financing costs and indemnity fee of $56 and $112 for the three and six months periods ended June 30, 2016, respectively, are attributable to the 26 Initial Properties. The increase from the Adjusted Financial Forecast is attributable to the three properties acquired subsequent to the IPO (Toyota Woodland, Porsche JLR Edmonton and Audi Barrie).

(2) Straight line adjustment (rent and land lease) of $713 and $1,421 for the three and six month periods ended June 30, 2016, respectively, are attributable to the 26 Initial Properties. The increase from the Adjusted Financial Forecast is attributable to the three properties acquired subsequent to the IPO (Toyota Woodland, Porsche JLR Edmonton and Audi Barrie).

(3) During the period ended June 30, 2016, the REIT accrued an estimate for short-term incentive awards of $186 which will eventually be settled by the granting of DUs.

(4) Structural reserve of $71 and $145 for the three and six month periods ended June 30, 2016, respectively, are attributable to the 26 Initial Properties. The increase from the Adjusted Financial Forecast is attributable to the three properties acquired subsequent to the IPO (Toyota Woodland, Porsche JLR Edmonton and Audi Barrie).

AFFO and FFO exceeded the Adjusted Financial Forecast as result of the contribution provided by the three properties acquired subsequent to the IPO (Toyota Woodland, Porsche JLR Edmonton and Audi Barrie). Excluding the impact of the acquisitions, the AFFO and FFO metrics are in line with the Adjusted Financial Forecast.

Cash Flow from Operating Activities Compared to AFFO

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

	YTD 2016
Cash generated from operating activities	7,110
Add (deduct):	
Structural reserve	(145)
Changes in non-cash operating activities	1,433
Equity Incentive Plan	186
Amortization of indemnity fee	37
AFFO	**8,621**

SECTION 6 – LIQUIDITY AND CAPITAL RESOURCES

Capital Structure

Debt[5]	Key Terms: Term (yrs)	Hedged Term (yrs)	Interest Rate	Payments & Interest/ Amortization	Effective Interest Rate		**As at June 30, 2016**
Facility 1	(1)	2.1 to 9.1	BA + 150 bps, Prime +25 bps	(1)	3.1%	$	143,275
Facility 2	4.1	2.1 to 9.1	BA + 150 bps, Prime +25 bps	(2)	3.1%		62,510
Facility 3	3.1	n/a	Fixed 3.5 %	P&I, 20 yrs	3.5%		13,667
Facility 4	4.8	n/a	Fixed 3.22 %	P&I, 20 yrs	3.2%		7,042
						$	**226,494**
Financing fees							(558)
Average /Total		**5.4**				**$**	**225,936**

Class B LP Units & Equity	Number of Units Outstanding		**June 30, 2016**
Class B LP Units	9,933,253	$	99,433
REIT Units	8,120,000		72,054
	18,053,253	**$**	**171,487**

Cash Balance	**$173**

Key Financing Metrics and Debt Covenants[3],[6]	Debt Covenant	Declaration of Trust[4]	**As at for the period ended June 30, 2016**
Interest coverage	-	-	**3.4**
Debt to GBV	<65% [5]	<65%[5]	**55.6%**
Unitholders' Equity (including Class B LP Units)	>$120,000	-	**$171,487**
Debt Service Coverage	>1.35	-	**1.8**
AFFO payout ratio	<100%	-	**84.3%**

(1) $115,925 of this facility matures 5 years from July 22, 2015.

$14,700 of this facility matures 5 years from December 30, 2015.

$12,650 of this facility is revolving, bearing interest at prime + 25 bps or CDOR plus 1.50%, maturing 3 years from July 22, 2015

(2) $58,110 of this facility matures 5 years from July 22, 2015.
$4,400 of this facility is revolving, bearing interest at prime + 25 bps or CDOR plus 1.50%, maturing 5 years from July 22, 2015
(3) The calculations of these ratios, which are non-IFRS measures, are set out under "Financing Metrics and Debt Covenants" below.
(4) 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.
(5) Including convertible debentures. Excluding convertible debentures, the maximum ratio is 60%.
(6) The debt agreements for Facility 1 and Facility 2, which are available on www.sedar.com, have other covenants that do not directly relate to the REIT's consolidated financial position. Management believes that the REIT is in compliance with all such covenants and with debt agreement covenants for Facility 3 and Facility 4.

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

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

Principal mortgage repayments are as follows:

2016	$4,245
2017	8,577
2018	21,430
2019	20,672
2020	12,847
Thereafter	158,723
Total	$226,494

Management believes that the REIT's liquidity position as at June 30, 2016, which includes approximately $5,450 of undrawn credit facilities and cash on hand of $173, is sufficient to carry out its obligations, discharge liabilities as they come due and fund distributions to Unitholders. Capital requirements in the next three years are low, given that there are no debt maturities during that time and capital expenditure requirements are expected to be insignificant. Capital required for investing activities will be addressed through additional borrowings or issuances of equity as acquisition and development opportunities arise.

Debt Financing

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

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

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

Secured Credit Facilities

Facility 1

A non-revolving loan for $115,925 bearing interest at bankers' acceptance ("BA") rate plus 150 basis points (bps) or Canadian prime rate ("Prime") plus 25 bps, maturing 5 years from July 22, 2015, repayable in equal quarterly principal payments which commenced on December 31, 2015, based on a 25-year amortization. The REIT entered into floating-to-fixed interest rate swaps on August 7, 2015 for terms of 3 to 10 years which resulted in a weighted average effective interest rate of 3.1%.

Facility 1 includes an additional non-revolving loan for $14,700 bearing interest at BA rate plus 150 bps or Prime plus 25 bps, maturing 5 years from December 30, 2015, repayable in equal quarterly principal payments which commenced on March 31, 2016, based on a 25-year amortization. The REIT entered into a floating-to-fixed interest rate swap on December 30, 2015 for a term of 7 years which resulted in a weighted average effective interest rate of 3.17%.

The REIT has a $15,000 revolving Credit Facility bearing interest at Prime plus 25 bps or CDOR plus 1.50% maturing 3 years from July 22, 2015, of which $12,650 was drawn as at June 30, 2016.

Facility 2

A non-revolving loan facility in the amount of $58,110 bearing interest at BA rate plus 150 bps or Prime plus 25 bps, maturing 5 years from July 22, 2015 repayable in monthly blended payments based on a 20-year amortization. The REIT entered into floating-to-fixed interest rate swaps on August 7, 2015 for terms of 3 to 10 years which resulted in a weighted average effective interest rate of 3.1%.

The REIT has a $7,500 revolving Credit Facility bearing interest at Prime plus 25 bps maturing 5 years from July 22, 2015, of which $4,400 was drawn as at June 30, 2016.

Facility 3

A non-revolving loan facility in the amount of $13,667 bearing interest at 3.5% maturing 4 years from July 22, 2015, repayable in monthly blended payments based on a 20-year amortization.

Facility 4

A non-revolving loan facility in the amount of $7,042 bearing interest at 3.22% maturing 5 years from January 14, 2016, repayable in monthly blended payments based on a 20-year amortization.

Financing Fees

As part of the implementation of these Credit Facilities, the REIT incurred financing fees of $689. The amount is accounted for using the effective interest method, $558 remains unamortized as at June 30, 2016.

Hedging Arrangements

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

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

Remaining Term (yrs)	Amount ($000s)	Total Swapped Fixed Rate Debt (%)
2.1	44,160	23.4
4.1	41,460	22.0
6.1	58,897	31.2
9.1	44,218	23.4
5.4	**188,735**	**100.0**

As at June 30, 2016, the fair value of the interest rate swaps was a net financial liability of $7,114.

Unitholder’s Equity (including Class B LP Units)

Unitholders’ equity consists of two classes described below:

REIT Units

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

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

Holders of REIT Units are entitled to receive distributions from the REIT (whether of net income, net realized capital gains or other amounts) if, as and when declared by the Board. Upon the termination or winding-up of the REIT, holders of REIT Units will participate equally with respect to the distribution of the remaining assets of the REIT after payment of all liabilities. Such distribution may be made in cash, as a distribution in kind, or both, all as the Board in its sole discretion may determine. REIT Units have no associated conversion or retraction rights. No person is entitled, as a matter of right, to any pre-emptive right to subscribe for or acquire any REIT 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 REIT Unit (subject to certain anti-dilution adjustments), is 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 interest expense and other financing charges. Distributions on the Class B LP Units will be recorded in interest expense and other financing charges in the period in which they become payable.

Distributions

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

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

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

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

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

Financing Metrics and Debt Covenants

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

Calculations of financial metrics and debt covenants		**Six Months ended June 30, 2016**
Net Asset Value		
Investment properties, IFRS value		$ 404,830
Cash, prepaid and other assets		2,536
Accounts payable and accrued liabilities		(2,829)
Credit Facilities and interest rate swaps		(233,050)
Total Net Asset Value		$ **171,487**
REIT Units and Class B LP outstanding (thousands)		18,053
Interest coverage		
Cash NOI		$ 13,080
General and administrative expenses		(1,011)
Income before interest expense and fair value adjustments	(**A**)	$ 12,069
Interest expense and other financing charges	(**B**)	$ 3,601
Interest coverage ratio	(**A/B**)	**3.4X**
Debt to GBV		
Indebtedness outstanding :		
Credit Facilities (excludes deferred financing costs)		$ 226,494
Credit Facilities (excludes deferred financing costs)	(**C**)	$ 226,494
Gross Book Value		
Total assets	(**D**)	407,366
Debt to GBV	**(C/D) X 100**	**55.6%**
Unitholders' Equity & Class B LP Units		
Unitholders' Equity		$ 72,054
Value of Class B LP Units		99,433
Total Unitholders' Equity & Class B LP Units		**171,487**

Calculations of financial metrics and debt covenants		Three Months ended June 30, 2016	Six Months ended June 30, 2016
Debt Service Coverage			
Consolidated net income			$(12,202)
Interest expense and other financing charges			3,601
Distribution expense on Class B LP units			3,993
Amortization of deferred financing costs and indemnity fee			112
Fair value adjustments, net			18,098
EBITDA	**E**		13,602
Principal payments on debt			3,969
Interest payments on debt			3,526
Debt Service	**F**		7,495
Debt Service Ratio	**E/F**		**1.8 X**
AFFO payout ratio			
AFFO	**G**	4,319	8,621
Distributions on REIT Units		1,632	3,264
Distributions on Class B LP Units		1,997	3,993
	H	3,629	7,257
AFFO payout ratio	**H/G X 100**	**84.1%**	**84.3%**

SECTION 7 – QUARTERLY RESULTS OF OPERATIONS

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

Selected Quarterly Information

($ thousands except where otherwise indicated)	**Second Quarter 2016**	First Quarter 2016	Fourth Quarter 2015	Third Quarter 2015 (i)
Number of Properties	**29**	29	28	26
GLA (sq. ft.)	**1,077,810**	1,077,810	1,052,828	958,000
Rental revenue	**8,302**	8,308	7,498	5,801
Net Operating Income	**7,266**	7,235	6,518	5,047
Net Income (loss)	**(2,530)**	(9,672)	15,653	1,972
FFO per unit	**0.269**	0.279	0.247	0.199
AFFO per unit	**0.239**	0.238	0.210	0.171
AFFO payout ratio	**84.1%**	84.5%	95.7%	91.3%
Distribution declared per unit	**0.201**	0.201	0.201	0.156
Units Outstanding including Class B LP units	**18,053,253**	18,053,253	18,053,253	18,053,253
Total assets	**407,366**	407,201	393,839	370,414
Debt to total assets	**55.6%**	55.9%	55.0%	52.4%
Debt service coverage	**1.8x**	1.8x	2.1x	3.7x

(i) Q3 2015 represents, the a period from June 1, 2015 (date of formation) to September 30, 2015.

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

SECTION 8 – RELATED PARTY TRANSACTIONS

The REIT's controlling Unitholder and lead tenant is the Dilawri Group, which, as at June 30, 2016, held an approximate 55% effective interest in the REIT, on a fully-diluted basis, through ownership of all of the issued and outstanding Class B LP Units.

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

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

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

Administration Agreement

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

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

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

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

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

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

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

General and administrative expenses include $350 paid by the REIT to Dilawri pursuant to the Administration Agreement.

Strategic Alliance Agreement

In connection with the IPO, the REIT and the Dilawri Group entered into the Strategic Alliance Agreement which establishes a preferential and mutually beneficial business and operating relationship between the REIT and the Dilawri Group. The Strategic Alliance agreement will be in effect so long as the Dilawri Organization and the applicable transferors of the Initial Properties own, control or direct, in the aggregate, an effective interest of at least 10% (on a fully-diluted basis) in the REIT. The Strategic Alliance Agreement provides, among other things, that (i) subject to certain exceptions, the REIT has the right to purchase any property in Canada or the United States acquired by a member of the Dilawri Group that Dilawri determines, acting reasonably, to be a REIT-Suitable Property (as defined in the Strategic Alliance Agreement), and any property owned by a member of the Dilawri Group that a member of the Dilawri Group develops, redevelops, refurbishes, or repositions into a property that Dilawri determines, acting reasonably, is a REIT-Suitable Property, each on terms (including the terms of the lease pursuant to which the applicable member of the Dilawri Group will lease the relevant property from the REIT) and at prices to be agreed between the REIT and Dilawri, (ii) subject to certain exceptions, Dilawri has a right of first offer to purchase any property owned by the REIT in which a member of the Dilawri Group is a tenant or which the REIT acquired from a member of the Dilawri Group or pursuant to the Strategic Alliance Agreement that the REIT seeks to sell or otherwise dispose of on terms and at prices to be agreed between the REIT and Dilawri, (iii) without the prior written approval of a majority of the REIT's independent Trustees, subject to certain exceptions, Dilawri and its directors and executive officers will not be permitted during the term of the Strategic Alliance Agreement, directly or indirectly, to create another real estate investment trust or publicly-traded real estate business with investment criteria similar to that of the REIT or materially engage (contractually or otherwise) with another real estate investment trust or publicly-traded real estate business with investment criteria similar to that of the REIT, except in the normal course of business to lease or acquire property for use by Dilawri or its directors or executive officers, as applicable, and (iii) during the term of the Strategic Alliance Agreement, neither the REIT nor Dilawri will intentionally solicit any specific tenant of a property that is owned by the other to vacate that property in favour of a property in which it has an ownership or operating interest and that the Dilawri Group will not intentionally solicit any employee of the REIT.

Pursuant to the Strategic Alliance Agreement, the REIT acquired the Toyota Woodland property on December 23, 2015 and the Audi Barrie property on January 14, 2016.

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

SECTION 9 − OUTLOOK

The Canadian automotive retail industry is a large and stable business with a track record of long-term growth. At over 6.0% of Gross Domestic Product ("GDP") in 2015, the automotive retail industry is the largest component of retail sales and merchandise in Canada. Over the last 20 years, Canadian automobile retail sales grew at a compound annual rate of 4.5%. For calendar year 2015, this steady growth has continued, with sales of new automobiles up 2.6% to 1,939,954 units, compared to 1,890,387 units for 2014, which was itself a record year for automobile sales in Canada *(Source: Statistics Canada)*. For the five months ended May 31, 2016, this steady growth continued, with sales of new automobiles up 5% to 812,316 units, compared to 771,714 units for the corresponding period in 2015. *(Source: Statistics Canada)*. Management expects continued steady sales levels for 2016.

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

As the only Canadian real estate investing trust focused on owning automotive dealership properties, the REIT provides a unique opportunity for automotive dealership owners to monetize the real estate underlying their dealerships while retaining ownership and control of their core automotive dealership businesses. This provides them with liquidity to advance their individual strategic objectives, whether it be succession planning, directly investing in upgrading their dealerships, or facilitating acquisitions in this period of industry consolidation. Finally, the REIT has an attractive pipeline of opportunities from Dilawri with a right of first offer to acquire any REIT-suitable properties that Dilawri acquires or develops. The Dilawri Group has two remaining development properties as outlined in the IPO prospectus, representing an aggregate of approximately 75,000 square feet of GLA that it will offer for sale to the REIT upon substantial completion. One of the properties is located in Barrie, Ontario and one is located in Calgary, Alberta. They are currently in various stages of development and it is expected that they will be substantially complete at the end of 2016. If acquired by the REIT, these properties are expected to be 100% leased to the Dilawri Group on substantially the same terms as the Initial Properties.

SECTION 10 – OTHER DISCLOSURES

Commitments and Contingencies

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

The Independent Trustees, means a Trustee who is “independent” pursuant to National Instrument 58-101 — *Disclosure of Corporate Governance Practice.* The Independent Trustees, have approved the REIT’s 2016 budget which includes an increase in the costs payable to Dilawri following the Forecast Period of $70 for the balance of 2016 (or $140 annualized).

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

Within 1 year	$576
After 1 year, but not more than 5 years	2,451
More than 5 years	9,308
Total	$12,335

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.

There have been no changes to the REIT’s ICFR during Q2 2016 that has materially affected, or is reasonably likely to materially affect, the REIT’s ICFR.

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

Consistent with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the REIT has filed certificates on Form 52-109F2.

SECTION 11 – RISKS & UNCERTAINTIES, CRITICAL JUDGEMENTS & ESTIMATES

The risks inherent in the REIT's business are identified in the REIT's Management's Discussion and Analysis for the year ended December 31, 2015 and in its current AIF, all of which remain unchanged at the date of this MD&A and are available at www.sedar.com.

APPENDIX

Property List as at June 30, 2016

Name	Address	City/ Province	Year Built /Renov.	GLA
Properties ***(as at June 30, 2016)***				
1. Dixie Auto Mall				
Dilawri-Owned Auto				
Volkswagen	5500 Ambler Drive	Mississauga, ON	1988/2011	39,209
Nissan	5500 Dixie Road	Mississauga, ON	1988/2001	26,369
Mazda	5500 Ambler Drive	Mississauga, ON	1987/2014	16,713
Infiniti	5500 Ambler Drive	Mississauga, ON	1988/2014	14,592
Mitsubishi	5525 Ambler Drive	Mississauga, ON	1998	8,000
Third Party Auto				
Toyota	5500 Dixie Road	Mississauga, ON	1987	22,078
Honda	5500 Dixie Road	Mississauga, ON	1987	17,735
Kia	5505 Ambler Drive	Mississauga, ON	2002/2006	13,890
Hyundai	5515 Ambler Drive	Mississauga, ON	1998	9,345
Third Party Retail				
Montana's	1495 Aerowood Drive	Mississauga, ON	2001	5,150
Kelsey's	1485 Aerowood Drive	Mississauga, ON	2001	5,000
A&W	1465 Aerowood Drive	Mississauga, ON	1999	4,000
Subway/NY Fries	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	2,200
Enterprise Rent-a-Car	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	2,000
Made in Japan	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	1,875
Dixie Auto Mall Total				**188,156**
2. Markham Honda and Ford				
Dilawri-Owned Auto				
Markham Honda	8220 Kennedy Road	Markham, ON	2004	32,723
Third Party Auto				
Markville Ford Lincoln	8210 Kennedy Road	Markham, ON	1988/2010	39,287
Markham Honda and Ford Total				**72,010**
3. Calgary BMW	34 Heritage Meadows Road S.E.	Calgary, AB	2007	87,724
4. Calgary Honda	11700 Lake Fraser Dr S.E.	Calgary, AB	2005	43,511
5. Triple 7 Chrysler	700 Broad Street	Regina, SK	1959/2011	40,957

6. Porsche Centre Vancouver	688 Terminal Avenue	Vancouver, BC	2013	39,790
7. Frost Chevrolet Buick GMC Cadillac	150 Bovaird Drive West	Brampton, ON	2013	35,504
8. Honda Used Car and Regina Collision Centre	815 Broad Street	Regina, SK	2012/2015	32,457
9. Oakville Honda	500 Iroquois Shore Road	Oakville, ON	2003/2006	33,334
10. Markham Acura	5201 Highway 7 E	Markham, ON	2002	32,025
11. Regina Honda/Acura	789 Broad Street	Regina, SK	2003/2015	30,900
12. Agincourt Mazda	5500 Finch Avenue E	Toronto, ON	2005	30,788
13. Dilawri Nissan Infiniti	1775 5th Avenue	Regina, SK	1998/2015	30,864
14. Audi Sales Downtown Vancouver	1788 West 2nd Avenue	Vancouver, BC	2013	29,300
15. Meadowvale Honda	2210 Battleford Road	Mississauga, ON	2007	28,039
16. Burrard Acura(1)	730 Terminal Avenue	Vancouver, BC	2015	27,640
17. Langley Acura(1)	20257 Langley Bypass	Langley, BC	2015	26,448
18. Distinctive Collection	150 Glendeer Circle S.E.	Calgary, AB	1988/2008	24,367
19. Bolton Toyota	12050 Albion Vaughan Road	Bolton, ON	2004	22,741
20. Hyundai Gallery	11770 Lake Fraser Dr S.E.	Calgary, AB	2006	22,185
21. North Vancouver Nissan Infiniti	819 Automall Drive	N. Vancouver, BC	1992/2002	19,050
22. Regina Hyundai	444 Broad Street	Regina, SK	2005	18,204
23. Dilawri BMW	1919 1st Avenue	Regina, SK	1997	12,456
24. Infiniti Vancouver	1718 West 3rd Avenue	Vancouver, BC	1999	11,722
25. 1921 1st Avenue *(formerly Dilawri Acura)*	1921 1st Avenue	Regina, SK	1997	11,390
26. Dilawri Mitsubishi	1750 6th Avenue	Regina, SK	1993/2003	6,750
27. Toyota Woodland	1000-1009 Woodland Avenue	Montreal, QC	2007/2008	49,737
28. Porsche Centre 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
Portfolio Total				**1,077,810**

Notes:

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

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

Automotive Properties Real Estate Investment Trust
Condensed Consolidated Interim Financial Statements

For the period ended June 30, 2016

Condensed Consolidated Interim Balance Sheet
(Unaudited)

(in thousands of Canadian dollars)	**Note**	**As at June 30, 2016**	**As at December 31, 2015**
ASSETS			
Cash and cash equivalents		$173	$1,769
Prepaid expenses and other assets	**4**	2,363	2,420
Investment properties	**3**	404,830	389,650
Total assets		**$407,366**	**$393,839**
LIABILITIES AND UNITHOLDERS' EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	**6**	$2,829	$4,319
Credit facilities	**5**	225,936	215,878
Interest rate swaps	**5**	7,114	4,172
Class B LP Units	**8**	99,433	81,950
Total liabilities		335,312	306,319
Unitholders' equity		72,054	87,520
Total liabilities and unitholders' equity		**$407,366**	**$393,839**

See accompanying notes to the condensed consolidated interim financial statements.

Approved on behalf of the Board of Trustees

"Janet Graham"

Janet Graham
Trustee, Audit Committee Chair

"John Morrison"

John Morrison
Trustee, Lead Independent

Condensed Consolidated Interim Statement of Income (Loss) and Comprehensive Income (Loss) (Unaudited)

(in thousands of Canadian dollars)	**Note**	**Three months ended June 30, 2016**	**Six months ended June 30, 2016**
Net Property Income			
Rental revenue from investment properties		$8,302	$16,609
Property costs		(1,036)	(2,108)
Net Operating Income		7,266	14,501
Other Income (Expenses)			
General and administrative expenses		(600)	(1,011)
Interest expense and other financing charges		(1,805)	(3,601)
Fair value adjustment on interest rate swaps	**12**	(617)	(2,942)
Distribution expense on Class B LP Units	**7**	(1,997)	(3,993)
Fair value adjustment on Class B LP Units	**8**	(5,066)	(17,483)
Fair value adjustment on investment properties	**12**	289	2,327
Net Income (Loss) and Comprehensive Income (Loss)		**$(2,530)**	**$(12,202)**

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Interim Consolidated Statement of Changes in Unitholders' Equity (Unaudited)

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

	Note	Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at June 1, 2015		**$—**	**$—**	**$—**	**$—**
Issuance of Units in connection with IPO	**8**	66,966	—	—	66,966
Over-allotment Issuance of Units	**8**	5,828	—	—	5,828
Net income		—	17,625	—	17,625
Distributions		—	—	(2,899)	(2,899)
Unitholders' Equity at December 31, 2015		**$72,794**	**$17,625**	**$(2,899)**	**$87,520**

For the period from January 1, 2016 to June 30, 2016
(in thousands of Canadian dollars)

	Note	Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at January 1, 2016		**$72,794**	**$17,625**	**$(2,899)**	**$87,520**
Net income (loss)		—	(12,202)	—	(12,202)
Distributions	**7**	—	—	(3,264)	(3,264)
Unitholders' Equity at June 30, 2016		**$72,794**	**$5,423**	**$(6,163)**	**$72,054**

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flow (Unaudited)

(in thousands of Canadian dollars)

	Note	Six months ended June 30, 2016
OPERATING ACTIVITIES		
Net income (loss)		$(12,202)
Straight-line rent		(1,421)
Fair value adjustment on interest rate swaps		2,942
Distributions expense on Class B LP Units		3,993
Fair value adjustment on Class B LP Units		17,483
Fair value adjustment on investment properties		(2,327)
Amortization of financing fees		75
Change in non-cash operating accounts	9	(1,433)
Cash provided by (used in) operating activities		**7,110**
INVESTING ACTIVITIES		
Investment properties:		
Acquisition of investment properties		(11,130)
Acquisition costs		(302)
Cash provided by (used in) investing activities		**(11,432)**
FINANCING ACTIVITIES		
Proceeds from Credit Facilities		14,000
Principal repayment on Credit Facilities		(3,969)
Financing fees paid		(48)
Distributions to REIT unitholders and Class B LP unitholders		(7,257)
Cash provided by (used in) financing activities		**2,726**
Net increase (decrease) in cash and cash equivalents during the period		(1,596)
Cash and cash equivalents, beginning of period		1,769
Cash and cash equivalents, end of period		**173**

See accompanying notes to the condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS

Automotive Properties Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust existing pursuant to a declaration of trust dated June 1, 2015, as amended and restated on July 22, 2015 (the "Declaration of Trust") under, and governed by, the laws of the Province of Ontario. In connection with the formation of the REIT, one trust unit of the REIT (each, a "Unit") was issued for $10.00 in cash on June 1, 2015 and subsequently redeemed for $10.00 in cash. From June 1, 2015 to July 22, 2015 the REIT had no operations or activity other than holding $10.00 cash and an equivalent amount of equity. The principal, registered and head office of the REIT is located at 133 King Street East, Suite 300, Toronto, Ontario M5C 1G6.

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

The REIT was formed primarily to own income-producing automotive dealership properties located in Canada. In connection with the completion of the REIT's initial public offering on July 22, 2015 (the "IPO"), the REIT indirectly acquired a portfolio of 26 commercial properties from certain members of the Dilawri Group (the "Initial Properties"). The REIT currently owns a portfolio of 29 commercial properties, including the Initial Properties, located in Ontario, Saskatchewan, Alberta, British Columbia and Quebec, totaling approximately 1.1 million square feet of gross leasable area. Out of the 29 properties, 26 are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while two of the other three 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). The remaining investment property is exclusively occupied by a third party tenant for use as two automotive dealerships. On January 14, 2016, the REIT acquired a dealership property located near Barrie, Ontario pursuant to the Strategic Alliance Agreement entered into with Dilawri at the closing of the IPO and leased it to a Dilawri Tenant (as defined below). The subsidiaries of the REIT included in the REIT's consolidated financial statements include the Partnership and Automotive Properties REIT GP Inc. At the time of the acquisition of each applicable investment property, the REIT entered into a lease with the applicable member of the Dilawri Group (collectively, the "Dilawri Tenants") in respect of each of the 28 investment properties occupied by the Dilawri Group. As such, the Dilawri Tenants are the REIT's major tenant.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The unaudited condensed consolidated interim financial statements of the REIT are prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed consolidated interim financial statements should be read in conjunction with the REIT's 2015 audited annual consolidated financial statements and the accompanying notes. These condensed consolidated interim financial statements do not include all the information required for full financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT (the "Board") and authorized for issuance on August 8, 2016.

(b) Basis of Presentation

The condensed consolidated interim 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 3;
- interest rate swaps as described in note 5; and
- Class B LP Units which are exchangeable for Units at the option of the holder as described in note 8.

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

(c) Basis of Consolidation

The condensed consolidated interim 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) Future accounting standards

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

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

In January 2016, the IASB issued IFRS 16 — Leases ("IFRS 16") which replaces IAS 17 — Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The REIT is assessing the impact of this standard.

3. INVESTMENT PROPERTIES

	June 30, 2016	December 31, 2015
Balance, beginning of period	$389,650	$—
Acquisition of Initial Properties	—	357,742
Subsequent acquisitions	11,432	30,846
Fair value adjustment on investment properties	2,327	(94)
Straight-line rent	1,421	1,156
Balance, end of period	**$404,830**	**$389,650**

Investment property acquisition – Audi Barrie

On January 14, 2016, the REIT acquired the real estate underlying the Audi Barrie dealership located in Innisfil, Ontario, for approximately $11,100 from a member of the Dilawri Group and leased it to a Dilawri Tenant. The purchase price was supported by an independent valuation. Audi Barrie is newly constructed and is an approximately 25,000 square foot automotive dealership located on 3.1 acres. Audi Barrie was one of the three development properties owned by the Dilawri

Group at the time of the IPO. Pursuant to the Strategic Alliance Agreement, the property was offered for purchase to the REIT by the Dilawri Group.

Investment properties	$11,130
Purchase consideration:	
Cash sourced from credit facility	11,130
Total consideration paid	$11,130

The REIT incurred transaction costs of $302 related to the above mentioned investment property acquisition.

Valuation of Investment Properties

The REIT assessed the valuation of the investment properties using an income approach whereby a current capitalization rate was applied to the projected net operating income which a property can reasonably be expected to produce. In determining the fair value, the REIT considers various market evidence, including market information, and reviewing the results with a nationally recognized independent appraiser on a quarterly basis. The $2,327 fair value gain recognized in the first half of 2016 is due to the contractual rent increases over the next 12 months and a decrease in capitalization rates for the Vancouver market. The overall implied capitalization rate applicable to the entire portfolio remained at 6.5% which is consistent with the REIT's overall assessment as at December 31, 2015.

A 25 basis point decrease or increase in capitalization rates would result in an increase or decrease in the fair value of investment properties of approximately $16,000.

4. PREPAID EXPENSES AND OTHER ASSETS

	June 30, 2016	December 31, 2015
Prepaid indemnity fee	$930	$967
Recoverable land transfer taxes(i)	896	896
Prepaid other	537	557
	$2,363	$2,420

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

5. CREDIT FACILITIES

(a) Credit Facilities payable consists of:

	June 30, 2016	December 31, 2015
Facility 1(i)	$143,275	$143,515
Facility 2(ii)	62,510	59,074
Facility 3(iii)	13,667	13,874
Facility 4(iv)	7,042	—
Total Facilities	$226,494	$216,463
Financing fees(v)	(558)	(585)
	$225,936	$215,878

(i) A non-revolving loan for $115,925 (December 31, 2015 - $118,315) bearing interest at the bankers' acceptance ("BA") rate plus 150 basis points (bps) or Canadian prime rate ("Prime") plus 25 bps, maturing 5 years from July 22, 2015, repayable in equal quarterly principal payments which commenced on December 31, 2015, based on a 25 year amortization. The REIT entered into floating-to-fixed interest rate swaps on August 7, 2015 for terms of 3 to 10 years which resulted in a weighted average effective interest rate of 3.1%.

Facility 1 includes an additional non-revolving loan for $14,700 (December 31, 2015 - $15,000) bearing interest at the BA rate plus 150 bps or Prime plus 25 bps, maturing 5 years from December 30, 2015 repayable in equal quarterly principal payments which commenced on March 31, 2016, based on a 25 year amortization. The REIT entered into a floating-to-fixed interest rate swap on December 30, 2015 for a term of 7 years which resulted in a weighted average effective interest rate of 3.17%.

The REIT has a $15,000 revolving Credit Facility bearing interest at Prime plus 25 bps or CDOR plus 1.50% maturing 3 years from July 22, 2015, of which $12,650 was drawn at June 30, 2016 (December 31, 2015 - $10,200).

(ii) A non-revolving loan in the amount of $58,110 (December 31, 2015 - $59,074) bearing interest at the BA rate plus 150 bps or Prime plus 25 bps, maturing 5 years from July 22, 2015 repayable in monthly blended payments based on a 20 year amortization. The REIT entered into floating-to-fixed interest rate swaps on August 7, 2015 for terms of 3 to 10 years which resulted in a weighted average effective interest rate of 3.1%.

The REIT has a $7,500 revolving Credit Facility bearing interest at Prime plus 25 bps maturing 5 years from July 22, 2015, of which $4,400 was drawn at June 30, 2016 (December 31, 2015 – no drawn balance).

(iii) A non-revolving loan in the amount of $13,667 (December 31, 2015 - $13,874) bearing interest at 3.5% maturing 4 years from July 22, 2015 repayable in monthly blended payments based on a 20 year amortization.

(iv) A non-revolving loan in the amount of $7,042 bearing interest at 3.22% maturing 5 years from January 14, 2016 repayable in monthly blended payments based on a 20 year amortization.

(v) As part of the implementation of these Credit Facilities, the REIT incurred financing fees of $689. The amount is accounted for using the effective interest method, $558 (December 31, 2015 - $585) remains unamortized at June 30, 2016.

The Credit Facilities described above (the "Credit Facilities") are secured by the REIT's investment properties, excluding the Toyota Woodland property, located in Montreal, Quebec.

Principal repayments are as follows:

Remainder of 2016	$4,245
2017	8,577
2018	21,430
2019	20,672
2020	12,847
Thereafter	158,723
Total	$226,494

(b) Interest Rate Swaps

The REIT entered into interest rate derivative contracts to limit its exposure to fluctuations in the interest rates payable on its variable rate financings. Gains or losses arising from changes in the fair value of the interest rate derivative contracts are recognized in the consolidated statements of income (loss) and comprehensive income (loss) (terms described in Note 5(a)(i) and (ii) above).

As at June 30, 2016, the notional principal amount of the interest rate swaps was $188,735 (December 31, 2015 - $192,389) and the fair value of the interest rate swaps was a financial liability of $617 and $7,114 for the period of three and six months ended June 30, 2016 (December 31, 2015 - $4,172).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	June 30, 2016	December 31, 2015
Accounts payable and accrued liabilities	$1,400	$2,914
Accrued interest	220	196
Distributions payable (Note 7)	1,209	1,209
	$2,829	$4,319

7. DISTRIBUTIONS

	June 30, 2016			December 31, 2015
	Units	Class B LP Units	Total	Total
Paid in Cash	$2,720	$3,328	$6,048	$5,236
Payable as at period end	544	665	1,209	1,209
	$3,264	$3,993	$7,257	$6,445

8. UNITHOLDERS' EQUITY, CLASS B LP UNITS And UNIT-BASED COMPENSATION

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 holders of Units) or other amounts and, in the event of the termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. All 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 Units ("Unitholders") and holders of Special Voting Units (as defined below) or in respect of any written resolution thereof.

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

Class B LP Units

In conjunction with the IPO, and as partial consideration for the Initial Properties, the REIT, through the Partnership, issued Class B LP Units to certain members of the Dilawri Group. Each Class B LP Unit is exchangeable at the option of the holder for one Unit (subject to certain anti-dilution adjustments), is accompanied by a special voting unit (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 period ended June 30, 2016

	Units	Amount
Units, beginning of period	8,120,000	$72,794
Total Units, end of period	**8,120,000**	**$72,794**
Class B LP Units, beginning of period	9,933,253	$81,950
Fair value adjustment on Class B LP Units	—	17,483
Total Class B LP Units, end of period	**9,933,253**	**$99,433**
Total Units and Class B LP Units, end of period	**18,053,253**	**$172,227**

For the period ended December 31, 2015

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

Equity Incentive Plan

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

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

Since the Units are redeemable at the option of the holder and are, therefore, considered puttable instruments in accordance with IAS 32, "Financial instruments: presentation", any DUs and IDUs are accounted for as a liability because the Participants' rights to receive a puttable instrument is a cash-settled share-based payment under IFRS 2, "Share-based payments”. 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 period ended June 30, 2016, the REIT accrued an estimate for short-term incentive awards of $186 which will eventually be settled by the granting of DUs.

9. OTHER CASH FLOW INFORMATION

June 30, 2016	
Changes in non-cash operating accounts	
Prepaid expenses and other assets	$57
Accounts payable and accrued liabilities	(1,490)
Change in non-cash operating accounts	$(1,433)
Supplemental Cash Flow Information	
Interest paid on Credit Facilities	$3,526
(Total interest and financing charges $3,601)	

10. SEGMENT INFORMATION

All of the REIT’s assets and liabilities are in, and its revenues are derived from, the Canadian real estate industry segment. The REIT’s investment properties are, therefore, considered by management to have similar economic characteristics. The Dilawri Tenants are the REIT’s major tenant.

11. CAPITAL MANAGEMENT

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

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

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

The REIT has certain key financial covenants in its Credit Facilities, including debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are measured by the REIT on an ongoing basis to ensure compliance with the agreements. As at June 30, 2016, the REIT was in compliance with each of the covenants under these agreements.

12. FAIR VALUES AND FINANCIAL INSTRUMENT RISK MANAGEMENT

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

The following table provides the classification and measurement of financial assets and liabilities as at June 30, 2016:

	Fair value through profit or loss	**Loans and receivables / other financial liabilities**		**Total**	**Total**
Measurement basis	(Fair value)	(Amortized cost)	(Fair value)	(Carrying value)	(Fair value)
Financial Liabilities					
Credit Facilities	$—	$225,936	$226,494	$225,936	$226,494
Interest rate swaps	7,114	—	—	7,114	7,114
Class B LP Units	99,433	—	—	99,433	99,433
	$106,547	**$225,936**	**$226,494**	**$332,483**	**$333,041**

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

	Fair value through profit or loss	**Loans and receivables / other financial liabilities**		**Total**	**Total**
Measurement basis	(Fair value)	(Amortized cost)	(Fair value)	(Carrying value)	(Fair value)
Financial Liabilities					
Credit Facilities	$—	$215,878	$216,463	$215,878	$216,463
Interest rate swaps	4,172	—	—	4,172	4,172
Class B LP Units	81,950	—	—	81,950	81,950
	$86,122	**$215,878**	**$216,463**	**$302,000**	**$302,585**

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

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

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

(i) Investment Properties

Investment properties are included in the Condensed Consolidated Interim Balance Sheets at their fair value. Valuations are completed by using an income approach whereby a current capitalization rate is applied to the net operating income which the property can reasonably be expected to produce over its remaining economic life of improvements (Level 3).

(ii) Credit facilities

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

(iii) Interest rate swaps

The fair value of an interest rate swap is determined using rates unobservable in the market (Level 2).

(iv) Class B LP Units

The fair value of the Class B LP Unit is based on the traded value of the Unit (Level 1).

(b) Financial Risk Management

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

Market Risk

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

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

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

Liquidity Risk

Liquidity risk arises from the possibility of not having sufficient capital available to the REIT. Mitigation of liquidity risk is discussed above in Note 11 - Capital Management. A significant portion of the REIT's assets have been pledged as security under the related Credit Facilities.

13. COMMITMENTS AND CONTINGENCIES

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

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

Within 1 year	$576
After 1 year, but not more than 5 years	2,451
More than 5 years	9,308
Total	$12,335

14. RELATED PARTY TRANSACTIONS

The REIT was formed primarily to own income-producing automotive dealership properties located in Canada. In connection with the closing of the IPO on July 22, 2015, the REIT indirectly acquired the Initial Properties from affiliates of Dilawri, for use as automotive dealerships, an automotive repair facility, or complementary uses, including restaurants and leased these properties to Dilawri Tenants. On December 23, 2015, the REIT acquired a dealership property located in Montreal, Quebec from a third party pursuant to the Strategic Alliance Agreement entered into with Dilawri at the closing of the IPO and leased it to a Dilawri Tenant. On January 14, 2016, the REIT acquired a dealership property located near Barrie, Ontario from a member of the Dilawri Group pursuant to the Strategic Alliance Agreement entered into with Dilawri at the closing of the IPO and leased it to a Dilawri Tenant. The REIT's independent trustees approve all related party acquisitions which are required to comply with the Toronto Stock Exchange regulatory requirements. Pursuant to the Administration Agreement, Dilawri will provide, or cause to be provided, if and as requested by the REIT, subject to the overriding supervision and direction of the Board, management consisting of the REIT's President and Chief Executive Officer, Chief Financial Officer and Corporate Secretary and operating and administrative support functions. The Administration Agreement is for a 5 year term and will be automatically renewed for one year terms. Services are provided under the Administration Agreement on a cost-recovery basis.

General and administrative expenses include $350 paid by the REIT to Dilawri pursuant to the Administration Agreement.

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

In addition, the REIT paid Dilawri $1,800 in respect of recoverable land transfer taxes associated with the acquisition of the Initial Properties that may become payable by Dilawri over the 3 years following closing of the IPO. Subsequently this amount was adjusted to $896 (Note 4) and the remaining balance of $904 was paid back to the REIT from Dilawri.

In connection with the IPO, the REIT and Dilawri entered into the Strategic Alliance Agreement which established a preferential and mutually beneficial business and operating relationship between the REIT and Dilawri. The Strategic Alliance Agreement will be in effect so long as Dilawri and certain other entities related to Dilawri own, control or direct, in the aggregate, an effective interest of at least 10% in the REIT (on a fully-diluted basis). The Strategic Alliance Agreement provides the REIT with the first right to purchase REIT-Suitable Properties (as defined in the Strategic Alliance Agreement) in Canada or the United States acquired or developed by the Dilawri Group. The purchase price in respect of a REIT-Suitable Property will be mutually agreed by the REIT and Dilawri at the applicable time. Pursuant to the Strategic Alliance Agreement, the REIT acquired the Montreal, Quebec property on December 23, 2015 and the Barrie, Ontario property on January 14, 2016.