Automotive Properties REIT

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2015 THIRD QUARTER REPORT


Q3 2015

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To Our Unitholders:

It is a pleasure to report to you on Automotive Properties Real Estate Investment Trust's initial period as a publicly traded REIT. The successful completion of our Initial Public Offering (IPO) during the volatile market conditions in the early summer of 2015 was a strong endorsement of both our strategy to own and invest in the real estate underlying high-quality automotive dealerships in strategic Canadian markets, and the stability of our cash flows to support unitholder distributions.

We completed the IPO on July 22, 2015 and commenced trading on the Toronto Stock Exchange on that day. Since the REIT had no prior operations, the financial results reported herein are for the 71-day period from July 22, 2015 to September 30, 2015. To enhance context for unitholders, our financial results for the 71-day period are compared to the Adjusted Financial Forecast as presented in the accompanying Management's Discussion and Analysis (MD&A). The Financial Forecast in the REIT's IPO prospectus dated July 10, 2015 assumed a full three months of operations for the period ended September 30, 2015 and has therefore been adjusted in the MD&A to provide the best possible comparison with the actual 71-day period.

In conjunction with the IPO, we acquired a portfolio of 26 retail automotive properties encompassing approximately 958,000 square feet of gross leasable area located in the Greater Vancouver Area, Calgary, Regina and the Greater Toronto Area for a purchase price of $357.7 million. These properties comprised 100% of the REIT's income producing real estate assets during the period. To ensure that the REIT's debt has both an attractive term and rate, we completed a hedging program related to our $193.8 million in Credit Facilities, securing an effective term to maturity of 6.1 years and an effective weighted average interest rate of 3.15%.

I am pleased to report that the REIT's Property Revenue of $5.8 million, Net Operating Income (NOI) of $5.0 million, Cash NOI of $4.5 million, Funds from Operations of $3.6 million and Adjusted Funds from Operations (AFFO) of $3.1 million for the 71-day period were all in-line with our projections in the Adjusted Forecast.

The REIT paid an initial cash distribution of $0.089 per unit for the initial period from July 22, 2015 to August 31, 2015 and declared a monthly distribution of $0.067 per unit for September. The REIT expects to continue paying monthly distributions at the $0.067 per unit rate going forward. The REIT's AFFO payout ratio of 91.3% for the 71-day period was also in line with the Adjusted Forecast.

Management of the REIT is now focused on building our acquisition pipeline. We're targeting prime dealership properties with cash flow stability in strategic markets across Canada that can enhance our brand, dealer owner and geographic diversification. The Canadian automotive dealership industry is highly fragmented, with the top 10 dealership groups in aggregate comprising less than 10% of the overall market. More than 3,100 automobile dealerships fall outside this group and consolidation is underway, driven by the increasing sophistication of the auto dealership business, growing capital requirements and the benefits of economies of scale. As the only Canadian REIT focused on automotive real estate, we provide dealership owners with a unique opportunity to monetize the real estate underlying their dealerships while retaining ownership and control of their core businesses.

On behalf of the Board of Trustees, management and staff of Automotive Properties REIT, I thank you for your confidence and support. I look forward to reporting to you on our progress going forward.

Best regards,

Milton Lamb
President and Chief Executive Officer

Automotive Properties Real Estate Investment Trust

Management's Discussion and Analysis

For the period from July 22, 2015 to September 30, 2015

Table of Contents

SECTION 1 – GENERAL INFORMATION AND CAUTIONARY STATEMENTS

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Automotive Properties Real Estate Investment Trust (the "REIT") is intended to provide readers with an assessment of the performance of the REIT for the period from July 22, 2015 to September 30, 2015 (the "71-day period"). The REIT commenced operations on July 22, 2015 upon completion of its Initial Public Offering ("IPO"). For practical purposes, this MD&A discusses the results of operations for the 71-day period, as prior thereto the REIT generated no revenue and incurred no expenses. As described in this MD&A, the REIT's financial forecast that was included in its IPO prospectus (the "Financial Forecast") has been adjusted herein to reflect the REIT's operations for the 71-day period. This MD&A also outlines the REIT's capital structure, operating strategies and business outlook. All dollar amounts in this MD&A are presented in thousands of Canadian dollars, except per Unit amounts, unless otherwise noted.

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

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

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

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

Concurrent with the acquisition of the Initial Properties, the REIT entered into leases with the applicable members of the Dilawri Group pertaining to the entirety of the Initial Properties, including the two properties that are partially occupied by third parties. Portions of the properties occupied by entities unrelated to Dilawri were subleased by Dilawri to these third party tenants. Consequently, the Dilawri Group is currently the REIT's only tenant and is expected to be its most significant tenant for the foreseeable future, with members of the Dilawri Group occupying 87% of the REIT's GLA (as defined below) and third parties occupying the remainder pursuant to the subleases. For the 71-day period ended September 30, 2015, the rent from the portions of the properties occupied by the Dilawri Group represented approximately 88% of the REIT's Cash NOI (as defined below). The initial terms of the leases with the applicable members of the Dilawri Group (the "Dilawri Leases") range from 11 to 19 years, with a Cash NOI weighted average lease term of approximately 15 years. The weighted average annual base rent payable under the Dilawri Leases for the first year is $25.01 per square foot.

The REIT is externally administered by Dilawri pursuant to the Administration Agreement. The REIT also entered into the Strategic Alliance Agreement with Dilawri which 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 should be read in conjunction with the unaudited interim consolidated financial statements of the REIT and accompanying notes for the 71-day period ended September 30, 2015. Further information about the REIT can be found in the REIT’s IPO prospectus dated July 10, 2015 (the “IPO Prospectus”) in respect of its initial public offering of REIT Units. The IPO Prospectus along with other information about the 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.

This MD&A is dated as at November 9, 2015.

Forward Looking Statements

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

- the REIT’s relationship with the Dilawri Group, Dilawri’s shareholders and certain other related persons and entities (collectively, the “Dilawri Organization”), including in respect of (i) the Dilawri Organization’s retained interest in the REIT and its current intention with respect thereto, (ii) the services to be provided to the REIT (whether directly or indirectly) by Dilawri pursuant to the Administration Agreement, (iii) expected transactions to be entered into between Dilawri and the REIT (including the REIT’s acquisition of certain interests in properties held by the Dilawri Group); (iv) substantial completion of the Development Properties (as defined below) and occupancy and leasing arrangements relating thereto; and (v) the Strategic Alliance Agreement;
- the REIT’s intention with respect to, and ability to execute, its external and internal growth strategies;
- the maintenance by the REIT of a strong balance sheet and prudent financial management and the associated minimization of financial risk;
- the REIT representing a unique alternative for automotive dealership operators considering a monetization or recapitalization of their business;
- the REIT’s capital expenditure requirements and capital expenditures to be made by the REIT and the Dilawri Group;
- the REIT’s distribution policy and the distributions to be paid to Unitholders;
- the REIT’s debt strategy;
- the REIT’s access to available sources of debt and/or equity financing;
- the REIT’s ability to meet its stated objectives;
- the REIT’s ability to expand its asset base and make accretive acquisitions;
- the percentage of cash distributions to be paid to Unitholders that will be tax deferred;
- the ability of the REIT to continue to qualify as a “mutual fund trust” and as a “real estate investment trust”, as defined in the *Income Tax Act* (Canada) (the “ITA”);

- the reduction in the scope of services to be provided to the REIT under the Administration Agreement and the transition by the REIT to directly employing its senior management.

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

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

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 on which the statements are made in this MD&A. Except as required by law, the REIT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Non-IFRS Measures

The REIT prepares its financial statements according to International Financial Reporting Standards ("IFRS") as prescribed by CPA Canada. 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") and cash net operating income ("Cash NOI"), 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 and Cash NOI are important measures of operating performance of real estate businesses and properties. The IFRS measurement most directly comparable to FFO, AFFO, NOI and Cash NOI 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.

“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, (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 and tenant deposits, and (C) REIT Units and Class B LP Units, exchangeable securities and other equity securities that constitute debt under IFRS do not constitute Indebtedness.

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

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

SECTION 2 – OVERVIEW, STRATEGY AND OBJECTIVES

Overview

The REIT is an unincorporated, open-ended real estate investment trust, offering exposure to a unique real estate asset class. The REIT's portfolio consists of 26 retail automotive dealership properties on 88 acres located in the Greater Vancouver Area ("GVA"), Calgary, Regina and the Greater Toronto Area ("GTA") which were acquired in conjunction with the IPO. The Initial Properties encompass approximately 958,000 square feet of gross leasable area ("GLA"), and are occupied by retail automotive dealerships, service centres and ancillary businesses. The REIT's automotive dealership business tenants represent the largest, most recognizable global automotive brands ranging from mass market vehicle brands through to the ultra-luxury segment, with a focus on European and Asian brands. The REIT Units are listed on the Toronto Stock Exchange under the symbol "APR.UN".

Canada's automotive retail industry is characterized by strong industry fundamentals. According to Statistics Canada, at over 6.0% of gross domestic product in 2014, the automotive retail industry then represented the largest component of retail sales and merchandise in Canada. Industry sales totaled a record $120 billion in 2014, representing 24% of Canada's overall retail sales of products and merchandise. The table below illustrates new automobile sales in Canada for the first eight months of 2015, highlighting an increase of 2.5%.

August YTD Automobile Sales (number of vehicles) by Canadian Province

	Eight Months Ended August 31,			
	2015	YoY Unit increase / decrease	YoY % increase / decrease	2014
Alberta	**165,333**	**(19,678)**	**-10.6%**	**185,011**
British Columbia and the Territories	**142,473**	**9,965**	**+7.5%**	**132,508**
Manitoba	38,220	(726)	-1.9%	38,946
New Brunswick	30,566	837	+2.8%	29,729
Newfoundland and Labrador	24,099	(384)	-1.6%	24,483
Nova Scotia	37,875	464	+1.2%	37,411
Ontario	**524,263**	**26,963**	**+5.4%**	**497,300**
Prince Edward Island	5,449	172	+3.3%	5,277
Quebec	309,301	16,714	+5.7%	292,587
Saskatchewan	**37,019**	**(2,311)**	**-5.9%**	**39,330**
Total Canada	**1,314,598**	**32,016**	**+2.5%**	**1,282,582**

(Source: Statistics Canada)

The REIT's only tenant is the Dilawri Group, the largest automotive dealership group in Canada. Building on a strong track record of development and active management, revenues of the Dilawri Group were approximately $1.9 billion over the 12 month period from October 1, 2014 to September 30, 2015 (the "LTM"), compared to approximately $1.6 billion in 2014. The Dilawri Leases are structured as triple-net leases under which the tenant is responsible for all costs relating to repair and maintenance, realty taxes, property insurance, utilities and all non-structural capital improvements. The REIT's portfolio has a weighted average lease term of 14.8 years and the individual dealerships' rental obligations are indemnified by Dilawri. The leases also include a fixed rent escalator of 1.5% per annum, which translates to an approximate 2.4% increase in AFFO per annum.

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 primary objectives of the REIT are to:

- provide Unitholders with stable, predictable and growing monthly cash distributions on a tax-efficient basis;
- maximize long-term Unitholder value by enhancing the value of the REIT's assets; and
- expand the REIT's asset base in a manner that is accretive to AFFO per Unit.

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 leverage its strategic arrangement with the Dilawri Group to acquire properties from the Dilawri Group that meet the REIT's investment criteria. The REIT also expects to be well-positioned to capitalize on significant acquisition opportunities presented by third parties due to the fragmented nature of the automotive dealership market. 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.

Strengths and Investment Highlights

Management believes that the following describes the key strengths and investment highlights of the REIT and the Initial Properties.

Opportunity to Gain Exposure to a Unique Real Estate Asset Class

The REIT provides a unique opportunity to invest in automotive dealership properties, which typically consist of well-located properties in urban areas that are specifically zoned for automotive retail use. Management believes that automotive dealership properties are a defensive asset class, as they are a strategic and fundamental part of the automotive manufacturers' brand and distribution network. In management's experience, automotive manufacturers tend to actively monitor the operations of their respective automotive dealerships and help facilitate the success and viability of the dealership locations.

Automotive Dealership Properties Benefit from Strong Underlying Fundamentals

Canadian automotive dealerships benefit from strong underlying fundamentals. In 2014, the Canadian automotive retail industry generated sales of approximately $120 billion, representing approximately 23.8% of Canada's overall retail sales of products and merchandise. From 2010 to 2014, automotive retail sales increased at a compound annual growth rate of 5.9%, with 2014 being a record year for automotive retail sales in Canada, representing an increase of 7.6% over 2013 *(Source: Statistics Canada)*. Automotive dealerships have demonstrated stable profitability margins over the past 10 years — since 2005, the weighted average gross profit margin for the publicly listed automotive dealerships groups in North America has averaged 15.8% and has remained within a band ranging from 15.3% to 17.1% over that period. (*Source: weighted average of the gross profit margins for AutoCanada Inc., AutoNation Inc., Penske Automotive Group Inc., Group 1 Automotive Inc., Sonic Automotive Inc., Asbury Automotive Group Inc., Lithia Motors, Inc. and CarMax Inc., based on management's review of publicly available information.)*

Portfolio of High-Quality and Strategically Located Automotive Dealership Properties

The REIT's initial portfolio consists of 26 high-quality properties representing approximately 958,000 square feet of GLA located in the provinces of Ontario, Saskatchewan, Alberta and British Columbia. The majority of the GLA (98%) is used for automotive dealerships or automotive repair facilities, with the remaining GLA (2%) used for complementary retail operations, including restaurants operated by third parties not affiliated with the Dilawri Group. The Initial Properties are strategically located in urban areas within four major metropolitan centres in Canada; namely, the GTA (46% of GLA), Regina (19% of GLA), Calgary (19% of GLA) and the GVA (16% of GLA). Management believes the Initial Properties are located in attractive submarkets within these metropolitan areas, characterized by above-average population growth and household income, and are generally located along major transportation arteries, which offer both high visibility and convenient consumer access. The weighted average age of the Initial Properties is approximately eight years, a result of the fact that many of the properties are newly constructed or have recently undergone significant renovations.

Significant Growth Opportunities

Management believes that the REIT is well-positioned to capitalize on growth opportunities, including (i) accretive acquisitions from third parties; (ii) accretive acquisitions from the Dilawri Group; and (iii) contractual annual rent escalations. Management believes that the fragmented nature of the Canadian automotive dealership industry provides the REIT with a significant pipeline of acquisition opportunities. Management is taking a disciplined approach to property acquisitions, with a primary focus on obtaining properties underlying strategically located automotive dealerships in key Canadian markets that will contribute to the REIT's ability to generate stable, predictable and growing monthly cash distributions.

Strong National Tenant with Significant Alignment of Interest

The REIT's sole tenant, the Dilawri Group, is one of the largest automotive dealership group in Canada. The Dilawri Group owns 57 franchised automotive dealerships representing 30 automotive brands located in urban centres throughout Quebec, Ontario, Saskatchewan, Alberta and British Columbia. The Dilawri Group, which has more than 2,500 employees, continues to expand its automotive dealership business in strategic markets across Canada. The Dilawri Group (which includes more than the Dilawri Tenants) had combined revenues of approximately $1. 9 billion and EBITDA of approximately $77.6 million for the LTM. The Dilawri Group has, on average, opened or acquired five new automotive dealerships in each year for the last five years, including, on average, two to three automotive dealership properties. In particular, 12 of the 26 Initial Properties were either opened or acquired by Dilawri within the last five years. The interests of the REIT and Dilawri are strategically aligned through Dilawri's approximate 55% effective interest in the REIT through the ownership, direction or control of all of the Class B LP Units.

Excellent Leasing Profile

The Dilawri Leases are structured as triple-net leases under which the tenant is responsible for all costs relating to repair and maintenance, realty taxes, property insurance, utilities and non-structural capital improvements. The Initial Properties are 100% occupied, with the Dilawri Group occupying approximately 87% of the REIT's total GLA and subleasing the remainder to third parties. The initial lease terms range from 11 to 19 years and the Cash NOI weighted average lease term for the REIT's entire portfolio is approximately 15 years. The Dilawri Leases also include a fixed annual basic rent escalator of 1.5% per annum (translating into approximately 2.4% AFFO growth per annum) during the initial term and any renewal term, as well as a parent guarantee provided by Dilawri in support of its individual dealership's obligations under their leases for the initial terms of the leases.

Attractive Cash Distributions

The REIT is currently paying monthly cash distributions of $0.067 per Unit, representing $0.80 per Unit on an annualized basis. The REIT estimates that approximately 100% of monthly cash distributions to Unitholders will be tax-deferred in 2015.

Experienced Executive Management and Strong Independent Board

The REIT's President and Chief Executive Officer, Milton Lamb, has over 24 years of experience in the commercial real estate industry and was specifically recruited by the Dilawri Group to serve as the REIT's CEO. The REIT's Chief Financial Officer and Corporate Secretary, Andrew Kalra, has over 20 years of experience in finance, including over 13 years of experience in the automotive industry. The REIT's board of trustees, the majority of whom are independent, has extensive collective experience in the automotive and real estate industries, capital markets and corporate governance.

Growth Strategies

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

External Growth

Accretive Acquisitions of Third Party Properties

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

- *Fragmented ownership* – Management estimates that the top 10 dealership groups in Canada own only 9% of the approximately 3,500 automotive dealerships in Canada;

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

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

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

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

Management believes that its relationship with the Dilawri Group provides the REIT with additional opportunities to add quality automotive dealership properties to the portfolio in an accretive manner. Pursuant to the Strategic Alliance Agreement, which is further described in "Related Party Transactions" of this MD&A, 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.

The Dilawri Group has three properties under development, representing an aggregate of approximately 97,000 square feet of GLA that it will offer for sale to the REIT upon substantial completion. Two of the properties are located in Barrie, Ontario and one is located in Calgary, Alberta. These properties are currently in various stages of development and it is expected that they will be substantially complete by the third quarter 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.

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.

SECTION 3 – FINANCIAL OVERVIEW AND KEY PERFORMANCE INDICATORS

The current period's financial results reflect the REIT's operations for the 71-day period from Closing of the IPO (July 22, 2015) to September 30, 2015. The Financial Forecast which was included in the IPO Prospectus has been adjusted in this MD&A to reflect the actual commencement of the REIT's operations on July 22, 2015 versus the July 1, 2015 date included in the IPO Prospectus. See the "Adjusted Forecast" in the "Results of Operations" section of this MD&A for further information.

The REIT performed in line with the Adjusted Forecast and management's expectations for the 71-day period, generating AFFO of $3,086, or $0.171 per Unit. The REIT's properties generated $4,544 Cash NOI on $5,801 of revenue. Property operating expenses, interest expense and general and administrative expenses were also consistent with the Financial Forecast.

The REIT declared and distributed a total of $2,816 to holders of REIT Units and Class B LP Units (collectively, "Unitholders") during the 71-day period, or $0.156 per Unit, representing a payout ratio of 91.3% of AFFO.

The REIT's financial position at the end of the 71-day period reflects completion of its $75,000 IPO and the acquisition of the Initial Properties for $357,742. In addition to the IPO proceeds, the acquisition was financed with $193,790 of debt drawn under the Credit Facilities (as defined below) and $99,333 of Class B LP Units issued to the Dilawri Group. The REIT generated an additional $6,200 in proceeds as a result of the underwriters' partial exercise of the overallotment option granted at the time of the IPO. Subsequent to the acquisition of the Initial Properties, the REIT completed its debt strategy by entering into hedges with respect to the amounts outstanding on the Credit Facilities, fixing both the rate and term on all of the REIT's outstanding debt.

As a result of these activities, the REIT's total assets stand at $370,414 at the end of the 71-day period, representing a Debt to GBV ratio of 52.4%, with a weighted average in place interest rate on its debt of 3.15% and term of 6.1 years. Management believes that this positions the REIT well in order to execute on its business strategy, in line with the objectives set out at the time of the IPO.

Overall, management is satisfied with the REIT's financial results for the initial 71-day period of operations.

Key Performance Indicators

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

Portfolio	September 30, 2015
Number of properties	26
Gross leasable area ("GLA")	958,000
Average in-place base rent per sq. ft.	$25.01
Weighted average remaining lease term (years)	14.8

		September 30, 2015
Operating Results	**Actual**	Adjusted Forecast(1)
Revenue from Investment properties	$ **5,801**	$ 5,783
Cash NOI	**4,544**	4,538
FFO	**3,600**	3,516
AFFO	**3,086**	3,003
Fair value adjustment to investment properties	**1,155**	(480)
Per Unit amounts		
Distributions per Unit	$ **0.156**	$ 0.156
FFO	**0.199**	0.195
AFFO	**0.171**	0.166
Payout ratio (%)		
FFO	**78.2%**	80.2%
AFFO	**91.3%**	93.9%

Balance Sheet Metrics	As at September 30, 2015
Total assets	$370,414
Units outstanding (includes Class B LP Units)	18,053,253
Market capitalization (includes Class B LP Units)	$175,839
Weighted average effective interest rate on debt	3.15%
Proportion of debt at fixed rates	100%
Weighted average debt term remaining (years)	6.1
Interest coverage ratio	3.7
Debt to GBV	52.4%

(1) The financial forecast included in the REIT's IPO prospectus has been adjusted to reflect the start of operations occurring on July 22, 2015 in order to facilitate comparison with actual results for all line items. The adjusted property revenue was calculated as follows: total rent revenue of $23,951 for the twelve month period divided by 365 days and multiplied by 10 days in July, and including August and September monthly rental revenue. Also included is the prorated amounts for realty tax and straight-line rent adjustment.

SECTION 4 - PROPERTY PORTFOLIO

Property Portfolio Summary

City or Region	Number of Properties	GLA (Sq Ft)	Average rental rate psf during year 1	Weighted Average Lease Term (yrs)[1]	% of Cash NOI for current quarter
GVA	6	153.950	$35.65	17.3	21%
Calgary	4	177,787	21.16	15.0	16%
Regina	8	183,529	19.46	14.3	15%
GTA	8	442,597	25.15	14.3	48%
Total Portfolio	**26**	**957,863**	**$25.01**	**14.8**	**100%**

(1) As at September 30, 2015.

Appendix "A" in this MD&A contains a summary list and description of the Initial Properties.

Portfolio Overview

The REIT's portfolio consists of the 26 Initial Properties acquired from the Dilawri Group. 24 of these properties are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility. The other two properties are jointly occupied by Dilawri and third parties for use as automotive dealerships and complementary retail uses. The 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. Consequently, the Dilawri Group is the REIT's sole tenant and provides 100% of the REIT's rental income at this time. As the REIT grows, management intends 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 Initial Properties contain 34 automotive dealerships and one automotive repair facility occupying 38 individual buildings as well as four ancillary retail buildings. The Dilawri Group is the sole occupant of 29 of the 34 automotive dealerships and the one automotive repair facility, with third party automotive dealers occupying the Honda, Hyundai, Kia and Toyota dealerships at Dixie Auto Mall, located Mississauga, Ontario and the Ford dealership at Markham Honda and Ford, located 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.

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

Based on building condition reports obtained at the time of acquisition, the properties are expected to require approximately $7.4 million of capital expenditures during the first 10 years after acquisition by the REIT, all of which is the responsibility of the tenants according to the terms of the Dilawri Leases.

Profile of the Dilawri Leases

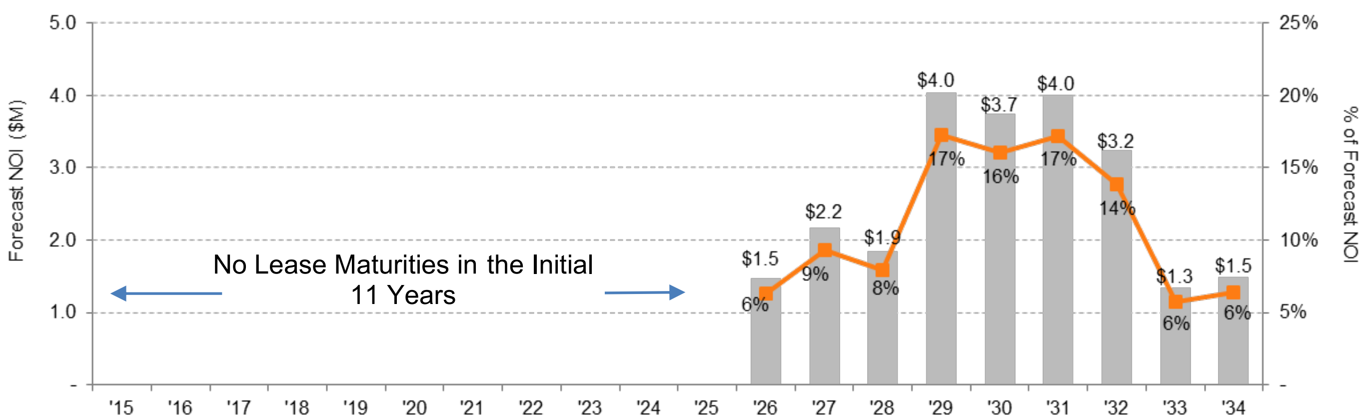
The initial terms of the Dilawri Leases range from 11 to 19 years, with a Cash NOI weighted average lease term of 15 years. The weighted average annual basic rent payable under the Dilawri Leases for the first year of the lease terms is $25.01 per square foot. The rental rates of these leases increase 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.

The Dilawri Leases mature between 2026 and 2034 as set out in the chart below:

Lease Maturity Profile



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

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 this the portfolio's broad brand diversification contributes to the quality and stability of the REIT's cash flows. The table below sets out the breakdown of brands operating at the REIT's properties.

Manufacturer/Brand	REIT Auto Dealership GLA	% of REIT Auto Dealership GLA	% of REIT Auto Dealership Cash NOI	No. of REIT Locations (Initial Properties)
Honda[(1)]	219,620	23.4%	22.8%	7
Acura	97,503	10.4%	10.3%	4
Nissan	74,913	8.0%	9.3%	3
BMW[(2)]	100,180	10.7%	8.3%	2
Porsche	39,790	4.2%	6.6%	1
Mazda	47,501	5.1%	5.4%	2

Hyundai	49,734	5.3%	5.1%	3
Toyota	44,819	4.8%	4.7%	2
Audi	29,300	3.1%	4.6%	1
Infiniti	26,314	2.8%	4.1%	2
Volkswagen	39,209	4.2%	4.1%	1
General Motors	35,504	3.8%	3.9%	1
Ford	39,287	4.2%	2.9%	1
Chrysler[3]	40,957	4.4%	2.4%	1
Mitsubishi Motors	14,750	1.6%	1.7%	2
Kia	13,890	1.5%	1.2%	1
Various[4]	24,367	2.6%	2.6%	1
Total	**937,638**	**100.0%**	**100.0%**	**35**

Notes:
(1) Includes Honda Used Car and Regina Collision Centre.
(2) Includes MINI.
(3) Includes Dodge, FIAT, Jeep and RAM.
(4) Represents the Dilawri Distinctive Collection property in Calgary, which currently has franchise agreements with Aston Martin and Bentley. In addition, Distinctive Collection sells a variety of used vehicles, including Audi, BMW, Lamborghini, Land Rover, Maserati, McLaren, Mercedes-Benz and Porsche.

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	
Combined Revenues	$1.9 billion[1]
EBITDA	$77.6 million[1]
Pro Forma Adjusted Rent Coverage Ratio	3.4 times[1]
Term Debt	$112.2million[2]
Term Debt to EBITDA Ratio	1.4 times[2]

Notes:

(1) For the LTM.
(2) As at September 30, 2015.

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

Dilawri Additional and Non-ASPE Measure

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

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

"**Pro Forma Adjusted Rent Coverage Ratio**" is calculated by Dilawri as EBITDA for the LTM (approximately $77.6 million) adding back to that amount the sum of distributions estimated to be received by the Dilawri Group during the Forecast Period on the Class B LP Units issued to it in connection with the IPO (approximately $5.9 million) and rent paid by the Dilawri Group for the LTM to third parties and the REIT (approximately $9.6 million). That resultant figure is divided by the rent paid by the Dilawri Group in the LTM on its properties, including inter-company rents paid on the Initial Properties prior to the IPO and rent paid to the REIT under the Dilawri Leases (approximately $27 million).

"Term Debt" is calculated by Dilawri as the Dilawri Group's total debt reflected in its non-consolidated combined financial statements as at September 30, 2015 prepared in accordance with the recognition, measurement and disclosure principles of ASPE.

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

SECTION 5 – RESULTS OF OPERATIONS

Adjusted Forecast

The Financial Forecast in the IPO Prospectus assumed a full three months of operations for the period ended September 30, 2015. However, the REIT did not commence operations until July 22, 2015. As a result, the Financial Forecast has been adjusted to reflect the 71-day period ended September 30, 2015 (the "Adjusted Forecast") in order to facilitate comparison with actual results. The adjustments to the Financial Forecast are set out in the tables below:

Income and Comprehensive Income	IPO Forecast	Adjustments	Adjusted Forecast
Property revenue	$7,458	$(1,675)	$5,783[1]
Property costs	979	(224)	755
Net operating income	**6,479**	**(1,451)**	**5,028**
General and administrative expense	374	(85)	289
Interest expense and other financing charges	1,584	(361)	1,223
Class B LP Unit distributions	1,987	(438)	1,549
Income before undernoted	**2,534**	**(567)**	**1,967**
Change in fair value of investment properties and financial instruments	(480)	-	(480)
Net income and comprehensive income	$2,054	$(567)	$1,487

NOI, FFO and AFFO	IPO Forecast	Adjustments	Adjusted Forecast
Reconciliation of forecasted net income to FFO and AFFO			
Net income and comprehensive income	$2,054	$(567)	$1,487
Adjustments:			
Change in fair value of investment properties	480	-	480
Distributions on Class B LP Units	1,987	(438)	1,549
FFO	4,521	(1,005)	3,516
Adjustments:			
Amortization of deferred financing costs	16	(4)	12
Straight-line adjustment (rent and land lease)	(635)	145	(490)
Structural reserve[2]	(63)	13	(50)
Amortization of indemnity fee[3]	18	(3)	15
AFFO..	3,857	(854)	3,003
NOI (including straight-line adjustments)	6,479	(1,451)	5,028
Adjustments:			
Straight-line adjustment (rent and land lease)	(635)	145	(490)
Cash NOI	$5,844	(1,306)	$4,538
Number of Units outstanding	*17,433,253*	-	*18,053,253*
FFO per Unit	***$0.259***		***$0.195***
AFFO per Unit	***$0.221***		***$0.166***
Distributions per Unit	***$0.199***		***$0.156***
AFFO payout ratio	***90.0%***		***93.9%***

Notes:

(1) The financial forecast included in the REIT's IPO prospectus has been adjusted to reflect the start of operations occurring on July 22, 2015 in order to facilitate comparison with actual results for all line items. The adjusted property revenue was calculated as follows: total rent revenue of $23,951 for the twelve month period divided by 365 days and multiplied by 10 days in July, and including August and September monthly rental revenue. Also included is the prorated amounts for realty tax and straight-line rent adjustment.

(2) Structural reserve is based on management's determination of a prudent reserve in the event of capital expenditures that are not the responsibility of the applicable Dilawri Tenant.

(3) In consideration of the applicable Dilawri Tenants leasing the entirety of the Dixie Auto Mall and Markham Honda and Ford (and thereby bearing occupancy, rental and other risks associated with the portions of those properties to be subleased to third party tenants), the REIT paid to such Dilawri Tenants an indemnity fee in the aggregate amount of $1,000 on closing of the IPO.

Net Income and Comprehensive Income

Cdn $000	**Period from June 1 (date of formation) to September 30, 2015**	Adjusted Forecast[1]
Net Property Income		
Rental revenue from investment properties	$ $5,801	$ 5,783
Property costs	(754)	(755)
NOI	**5,047**	**5,028**
Other Income (Expenses)		
General and administrative expenses	(299)	(289)
Interest expense and other financing charges	(1,148)	(1,223)
Distribution expense on Class B LP Units	(1,549)	(1,549)
Fair value adjustment on Class B LP Units	2,583	-
Fair value adjustment on interest rate swap	(3,817)	-
Fair value adjustment on investment properties	1,155	(480)
Net Income and Comprehensive Income	**$ 1,972**	**$ 1,487**

(1) The financial forecast included in the REIT's IPO prospectus has been adjusted to reflect the start of operations occurring on July 22, 2015 in order to facilitate comparison with actual results for all line items. The adjusted property revenue was calculated as follows: total rent revenue of $23,951 for the twelve month period divided by 365 days and multiplied by 10 days in July, and including August and September monthly rental revenue. Also included is the prorated amounts for realty tax and straight-line rent adjustment.

Property Revenue and Property Costs

Property revenue consists of rental revenue according to the contractual terms of the Dilawri Leases, as well as straight line rent revenue required under relevant accounting standards.

Property costs consist of realty tax payments that are reimbursed by the tenant and land lease payments on two of the REIT's properties. The property revenue and costs are in-line with the Adjusted Forecast.

General and Administrative Expenses

The REIT has two broad categories of general and administrative expenses consisting of: i) public entity costs, and ii) outsourced costs. The public entity costs reflect the expenses related to ongoing operations of the REIT (including professional fees and fees payable to members of the REIT's Board of Trustees) 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 and, as such, it is not expected that such costs will fluctuate materially from quarter to quarter prior to July 2016. The general and administrative expenses are in-line with the Adjusted Forecast.

Interest Expense and Other Financing Charges

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

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

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

Changes in Fair Values

During the 71-day period, the weighted average capitalization rate on the REIT's properties decreased from 6.6% to 6.5%. The table outlines the details of the change:

As at	**September 30, 2015**
Balance, beginning of period	$—
Acquisitions of investment properties (including acquisition costs of $3,562)[(i)]	357,742
Fair value adjustment on investment properties	1,155
Straight-line rent	503
Balance, end of period	**$359,400**

(i) The purchase price of the Initial Properties includes acquisition costs of $3,562 and an initial portfolio premium of $480. Subsequent to acquisition such amounts were not included in the determination of the fair value of investment properties.

As part of the IPO, the Initial Properties were externally valued by an independent nationally-recognized appraiser. At that time the overall implied capitalization rate was 6.6%. As at September 30, 2015, the same independent appraiser, undertook the valuation of the Initial Properties using an income approach whereby a current capitalization rate is applied to the net operating income, which a property can reasonably be expected to produce over its remaining economic life. In determining the appropriateness of the methodology applied and the assumptions, the relative uncertainty of the timing and amount of expected net operating income and the impact such uncertainty would have in arriving at a reliable estimate of fair value are considered. As at September 30, 2015, the overall implied capitalization rate is 6.5%, reflecting an increase of 20 basis points in the capitalization rates for Calgary (17% of Cash NOI) and a 10 basis point decrease in Toronto and Vancouver (69% of Cash NOI). A 10 basis point decrease or increase in the average capitalization rate would result in an increase or decrease in the fair value of investment properties of approximately $5,700, respectively.

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

Minimum rental commitments of the Dilawri Tenants on non-cancellable operating leases are as follows:

Within 1 year	$23,950
After 1 year, but not more than 5 years	99,400
More than 5 years	279,100
	$402,450

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

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

($000s, except per Unit amounts)	**Period from June 1 (date of formation) to September 30, 2015**	Adjusted Forecast[1]
Calculation of NOI		
Property revenue	$5,801	$5,783
Property costs	754	755
NOI (including straight-line adjustments)	**5,047**	**5,028**
Reconciliation of forecasted net income to FFO and AFFO		
Net income and comprehensive income	1,972	1,487
Adjustments:		
Change in fair value – Class B LP Units	(2,583)	-
Change in fair value – Interest rate swaps	3,817	-
Change in fair value – Investment properties	(1,155)	480
Distributions on Class B LP Units	1,549	1,549
FFO	**3,600**	**3,516**
Adjustments:		
Amortization of deferred financing costs and indemnity fee	39	27
Straight-line adjustment (rent and land lease)	(503)	(490)
Structural reserve	(50)	(50)
AFFO	**3,086**	**3,003**
NOI (including straight-line adjustments)	5,047	5,028
Adjustments:		
Straight-line adjustment (rent and land lease)	(503)	(490)
Cash NOI	$4,544	$4,538
Number of Units outstanding (including Class B LP Units)	*18,053,253*	*18,053,253*
FFO per Unit	***$0.199***	***$0.195***
AFFO per Unit	***$0.171***	***$0.166***
Distributions per Unit	***$0.156***	***$0.156***
AFFO payout ratio	***91.3%***	***93.9%***

1) The financial forecast included in the REIT's IPO prospectus has been adjusted to reflect the start of operations occurring on July 22, 2015 in order to facilitate comparison with actual results for all line items. The adjusted property revenue was calculated as follows: total rent revenue of $23,951 for the twelve month period divided by 365 days and multiplied by 10 days in July, and including August and September monthly rental revenue. Also included is the prorated amounts for realty tax and straight-line rent adjustment.

AFFO and FFO are consistent with the adjusted forecast and management's expectations.

Cash Flow From Operating Activities Compared to AFFO

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

		Period from June 1 (date of formation) to September 30, 2015
Cash generated from operating activities	$	3,130
Add (deduct):		
Structural reserve		(50)
Changes in non-cash working capital		(33)
Amortization of deferred financing costs and indemnity fee		39
AFFO	**$**	**3,086**

SECTION 6 – LIQUIDITY AND CAPITAL RESOURCES

Capital Structure

Debt	Key Terms: Term (yrs)	Hedged Term (yrs)	Interest Rate	Payments & Interest("P&I")/ Amortization	Effective Interest Rate		As at September 30, 2015
Facility 1	5	3 to 10	BA +150 bps, Prime + 25 bps	P&I, 25 yrs	3.1%	$	**119,510**
Facility 2	5	3 to 10	BA + 150 bps, Prime +25 bps	P&I, 20 yrs	3.1%		**59,646**
Facility 3	4	n/a	Fixed 3.5 %	P&I, 20 yrs	3.5%		**13,996**
Revolving Credit Facilities ($22.5 million availability)	3 to 5	n/a	Prime + 25 bps	Interest Only	n/a		**n/a**
						$	**193,152**
Financing fees							**(547)**
Total / Average		**6.1**				**$**	**192,605**

Equity	Number of Units Outstanding		Book Value – September 30, 2015
Class B LP Units	9,933,253	$	**96,750**
REIT Units	8,120,000		**81,200**
	18,053,253	**$**	**177,950**

Cash & Indebtedness	
Cash	**$7,506**
Bank Indebtedness	**$806**
Cash Balance	

Key Financing Metrics and Debt Covenants[1]	Debt Covenant[4]	Declaration of Trust[2]	As at/ for the period ended September 30, 2015
Interest coverage	-	-	**3.7**
Debt to GBV ("Leverage")	<65%[3]	<65%[3]	**52.4%**
Unitholders' Equity (including Class B LP Units)	>$120 million	-	**$170.3 million**
Debt Service Coverage	>1.35	-	**2.7**
AFFO payout ratio	<100%	-	**91.3%**

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

(2) The Declaration of Trust contains other operating covenants that do not relate to leverage or debt service/coverage. The Declaration of Trust is available on www.sedar.com and is described in the IPO Prospectus. Management believes that the REIT is in compliance with these operating covenants.

(3) Including convertible debentures. Excluding convertible debentures, the maximum ratio is 60%.

(4) The debt agreements on 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 of the debt agreement covenants in Facility 3.

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

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

Principal mortgage repayments are as follows:

2015	$1,892
2016	7,622
2017	7,713
2018	7,887
2019	19,777
Thereafter	148,261
Total	$193,152

Management believes the REIT's liquidity position at September 30, 2015, which includes approximately $22.5 million of undrawn Credit Facilities and cash on hand of $7.5 million, 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 is a non-revolving loan facility bearing interest at bankers' acceptance ("BA") rate plus 150 basis points (bps) or Canadian prime rate ("Prime") plus 25 bps, maturing five years from July 22, 2015 repayable in equal quarterly principal payments (commencing December 31, 2015) based on a 25-year amortization. The REIT entered into a floating-to-fixed interest rate swap on August 7, 2015 for terms of three to ten years which resulted in a weighted average effective interest rate of 3.1%.

Facility 2 is a non-revolving loan facility bearing interest at BA rate plus 150 bps or Prime plus 25 bps, maturing five years from July 22, 2015 repayable in monthly blended payments based on a 20 year amortization. The REIT entered into a floating-to-fixed interest rate swap on August 7, 2015 for terms of three to ten years which resulted in a weighted average effective interest rate of 3.1%.

Facility 3 is a non-revolving loan facility bearing interest at 3.5% maturing four years from July 22, 2015 repayable in monthly blended payments based on a 20–year amortization.

As part of the implementation of these Credit Facilities, the REIT incurred financing fees of $572. The amount is accounted for using the effective interest method and $547 remains unamortized at September 30, 2015.

Hedging Arrangements

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

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

Term (yrs)	Amount ($000s)	Total Swapped Fixed Rate Debt (%)
3	45,472	25.4
5	42,742	23.8
7	45,471	25.4
10	45,471	25.4
6.1	**179,156**	**100.0**

Term years as at September 30, 2015

As at September 30, 2015, the fair value of the Interest rate swaps was a net financial liability of $3,817.

Unitholder's Equity (including Class B LP Units)

Unitholders' equity consists of two classes described below:

REIT Units

The REIT is authorized to issue an unlimited number of REIT Units. As of September 30, 2015, the REIT had a total of 8,120,000 REIT Units outstanding. Each REIT Unit is transferable and represents an equal, undivided beneficial interest in the REIT and any distributions from the REIT, whether of net income, net realized capital gains (other than such gains allocated and distributed to redeeming Unitholders) or other amounts and, in the event of the termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. All REIT Units rank among themselves equally without discrimination, preference or priority. Each Unit entitles the holder thereof to receive notice of, to attend and to one vote at all meetings of Unitholders or in respect of any written resolution of Unitholders.

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

Class B LP Units

As of September 30, 2015, 9,933,253 Class B LP Units of the Partnership were outstanding, all of which were held by the Dilawri Group. The Class B LP Units are economically equivalent to REIT Units, receive distributions equal to the distributions paid on REIT Units and will be exchangeable at the holder's option into REIT Units. One Special Voting Unit in the REIT is also issued to the holder of each Class B LP Unit issued (such Special Voting Unit does not have any entitlement in the REIT with respect to distributions, but does generally entitle the holder to that number of votes at any meeting of Unitholders to which a holder of the number of REIT Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled). Under IFRS, the Class B LP Units are classified as financial liabilities and measured at fair value through profit and loss (FVTPL). The fair value of the Class B LP Units will be measured every period by reference to the traded value of the REIT Units, with changes in measurement recorded in interest expense and other financing charges. Distributions on the Class B LP Units will be recorded in interest expense and other financing charges in the period in which they become payable.

Distributions

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

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

Financing Metrics and Debt Covenants

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

Calculations of financial metrics and debt covenants		As at, or for the 71-day period ended September 30, 2015			
Net Asset Value					
Investment properties, IFRS value		$	359,400		
Cash, accounts receivable and other assets			11,014		
Bank indebtedness, accounts payable and accrued liabilities			(3,741)		
Credit Facilities, including value of interest rate swaps			(196,422)		
Total Net Asset Value				$	170,251
Units outstanding, September 30, 2015 (thousands)					18,053
Interest coverage					
Cash NOI		$	4,544		
General and administrative expenses			(299)		
Income before interest expense and fair value adjustments	(A)			$	**4,245**
Interest expense and other financing charges	(B)			$	**1,148**
Interest coverage ratio	**(A/B)**				**3.7 X**
Debt to GBV					
Indebtedness outstanding :					
Facilities (excludes deferred financing costs)		$	193,152		
Bank indebtedness			806		
Indebtedness	(C)			$	**193,958**
Gross Book Value					
Total assets	(D)			$	**370,414**
Debt to GBV	**(C/D) X 100**				**52.4%**
Unitholders' Equity					
Unitholders' Equity (excludes Class B LP Units)				$	**$73,501**
Value of Class B LP Units					**96,750**
				$	**170,251**
Debt Service Coverage					
Consolidated net income		$	1,972		
Interest expense and other financing charges			1,148		
Distribution expense on Class B LP Units			1,549		
Fair value adjustments, net			79		
EBITDA	E				**4,748**

Principal payments on debt			640		
Interest payments on debt			1,124		
Debt Service	F				**1,764**
Debt Service Ratio	E/F				**2.7 X**
AFFO payout ratio					
AFFO	G			$	**3,086**
Distributions on REIT Units		$	1,267		
Distributions on Class B LP Units			1,549		
	H			$	**2,816**
AFFO payout ratio	**H/G X 100**				**91.3%**

SECTION 7 – RELATED PARTY TRANSACTIONS

The REIT's controlling Unitholder and sole tenant is the Dilawri Group, which, as at September 30, 2015, held an approximate 55% effective interest in the REIT, on a fully-diluted basis, through ownership of all of the issued and outstanding Class B LP Units.

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

Included in the accounts payable and accrued liabilities, is $700 owed to Dilawri as part of the total $8,032 closing IPO transaction costs for professional fees.

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 initial public offering (amortizable over the term of the lease).

In addition, the REIT paid Dilawri $1,800 in respect of the deferred land transfer taxes associated with the acquisition that may become payable by Dilawri over the next 3 years, subsequently this amount was adjusted to $814 and the remaining balance of $986 is due 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). 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 million 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 $136 paid by the REIT to Dilawri pursuant to the Administration Agreement.

Strategic Alliance Agreement

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

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

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

SECTION 8 − OUTLOOK

The Canadian automotive retail industry is a large and stable business with a track record of long-term growth. At over 6.0% of Gross Domestic Product ("GDP"), the automotive retail industry is the largest component of retail sales and merchandise in Canada. Over the last 20 years, Canadian automobile retail sales grew at a compound annual rate of 4.5%. To date in 2015, this steady growth has continued, with sales of new automobiles for the eight months ended August 31, 2015 up 2.5% to 1,314,598 Units, compared to 1,282 582 Units in the corresponding period in 2014, which was itself a record year for automobile sales in Canada *(Source: Statistics Canada)*. Management expects continued steady sales levels for the remainder of 2015.

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

As the only Canadian REIT focused on automotive real estate, the REIT provides a unique opportunity for automotive dealership owners to monetize the real estate underlying their dealerships while retaining ownership and control of their core automotive dealership businesses. This provides them with liquidity to advance their individual strategic objectives, whether it be succession planning, directly investing in upgrading their dealerships, or redeploying to take advantage of the industry consolidation. Finally, the REIT has a right of first offer to acquire any and all REIT-suitable properties that Dilawri elects to sell. There are currently three development properties in the Dilawri pipeline for us to consider. In aggregate, they comprise 97,000 square feet, which would represent an additional 10% of GLA. We expect these will be ready for consideration by the REIT within approximately 18 months.

SECTION 9 – OTHER DISCLOSURES

Commitments and Contingencies

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

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

Within 1 year	$577
After 1 year, but not more than 5 years	2,362
More than 5 years	9,821
Total	$12,760

Disclosure Controls and Internal Controls Over Financial Reporting

Management is in the process of establishing a system of disclosure controls and procedures ("DC&P) to provide reasonable assurance that all material information relating to the REIT is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure. Management is also in the process of establishing 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.

Consistent with National Instrument 52-109–*Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the REIT has filed a certificate on Form 52-109F2-IPO/RTO (which is an alternate form of the interim period full certificate) that applies when: an issuer becomes a reporting issuer by filing a prospectus; and the first financial period that ends after the issuer becomes a reporting issuer is an interim period. In contrast to the usual certificate required for non-venture issuers under NI 52-109, the REIT is filing a certificate under Form 52-109F2–IPO/RTO that does not include representations relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the REIT in its annual filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

The REIT's certifying officers are, however, responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate on Form 52-109F1–IPO/RTO.

Investors should be aware that inherent limitations on the ability of the REIT's certifying officers to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 in the first financial period following the completion of the IPO may result in additional risks to the quality, reliability, transparency and timeliness of annual filings and other filings provided under securities legislation. Furthermore, in designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements.

Additionally, management is required to use judgment in evaluating controls and procedures.

SECTION 10 – RISKS AND UNCERTANIITES

Please refer to the section titled "Risk Factors" in the IPO Prospectus for a discussion of the material the risks and uncertainties facing the REIT. Those risks and uncertainties remain unchanged at the date of this MD&A.

APPENDIX

Property List

Name	Address	City/ Province	Year Built /Renov.	GLA	Acreage
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 E Ambler Drive	Mississauga, ON	1987/2014	16,713	
Infiniti	5500 F 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/Country Style	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**	**26.05**
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**	**6.00**
3. Calgary BMW	34 Heritage Meadows Road S.E.	Calgary, AB	2007	87,724	3.51
4. Calgary Honda	11700 Lake Fraser Dr S.E.	Calgary, AB	2005	43,511	4.12
5. Triple 7 Chrysler	700 Broad Street	Regina, SK	1959/2011	40,957	2.92
6. Porsche Centre Vancouver	688 Terminal Avenue	Vancouver, BC	2013	39,790	1.56
7. Frost Chevrolet Buick GMC Cadillac	150 Bovaird Drive West	Brampton, ON	2013	35,504	2.86
8. Honda Used Car and Regina Collision Centre[(1)]	815 Broad Street	Regina, SK	2012/2015	33,415	2.49
9. Oakville Honda	500 Iroquois Shore Road	Oakville, ON	2003/2006	33,334	3.96
10. Markham Acura	5201 Highway 7 E	Markham, ON	2002	32,025	3.00
11. Regina Honda	789 Broad Street	Regina, SK	2003/2015	30,863	2.42
12. Agincourt Mazda	5500 Finch Avenue E	Toronto, ON	2005	30,788	7.94
13. Dilawri Nissan Infiniti[(1)]	1775 5th Avenue	Regina, SK	1998/2015	29,494	2.11
14. Audi Sales Downtown Vancouver	1788 West 2nd Avenue	Vancouver, BC	2013	29,300	0.25
15. Meadowvale Honda	2210 Battleford Road	Mississauga, ON	2007	28,039	3.70
16. Burrard Acura[(2)]	730 Terminal Avenue	Vancouver, BC	2015	27,640	1.25
17. Langley Acura[(2)]	20257 Langley Bypass	Langley, BC	2015	26,448	2.27

18. Distinctive Collection	150 Glendeer Circle S.E.	Calgary, AB	1988/2008	24,367	1.57
19. Bolton Toyota	12050 Albion Vaughan Road	Bolton, ON	2004	22,741	3.00
20. Hyundai Gallery	11770 Lake Fraser Dr S.E.	Calgary, AB	2006	22,185	2.21
21. North Vancouver Nissan Infiniti	819 Automall Drive	N. Vancouver, BC	1992	19,050	1.11
22. Regina Hyundai	444 Broad Street	Regina, SK	2005	18,204	1.61
23. Dilawri BMW.................................	1919 1st Avenue	Regina, SK	1997	12,456	0.80
24. Infiniti Vancouver	1718 West 3rd Avenue	Vancouver, BC	1999	11,722	0.27
25. Dilawri Acura	1921 1st Avenue	Regina, SK	1997	11,390	0.81
26. Dilawri Mitsubishi	1750 6th Avenue	Regina, SK	1993/2003	6,750	0.56
Portfolio Total/Average				**957,863**	**88.34**

Notes:

(1) This property is undergoing redevelopment or substantial renovation by the Dilawri Group at no cost to the REIT.

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

Automotive Properties Real Estate Investment Trust
Q3 2015 Interim Consolidated Financial Statements

Interim Consolidated Balance Sheet

(Canadian dollars in thousands)
(Unaudited)

	Note	As at September, 30, 2015
Assets		
Cash and cash equivalents		$7,506
Accounts receivable and other assets	**6**	3,508
Investment properties	**5**	359,400
Total assets		**$370,414**
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities:		
Bank indebtedness		$806
Accounts payable and accrued liabilities	**8**	2,935
Credit Facilities	**7**	192,605
Interest rate swaps	**7**	3,817
Class B LP Units	**10**	96,750
Total liabilities		296,913
Unitholders' equity		73,501
Total liabilities and unitholders' equity		**$370,414**

See accompanying notes

"Janet Graham"

Janet Graham
Trustee

"John Morrison"

John Morrison
Trustee

Interim Consolidated Statement of Income and Comprehensive Income

(Canadian dollars in thousands)
(Unaudited)

For the quarter ended September 30, 2015 and period from June 1, 2015	Note	
Net Property Income		
Rental revenue from investment properties	**11**	$5,801
Property costs	**11**	(754)
Net Operating Income		5,047
Other Income (Expenses)		
General and administrative expenses		(299)
Interest expense and other financing charges		(1,148)
Distribution expense on Class B LP Units	**9**	(1,549)
Fair value adjustment on Class B LP Units	**15**	2,583
Fair value adjustment on interest rate swap	**15**	(3,817)
Fair value adjustment on investment properties	**15**	1,155
Net Income and Comprehensive Income		**$1,972**

See accompanying notes

Interim Consolidated Statement of Changes in Unitholders' Equity

(Canadian dollars in thousands)

(Unaudited)

For the period June 1, 2015 (date of formation) to September 30, 2015	Trust Units	Cumulative Net Income (loss)	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at June 1, 2015	**$—**	**—**	**—**	**$—**
Issuance of Units in connection with IPO (Note 11)	66,968	—	—	66,968
Overallotment Issuance (Note 11)	5,828	—	—	5,828
Net income	—	1,972	—	1,972
Distributions (Note 10)	—	—	(1,267)	(1,267)
Unitholders' Equity at September 30, 2015	**$72,796**	**$1,972**	**$(1,267)**	**$73,501**

See accompanying notes

Interim Consolidated Statement of Cash Flow

(Canadian dollars in thousands)
(Unaudited)

For the period June 1, 2015 (date of formation) to September 30, 2015	Note	
OPERATING ACTIVITIES		
Net income		$1,972
Straight-line rent		(503)
Distributions expense on Class B LP Units		1,549
Fair value adjustment – Class B LP Units		(2,583)
Fair value adjustment – Interest rate swaps		3,817
Fair value adjustment – Investment properties		(1,155)
Change in non-cash working capital	**12**	33
Cash provided by (used in) from operating activities		**3,130**
INVESTING ACTIVITIES		
Investment properties:		
Acquisition costs		(3,252)
Acquisition of investment properties		(254,848)
Other assets		(2,800)
Cash provided by (used in) investing activities		**(260,900)**
FINANCING ACTIVITIES		
Proceeds from Credit Facilities		193,790
Principal repayment on Credit Facilities		(637)
Financing fees paid		(572)
Proceeds from bank indebtedness		806
Issuance of trust units		81,200
Issuance costs		(7,704)
Distributions to Trust unitholders and Class B LP unitholders		(1,607)
Cash provided by (used in) financing activities		**265,276**
Net increase in cash and cash equivalents during the period		7,506
Cash and cash equivalents, beginning of period		—
Cash and cash equivalents, end of period		**$7,506**

See accompanying notes

Notes to the Interim Consolidated Financial Statements

For the period from June 1, 2015 (date of formation) to September 30, 2015 (in thousands of Canadian dollars, except per Unit and Unit amounts) (unaudited)

1. NATURE OF OPERATIONS

Automotive Properties Real Estate Investment Trust (the "REIT") is an unincorporated open-ended real estate investment Trust established pursuant to a declaration of Trust dated June 1, 2015, as amended and restated on July 22, 2015 (the "Declaration of Trust") where one unit of the REIT ("Units") was issued for $10.00 in cash. The REIT was established under the laws of the Province of Ontario. The principal, registered and head office of the REIT is located 133 King St 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 of the REIT's subsidiary partnership ("Class B LP Units") which are economically equivalent to, and exchangeable for, Units. Dilawri and its affiliates, other than its shareholders and controlling persons, are referred to herein as the "Dilawri Group".

The REIT has been formed primarily to own income-producing automotive dealership properties located in Canada. In connection with the completion of an initial public offering on July 22, 2015, the REIT indirectly acquired a portfolio of 26 properties from certain members of the Dilawri Group, for use as automotive dealerships, an automotive repair facility, or complementary uses, including restaurants (collectively, the "Initial Properties"). The REIT entered into leases with the applicable affiliates of Dilawri (collectively, the "Dilawri Tenants") and as such the Dilawri Tenants are the REIT's only tenant. Dilawri has indemnified the REIT in respect of any defaults by the Dilawri Tenants under their leases for the initial term of such leases.

The REIT holds its interest in the Initial Properties in a newly created limited partnership (the ''Partnership''), formed under the laws of the Province of Ontario, which is consolidated by the REIT.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The unaudited interim consolidated financial statements of the REIT have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein. These interim consolidated financial statements were approved by the Board of Trustees of the REIT and authorized for issue on November 9, 2015.

(b) Basis of Presentation

The unaudited interim consolidated financial statements of the REIT have been prepared using the historical cost basis except for investment properties, interest rate swaps, and Class B LP Units, which are measured at fair value. The unaudited interim consolidated financial statements are presented in Canadian Dollars, the REIT's functional and reporting currency.

(c) Basis of Consolidation

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

(d) Investment Properties

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

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

(e) Revenue Recognition

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

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

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

(f) Expenses

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

(g) Income Taxes

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

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

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

(h) Units and Class B LP Units

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

(i) Cash and Cash Equivalents

Cash consists of cash on hand and unrestricted cash. Cash equivalents consist of highly liquid marketable investments with an original maturity date of 90 days or less from the date of acquisition. As at September 30, 2015, there were no cash equivalents.

(j) Financial instruments

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

The REIT has made the following classifications:

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Investment Properties

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

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

Leases

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

Income Taxes

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

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

4. PUBLIC OFFERING AND ACQUISITION OF INVESTMENT PROPERTIES

(a) Initial Public Offering

On July 22, 2015 (the "Closing"), the REIT completed a public offering of equity and indirectly acquired the Initial Properties on Closing from affiliates of Dilawri for the consideration outlined in Note 5(b) below. The REIT's initial public offering (the "IPO") through the issuance of 7,500,000 Units at a price of $10.00 per Unit (the "IPO price"), resulted in net proceeds of $66,968 after payment of transaction costs of $8,032.

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

(b) Acquisition of the Initial Properties

The REIT indirectly acquired the Initial Properties for 9,933,253 Class B LP Units and cash consideration. Allocation of the identifiable net assets acquired is as follows:

Investment properties[(i)]	$357,742

The purchase price consists of the following:

Class B LP Units	99,333
Cash consideration for Initial Properties[(ii)]	258,409
Total cost of the acquisition	$357,742

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

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

Acquisition of Initial Properties	254,848
Acquisition costs	3,252
Accounts payable related to acquisition	309
Total	$258,409

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

In addition, the REIT paid Dilawri $1,800 in respect of deferred land transfer taxes associated with the acquisition that may become payable by Dilawri over the next 3 years. Subsequently this amount was adjusted to $814 (Note 6) and the remaining balance of $986 is currently due to the REIT from Dilawri.

5. INVESTMENT PROPERTIES

As at	**September 30, 2015**
Balance, beginning of period	$—
Acquisition of Initial Properties[(i)]	357,742
Fair value adjustment on investment properties	1,155
Straight-line rent	503
Balance, end of period	**$359,400**

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

As part of the IPO, the Initial Properties were externally valued by an independent nationally-recognized appraiser. At that time the overall implied capitalization rate was 6.6%. As at September 30, 2015, the same independent appraiser, undertook the valuation of the Initial Properties by using an income approach whereby a current capitalization rate is applied to the net operating income, which a property can reasonably be expected to produce over its remaining economic life. In determining the appropriateness of the methodology applied and the assumptions used, the relative uncertainty of the timing and amount of expected net operating income and the impact such uncertainty would have in arriving at a reliable estimate of fair value is considered. As at September 30, 2015, the overall implied capitalization rate is 6.5%. A 10 basis point decrease or increase in capitalization rates would result in an increase or decrease in the fair value of investment properties of approximately $5,700, respectively.

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

Minimum rental commitments of the Dilawri Tenants on non-cancellable operating leases are as follows:

Within 1 year	$23,950
After 1 year, but not more than 5 years	99,400
More than 5 years	279,100
	$402,450

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS

As at	**September 30, 2015**
Due from related party[(i)]	$986
Prepaid property taxes[(ii)]	352
Prepaid other[(iii)]	2,170
	$3,508

(i) Of the $1,800 paid to Dilawri as part of the purchase price, with respect to the deferred land transfer taxes associated with the acquisition of the Initial Properties, $814 is included in the “Prepaid other” of $2,170 and the difference of $986 is currently due from Dilawri.

(ii) Property taxes paid to be recovered from tenant.

(iii) The unamortized balance of the indemnification fee of $986; the initial balance was $1,000 at the time of the IPO, and the $814 in deferred land transfer tax referred to in (i) above. The remaining balance consists of prepaid land lease and insurance costs.

7. CREDIT FACILITIES

(a) Credit Facilities payable consists of:

As at	September 30, 2015
	Principal issued and outstanding
Facility 1[(i)]	$119,510
Facility 2[(ii)]	59,646
Facility 3[(iii)]	13,996
Total Facilities	$193,152
Financing fees[(iv)]	(547)
	$192,605

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

(ii) A non-revolving loan facility 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 a floating-to-fixed interest rate swap on August 7, 2015 for terms of 3 to 10 years which resulted in a weighted average effective interest rate of 3.1%.

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

(iv) As part of the implementation of these Credit Facilities, the REIT incurred financing fees of $572. The amount is accounted for using the effective interest method of which $547 remains unamortized at September 30, 2015.

The REIT has a $15,000 revolving Credit Facility bearing interest at Prime plus 25 bps maturing 3 years from July 22, 2015, and a $7,500 revolving Credit Facility bearing interest at Prime plus 25 bps maturing 5 years from July 22, 2015, each with no drawn balance. The Credit Facilities described above (the "Credit Facilities") are secured by the Initial Properties.

Principal mortgage repayments are as follows:

2015	$1,892
2016	7,622
2017	7,713
2018	7,887
2019	19,777
Thereafter	148,261
Total	$193,152

(b) Interest Rate Swaps

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

As at September 30, 2015, the fair value of the interest rate derivative contracts was a net financial liability of $3,817.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

As at	September 30, 2015
Accounts payable and accrued liabilities[(i)]	$1,372
Accrued interest	354
Distributions payable (Note 9)	1,209
	$2,935

(i) $700 of the balance is owed to Dilawri as part of the total $8,032 IPO transaction costs for professional fees.

9. DISTRIBUTIONS

As at		September 30, 2015
	Units	Class B LP Units
Paid in cash	$723	$884
Payable as at September 30, 2015	544	665
Total	1,267	1,549
Per Unit	$0.16	$0.16

10. UNITHOLDERS' EQUITY AND CLASS B LP UNITS

Units

The REIT is authorized to issue unlimited number of Units. The REIT completed the IPO and indirectly acquired the Initial Properties on Closing from affiliates of Dilawri for the consideration outlined in Note 5(b). The REIT issued 7,500,000 Units in the IPO at the IPO price per Unit, resulting in net proceeds of $66,968 after payment of $8,032 in transaction costs.

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

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

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

Class B LP Units

As part of the IPO and part of the consideration for the Initial Properties, the REIT issued Class B LP Units to Dilawri. Each Class B LP Unit is exchangeable at the option of Dilawri for one Unit (subject to certain anti-dilution adjustments), is accompanied by a Special Voting Unit (which provides Dilawri 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.

	September 30, 2015	
	Units	**Amount**
Units beginning of period	—	$—
Units issued, net of costs	7,500,000	66,968
Overallotment	620,000	5,828
Total Units, end of period	**8,120,000**	**$72,796**
Class B LP Units, beginning of period	—	$—
Class B LP Units	9,933,253	99,333
Fair value adjustment on Class B LP Units		(2,583)
Total Class B LP Units, end of period	**9,933,253**	**$96,750**
Total Units and Class B LP Units, end of period	**18,053,253**	**$169,546**

11. RENTAL REVENUE AND PROPERTY COSTS

Rental Revenue

Rental revenue is based on rents from leases entered into with the Dilawri Tenants on Closing which are triple-net leases and as such include recoverable realty taxes. The Initial Properties have remaining lease terms ranging from 11 to 19 years, with an average remaining lease term of 15 years and an annual basic rent escalation of 1.5% in each year during the initial term.

Property Costs

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

12. OTHER CASH FLOW INFORMATION

Changes in non-cash working capital	**September 30, 2015**
Prepaid expenses and other	$(385)
Prepaid property taxes	(352)
Accrued interest	378
Accounts payable and accrued liabilities	392
	$33

Supplemental Cash Flow Information	**September 30, 2015**
Interest paid on Credit Facilities	$771

13. SEGMENT INFORMATION

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

14. CAPITAL MANAGEMENT

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

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

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

The REIT has certain key financial covenants in its Credit Facilities, including debt service ratios and leverage ratios. These ratios are measured by the REIT on an ongoing basis to ensure compliance with the agreements. As at September 30, 2015, the REIT was in compliance with each of the covenants under these agreements.

15. FAIR VALUES AND FINANCIAL INSTRUMENT RISK MANAGEMENT

(a) Fair Value of Financial Instruments

The following table provides the classification and measurement of financial assets and liabilities as at September 30, 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 Assets					
Accounts receivable and other assets	$—	$986	$986	$986	$986
Cash and cash equivalents	—	7,506	7,506	7,506	7,506
	$—	**$8,492**	**$8,492**	**$8,492**	**$8,492**
Financial Liabilities					
Credit Facilities	$—	$192,605	$192,605	$192,605	$192,605
Interest rate swap	3,817	—	—	3,817	3,817
Bank indebtedness	—	806	806	806	806
Accounts payable and accrued liabilities	—	2,935	2,935	2,935	2,935
Class B LP Units	96,750	—	—	96,750	96,750
	$100,567	**$196,346**	**$196,346**	**$296,913**	**$296,913**

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) Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and bank indebtedness approximate their fair values due to the short term nature of these financial instruments (Level 1).

(ii) Investment Properties

Investment properties are reviewed by management in conjunction with independent appraisers, valuations are completed by undertaking an income approach whereby a capitalization rate is applied to the net operating income which the property can reasonably be expected to produce over the remaining economic life of improvements and are included in the Interim Consolidated Balance Sheets at their fair value. The fair value of investment properties as at September 30, 2015 is $359,400 (Level 3).

(iii) Interest rate swaps

The fair value of the REIT's interest rate swaps which represents a liability as at September 30, 2015 is $3,817. The fair value of the interest rate swap is determined using rates unobservable in the market (Level 2).

(iv) Class B LP Units

The fair value of the Class B LP Units as at September 30, 2015 is $96,750. The fair values of the Class B LP Units are based on the traded value of the Units as at September 30, 2015 (Level 1).

(b) Financial Risk Management

The REIT 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 Trust's Units.

Interest Rate Risk The majority of the REIT 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 16 - Capital Management. A significant portion of the REIT's assets have been pledged as security under the related Credit Facilities.

16. FUTURE ACCOUNTING STANDARDS

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

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

17. COMMITMENTS AND CONTINGENCIES

As part of the IPO, the REIT and Dilawri have entered into an Administration Agreement which covers various operational and administrative services to be provided to the REIT by Dilawri. The REIT will pay an amount of $700 for the first year for such services. The Administration Agreement is for a 5 year period and will be automatically renewed for one year terms on a cost recovery basis (see Note 18).

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	$577
After 1 year, but not more than 5 years	2,362
More than 5 years	9,821
Total	$12,760

18. RELATED PARTY TRANSACTIONS

The REIT has been formed primarily to own income-producing automotive dealership properties located in Canada. In connection with the Closing of the IPO on July 22, 2015, the REIT indirectly acquired the Initial Properties from affiliates of Dilawri, for use as automotive dealerships, an automotive repair facility, or complementary uses, including restaurants. The REIT entered into leases with the Dilawri Tenants and at this time the Dilawri Tenants are the REIT's only tenant. Dilawri has indemnified the REIT in respect of any defaults by the Dilawri Tenants under their leases for the initial term of such leases.

Pursuant to the Administration Agreement, Dilawri will provide, or cause to be provided, if and as requested by the REIT, subject to the overriding supervision and direction of the Trustees, 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 period and will be automatically renewed for one year terms on a cost recovery basis.

General and administrative expenses include $136 paid by the REIT to Dilawri pursuant to the Administration Agreement.

Included in the accounts payable and accrued liabilities, is $700 owed to Dilawri as part of the total $8,032 closing IPO transaction costs for professional fees.

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 (amortizable over the term of the lease).

In addition, the REIT paid Dilawri $1,800 in respect of the deferred land transfer taxes associated with the acquisition that may become payable by Dilawri over the next 3 years, subsequently this amount was adjusted to $814 (Note 6) and the remaining balance of $986 is due to the REIT from Dilawri.

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