Automotive Properties REIT™

Driving Unitholder Value

2016 THIRD QUARTER REPORT

Consolidating Canada's Automotive Dealership Properties

Brand and Geographic Diversification

Strong, Reliable Cash Flow

Automotive Properties Real Estate Investment Trust

Management's Discussion and Analysis

September 30, 2016

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SECTION 1 – GENERAL INFORMATION AND CAUTIONARY STATEMENTS

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Automotive Properties Real Estate Investment Trust (the "REIT") is intended to provide readers with an assessment of the performance of the REIT for the three month period of July 1, 2016 to September 30, 2016 ("Q3 2016") and for the nine month period of January 1, 2016 to September 30, 2016 ("YTD 2016"). The REIT was formed on June 1, 2015 and had no operating activity until July 22, 2015, the date of completion of its initial public offering ("IPO"). Prior thereto, the REIT generated no revenue and incurred no expenses. This MD&A also outlines the REIT's capital structure, operating strategies and business outlook. All dollar amounts in this MD&A are presented in thousands of Canadian dollars, except unit and per unit amounts, unless otherwise noted.

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

The REIT

The REIT was formed primarily to own income-producing automotive dealership properties located in Canada. In connection with the completion of the REIT's IPO, the REIT indirectly acquired a portfolio of 26 commercial properties from certain members of the Dilawri Group (as defined below) (the "Initial Properties"). The REIT currently owns a portfolio of 30 commercial properties, including the Initial Properties, located in Ontario, Saskatchewan, Alberta, British Columbia and Québec, totaling approximately 1.1 million square feet of gross leasable area ("GLA").

On September 19, 2016, the REIT issued an aggregate of 3,841,000 trust units ("REIT Units"), at a price of $10.50 per REIT Unit in connection with a public offering of REIT Units for gross proceeds of $40,330, which included the exercise in full of the over-allotment option granted to the underwriters, whereby an additional 501,000 REIT Units were issued at a price of $10.50 per REIT Unit (the "Equity Offering"). Issuance costs of $2,124 were netted against the gross proceeds.

The REIT used the net proceeds from the Equity Offering of $38,206 to finance the acquisition of the Pfaff Audi automotive dealership property ("Pfaff Audi"), located in Vaughan, Ontario, for $17,150, to repay approximately $18,000 of indebtedness owing under the REIT's credit facilities and for general business purposes.

893353 Alberta Inc. ("Dilawri") is a privately held corporation, which, together with certain of its affiliates, holds a 45% effective interest in the REIT, through the ownership, direction or control of all of the Class B limited partnership units ("Class B LP Units") of Automotive Properties Limited Partnership, the REIT's operating subsidiary (the "Partnership"). The Class B LP Units are economically equivalent to REIT Units, and exchangeable generally on a one-for-one basis. Dilawri and its affiliates, other than its shareholders and controlling persons, are referred to herein as the "Dilawri Group". Upon closing of the Equity Offering, Dilawri's effective interest in the REIT was reduced from approximately 55%.

As at September 30, 2016, the total number of the REIT Units and Class B LP Units was 11,961,000 and 9,933,253 respectively for a total of 21,894,253 Units.

Out of the REIT's 30 properties, 26 are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while two of the other four properties are jointly occupied by the Dilawri Group (for use as automotive dealerships) and subleased to one or more third parties (for use as automotive dealerships or complementary uses, including restaurants).The two remaining properties are exclusively occupied by third party tenants for use as automotive dealerships. At the time of the acquisition of each applicable property, the REIT entered into a lease with the applicable member of the Dilawri Group (collectively, the "Dilawri Tenants") in respect of each of the 28 investment properties occupied by the Dilawri Group.

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

The REIT's first acquisition of a dealership property with a third-party dealer as a tenant was completed on December 30, 2015. The REIT acquired the Porsche Centre and Jaguar Land Rover Edmonton property ("Porsche JLR Edmonton"), a 44,779 square foot automotive dealership property occupied by two third-party dealerships and located at 17007 111th Avenue N.W. in Edmonton, Alberta, for $23,000, representing a capitalization rate of approximately 6.6% on forecast net operating income. On closing of the transaction, the third party tenants entered into a 17-year triple-net lease with the REIT.

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

On September 20, 2016, the REIT acquired Pfaff Audi property from a third party vendor for $17,150. Pfaff Audi is a 68,744 square foot automotive dealership property located at 9088 Jane Street, Vaughan, Ontario. The REIT assumed the current triple-net lease on the property, which has a remaining initial term of approximately 4.75 years, following which there are two five-year renewal options available to the tenant.

As at September 30, 2016, the Dilawri Group is the REIT's most significant tenant and is expected to continue to be for the foreseeable future, with members of the Dilawri Group occupying 90.1% of the REIT's GLA including subleases to third parties. The remaining 9.9% of the REIT's GLA is occupied by Porsche JLR Edmonton and Pfaff Audi properties. The remaining terms of the leases with the Dilawri Tenants (the "Dilawri Leases") range from 9.8 to 18.3 years. Overall, the REIT's portfolio has a weighted average lease term of approximately 13.4 years, including the aforementioned acquisitions closed subsequent to the IPO in 2015 and 2016.

The REIT announced monthly cash distributions of $0.067 per Unit, resulting in total distributions declared of $3,885 and $11,143 for Q3 2016 and YTD 2016, respectively.

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

This MD&A is dated as at November 7, 2016.

Forward-Looking Statements

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

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

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

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

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

Non-IFRS Measures

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

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

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

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

“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 calculated as distributions per unit divided by the AFFO per unit diluted.

“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, FFO payout ratio, 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, FFO payout ratio, AFFO payout ratio, NOI and Cash NOI may differ from other issuers’ methods and, accordingly, may not be comparable to measures used by other issuers. See “Results of Operations” in this MD&A for a reconciliation of these measures to net income.

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

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

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

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

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

SECTION 2 – OVERVIEW, STRATEGY AND OBJECTIVES

Overview

The REIT is an unincorporated, open-ended real estate investment trust, offering exposure to a unique real estate asset class. At September 30, 2016, the REIT's portfolio consisted of 30 commercial properties located in Ontario, Saskatchewan, Alberta, British Columbia and Québec. The properties encompass approximately 1.1 million square feet of GLA, and are primarily occupied by retail automotive dealerships, which also include service centres and in certain instances, ancillary businesses. The REIT's automotive dealership business tenants represent the largest, most recognizable global automotive brands ranging from mass market vehicle brands through to the ultra-luxury segment, with a focus on European and Asian brands. The REIT Units are listed on the Toronto Stock Exchange under the symbol "APR.UN".

Canada's automotive retail industry is characterized by strong industry fundamentals. According to Statistics Canada, at over 6.0% of gross domestic product in 2015, the automotive retail industry represented the largest component of retail sales and merchandise in Canada. Industry sales totaled a record $128 billion in 2015 (up 6.6% from 2014), representing approximately 25% of Canada's overall retail sales of products and merchandise. Over the last 20 years, retail automotive sales grew at a compound annual rate of 4.5%. The tables below contain new automobile sales by units in Canada for the 2015 and 2014 calendar years, and for the eight months ended August 31, 2016 and August 31, 2015 (the latest available information from Statistics Canada).

	12 Months Ended December 31			
	2015	YoY unit increase / decrease	YoY % increase / decrease	2014
Alberta	241,918	(35,273)	-12.7%	277,191
British Columbia and the Territories	211,044	13,141	6.6%	197,903
Manitoba	57,971	188	0.3%	57,783
New Brunswick	44,727	2,071	4.9%	42,656
Newfoundland and Labrador	35,017	(423)	-1.2%	35,440
Nova Scotia	55,055	1,169	2.2%	53,886
Ontario	778,364	45,646	6.2%	732,718
Prince Edward Island	7,976	421	5.6%	7,555
Québec	451,354	24,533	5.7%	426,821
Saskatchewan	55,128	(3,306)	-5.7%	58,434
Total Canada	**1,938,554**	**48,167**	**2.5%**	**1,890,387**

	8 Months Ended August 31			
	2016	YoY unit increase / decrease	YoY % increase / decrease	2015
Alberta	150,146	(14,749)	-8.9%	164,895
British Columbia and the Territories	150,668	8,668	6.1%	142,000
Manitoba	38,535	153	0.4%	38,382
New Brunswick	31,965	1,284	4.2%	30,681
Newfoundland and Labrador	23,524	(632)	-2.6%	24,156
Nova Scotia	37,553	(406)	-1.1%	37,959
Ontario	562,258	38,302	7.3%	523,956
Prince Edward Island	6,055	608	11.2%	5,447
Québec	321,651	12,803	4.1%	308,848
Saskatchewan	34,597	(2,277)	-6.2%	36,874
Total Canada	**1,356,952**	**43,754**	**3.3%**	**1,313,198**

(Source: Statistics Canada)

The REIT's most significant tenant is the Dilawri Group, one of the largest automotive dealership groups in Canada. Building on a strong track record of development and active management, revenues of the Dilawri Group were approximately $2.3 billion over the 12 month period from September 1, 2015 to September 30, 2016 (the "LTM"). The Dilawri Leases are structured as triple-net leases under which the tenant is responsible for all costs relating to repair and maintenance, realty taxes, property insurance, utilities and all non-structural capital improvements. Dilawri indemnifies its individual dealerships' rental obligations.

The Dilawri Leases include a fixed rent escalator of 1.5% per annum, which translates to an approximate 2.4% increase in AFFO per annum. The Porsche JLR Edmonton lease includes an annual rent escalator of 1.0% after the end of the fifth year of the 17-year term. On September 20, 2016, the REIT acquired Pfaff Audi property and assumed the current triple-net lease, which has a remaining initial term of approximately 4.75 years, following which there are two five-year renewal options available to the tenant. The REIT's overall portfolio has a weighted average lease term of 13.4 years.

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 holders of REIT Units and Class B LP Units (collectively, "Unitholders") of $0.067 per Unit, representing $0.80 per Unit on an annualized basis.

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

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

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

Growth Strategies

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

External Growth

Accretive Acquisitions of Third Party Properties

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

- *Fragmented ownership* – Management estimates that the top 10 automotive dealership groups in Canada own less than 10% of the approximately 3,500 automotive dealerships in Canada;
- *Increasing momentum of consolidation* – The proportion of automotive dealerships in Canada that are owned by operators with fewer than five locations has declined from 71% in 2009 to 65% in 2013 (*Source: DesRosiers Automotive Consultants)*. The REIT is uniquely positioned to work with the large dealership groups in unlocking the value of the underlying real estate as they accumulate dealerships.
- *Capital redeployment needs* – According to PricewaterhouseCoopers LLP's 2012 Automotive Trendsetter Report, 91% of dealers surveyed said that they own the properties underlying their dealerships. Monetizing the

underlying real estate would allow dealers to retain control of their dealership while redeploying capital into other areas of their business; and

- *Succession planning issues* – Management believes that for the majority of independent dealers, the dealership and its underlying real estate together represent the single largest proportion of their wealth. Selling the underlying real estate to the REIT can help such dealers address succession planning issues, particularly if the transaction can be effected on a tax efficient basis. This is especially important given the aging demographics of the Canadian dealership owners.

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

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

As described above under “The REIT”, in line with this strategy, the REIT acquired the Porsche JLR Edmonton and Pfaff Audi properties from third party vendors in December 30, 2015 and September 20, 2016, respectively.

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

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

As described above under “The REIT”, in line with this strategy, the REIT acquired the Toyota Woodland and Audi Barrie properties under the Strategic Alliance Agreement on December 23, 2015 and January 14, 2016, respectively.

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

Internal Growth

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

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

SECTION 3 – FINANCIAL OVERVIEW AND KEY PERFORMANCE INDICATORS

The financial results described herein relate to Q3 2016 and YTD 2016. The REIT completed its IPO and commenced trading on the Toronto Stock Exchange on July 22, 2015 and, accordingly, had no operations prior to July 22, 2015. As a result, the information contained herein in respect of the period ended September 30, 2015 reflect the REIT's operating results only for the 71-day period from July 22, 2015 to September 30, 2015 (the "71-day Period"). Consequently, the 2015 results cover different time frames as compared to the 2016 results and, therefore, are not comparable. Accordingly, the analysis of the results of operations will focus on Q3 2016 and the 71-day Period.

The results in respect of Q3 2016 were higher than the 71-day Period due to time frame variance and the acquisition of the four properties subsequent to the IPO (Toyota Woodland property, Porsche JLR Edmonton property, Audi Barrie property and Pfaff Audi property).

For Q3 2016, AFFO was $4,376 (71-day Period - $3,086), or $0.236 per Unit (71-day period - $0.171); and Cash NOI was $6,649 on $8,538 of revenue (compared to Cash NOI of $4,544 on revenue of $5,801 for the 71-day Period). During the YTD 2016 period, the REIT's properties generated AFFO of $12,997, or $0.713 per Unit and Cash NOI was $19,728 on $25,147 of revenue.

In Q3 2016, the REIT declared distributions of $3,885, or $0.201 per Unit, to Unitholders, representing an AFFO payout ratio of 85.2%. This compares to an AFFO payout ratio of 91.2% for the 71-day Period. For the YTD 2016 period, the REIT declared distributions of $11,143, or $0.603 per Unit, to Unitholders, representing an AFFO payout ratio of 84.6%. The lower actual AFFO payout ratio reflects an increase in Cash NOI from the four properties acquired subsequent to the IPO.

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

The REIT's total assets stand at $430,294 as at September 30, 2016, representing a Debt to GBV ratio of 48.2%. As at September 30, 2016, the REIT's weighted average in-place interest rate on its debt is 3.15%. The remaining outstanding expected term of the Credit Facilities is 3.8 years, and the remaining expected term to maturity of the related interest rate swaps is 5.2 years.

Key Performance Indicators

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

Portfolio	As at September 30, 2016	As at September 30, 2015
Number of properties	30	26
GLA (sq. ft.)	1,146,684	958,000
Average in-place base rent per sq. ft.	$24.76	$25.01
Weighted average remaining lease term (years)	13.4	14.8

	For the three months ended September 30		For the nine months ended September 30	
Operating Results	**2016**	2015(1)	**2016**	2015(1)
Revenue from investment properties	$ **8,538**	$ 5,801	$ **25,147**	$ 5,801
Cash NOI	**6,649**	4,544	**19,728**	4,544
FFO	**4,990**	3,600	**14,879**	3,600
AFFO	**4,376**	3,086	**12,997**	3,086
Fair value adjustment to investment properties	**2,890**	1,155	**5,217**	1,155
Distributions per Unit	$ **0.201**	$ 0.156	$ **0.603**	$ 0.156
FFO per Unit - basic (2)	**0.269**	0.199	**0.817**	0.199
FFO per Unit - diluted (3)	**0.269**	0.199	**0.817**	0.199
AFFO per Unit - basic (2)	**0.236**	0.171	**0.713**	0.171
AFFO per Unit - diluted (3)	**0.236**	0.171	**0.713**	0.171
Payout ratio (%)				
FFO	**74.7%**	78.4%	**73.8%**	78.4%
AFFO	**85.2%**	91.2%	**84.6%**	91.2%

Balance Sheet Metrics	As at September 30, 2016
Total assets	$430,294
Units outstanding (includes Class B LP Units)	21,894,253
Q3 2016 weighted average Units - basic (includes Class B LP Units)	18,554,253
Q3 2016 weighted average Units - diluted (includes Class B LP Units)	18,554,293
YTD 2016 weighted average Units - basic (includes Class B LP Units)	18,221,472
YTD 2016 weighted average Units - diluted (includes Class B LP Units)	18,221,485
Market capitalization (includes Class B LP Units)	$230,328
Weighted average effective interest rate on debt	3.15%
Proportion of total debt at fixed rates through swaps	90%
Weighted average interest rate swap term remaining	5.2
Interest coverage ratio	3.4X
Debt Service Coverage	1.8X
Debt to GBV	48.2%

(1) Based on operations beginning July 22, 2015.

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

(3) FFO and AFFO per Unit – diluted is calculated by dividing the total FFO and AFFO by the amount of the total weighted average number of outstanding REIT Units, Class B LP Units and DUs (as defined below) granted as at September 30, 2016 to certain Trustees of the REIT.

SECTION 4 - PROPERTY PORTFOLIO

Property Portfolio Summary

City or Region	Number of Properties	GLA (sq. ft.)	Average rental rate (per sq. ft.)	Weighted Average Lease Term (yrs)(1)	% of Cash NOI for current quarter
Greater Vancouver Area (GVA)	6	153,950	$36.26	16.1	18%
Calgary	4	177,787	21.53	14.0	14%
Regina	8	183,978	19.76	12.7	13%
Montréal	1	49,737	10.63	15.2	2%
Edmonton	1	44,779	34.00	16.3	5%
Innisfil (Barrie)	1	24,982	31.80	18.3	3%
Greater Toronto Area (GTA)	9	511,471	24.44	12.0	45%
Total Portfolio	**30**	**1,146,684**	**$24.76**	**13.4**	**100%**

(1) As at September 30, 2016.

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

Portfolio Overview

At September 30, 2016, the REIT’s portfolio consisted of 30 properties, including the 26 Initial Properties and the Toyota Woodland property (acquired on December 23, 2015), the Porsche JLR Edmonton property (acquired on December 30, 2015), the Audi Barrie property (acquired on January 14, 2016) and the Pfaff Audi property (acquired on September 20, 2016). 26 of the REIT’s properties are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility. Two properties are jointly occupied by Dilawri and third parties for use as automotive dealerships and complementary retail uses and one property is leased to a third party for use as two automotive dealerships. 28 properties are entirely leased to entities within the Dilawri Group, with the Dilawri Group subletting those portions of the properties that are occupied by third parties. As at September 30, 2016, the Porsche JLR Edmonton and Pfaff Audi properties were the only properties not leased to a member of the Dilawri Group. Consequently, the Dilawri Group is the REIT’s most significant tenant and provides 90.3% of the REIT’s rental income, including subleases to third parties.

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

Collectively, the REIT’s properties contain 39 automotive dealership facilities and one automotive repair facility occupying 43 individual buildings as well as four ancillary retail buildings. The Dilawri Group is the sole occupant of 31 of the 39 automotive dealership facilities and the one automotive repair facility, with third party automotive dealers occupying the Porsche JLR Edmonton property, the Pfaff Audi property located in Vaughan, Ontario, Hyundai and Kia dealerships at Dixie Auto Mall, located in Mississauga, Ontario and the Ford dealership located in Markham, Ontario. While the Honda and Toyota dealerships in the Dixie Auto Mall have relocated to another location, the third party tenants are expected to use the existing sites for ancillary dealership purposes, and Dilawri will continue to be the head tenant for the Dixie Auto Mall until July 2030. The four retail buildings are located on contiguous lots within the Dixie Auto Mall and are occupied by several national retail tenants including Cara Operations Limited (operating as Montana's Cookhouse and Kelsey's Restaurant) and Enterprise Rent-a-Car.

Dixie Auto Mall includes an industrial property with approximately 53,000 square feet of GLA which is not included as part of the portfolio as it is not an asset over which the REIT has control. This property was acquired by the REIT for nominal consideration on July 22, 2015 from a member of the Dilawri Group. This property has been leased to the applicable Dilawri Tenant for nominal consideration pending severance approvals at which time the property will be transferred to that member of the Dilawri Group for the same nominal consideration that the REIT paid for its acquisition. All severance approvals and transfers are expected to be completed in Q4 2016.

Profile of the Dilawri Leases

The remaining terms of the Dilawri Leases range from 12.7 years to 16.3 years, with a weighted average lease term of 13.8 years. The weighted average annual basic rent payable under the Dilawri Leases for the Initial Properties for the first year of the lease terms is approximately $25.43 per square foot. As of September 30, 2016, the weighted average annual basic rent payable under the Dilawri Leases, including the properties of Toyota Woodland and Audi Barrie, is approximately $24.87 per square foot. The basic annual rental rates of these leases increase by 1.5% annually, which equates to approximately 2.4% of the REIT's forecasted AFFO commencing with the second year of the lease.

Material terms of the Dilawri Leases include the following:

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

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

Profile of Third Party Leases

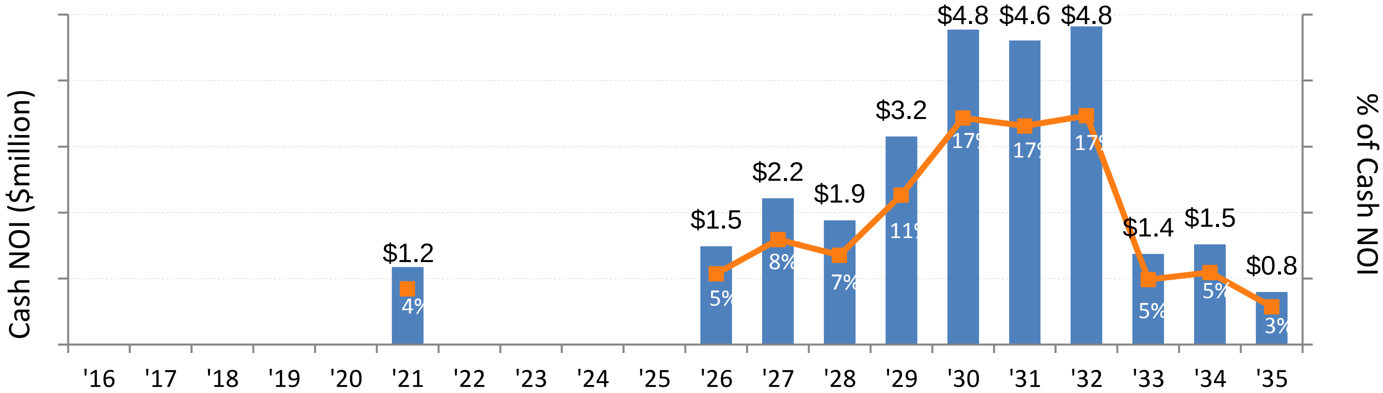
- Porsche JLR Edmonton property is the REIT's first acquisition of a dealership property with third party dealerships as the REIT's tenants. On closing of the transaction, the tenants entered into a 17-year triple-net lease with the REIT, with annual 1.0% rent escalations beginning at the end of the fifth year of the lease term.
- Pfaff Audi property is the REIT's second acquisition of a dealership property with a third party dealership as the REIT's tenant. The REIT assumed the current triple-net lease on the property, which has a remaining initial lease term of approximately 4.75 years, following which there are two five-year renewal options available to the tenant.

Profile of Overall Rent

Overall, at September 30, 2016, the REIT's properties have a weighted average base rental rate of $24.76 per square foot.

Profile of Overall Lease Maturity

Lease Maturity Profile



Property Use and Brand Diversification

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

Manufacturer / Brand	REIT Auto Dealership GLA (Sq. Feet)	% of REIT Auto Dealership GLA	% of REIT Auto Dealership Rent	No. of REIT Locations
Honda(1)	193,239	17.2%	16.7%	6
Porsche(2)	84,569	7.5%	10.9%	2
Acura(1)	93,838	8.3%	10.7%	3
Nissan	76,283	6.8%	7.8%	3
BMW(3)	100,180	8.9%	6.9%	2
Audi	123,156	10.9%	10.9%	3
Toyota	72,478	6.5%	3.8%	2

Mazda	47,501	4.2%	4.4%	2
Hyundai	49,734	4.4%	4.2%	3
Infiniti	26,314	2.3%	3.2%	2
Volkswagen	39,209	3.5%	3.6%	1
General Motors(4)	35,504	3.2%	3.2%	1
Ford	39,287	3.5%	3.2%	1
Chrysler	40,957	3.6%	2.0%	1
Mitsubishi	14,750	1.3%	1.4%	2
Kia	13,890	1.2%	1.3%	1
Other(5)	75,570	6.7%	5.8%	4
Total	**1,126,459**	**100.0%**	**100.0%**	**39**

Notes:

(1) Includes Honda Used Car and Regina Collision Centre. Regina Honda/Acura split 75% & 25% of 30,900 sq. ft.
(2) Includes Porsche JLR Edmonton.
(3) Includes MINI.
(4) Includes Dodge, FIAT, Jeep and RAM.
(5) Represents the Dilawri Distinctive Collection property in Calgary, which currently has franchise agreements with Aston Martin and Bentley. In addition, the Dilawri Distinctive Collection sells a variety of used vehicles, including Audi, BMW, Lamborghini, Maserati, McLaren, Mercedes-Benz and the Honda and Toyota dealerships in the Dixie Auto Mall since they have relocated to another location, the third party tenants are expected to use the existing sites for ancillary dealership purposes, and Dilawri will continue to be the head tenant for the Dixie Auto Mall until July 2030.

Description of the REIT's Key Tenant

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

Dilawri Group's Financial Information (approximations)	
Combined Revenues (not audited or reviewed)	2.3 billion(1)
EBITDA (not audited or reviewed)	$ 73.3 million(1)
Pro Forma Adjusted Rent Coverage Ratio (not audited or reviewed)	3.0 (2)
Term Debt (not audited or reviewed)	$ 141.1 million(2)
Term Debt to EBITDA Ratio (not audited or reviewed)	2.0 (2)

Notes:

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

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

Dilawri Additional and Non-ASPE Measures

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

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

"**Pro Forma Adjusted Rent Coverage Ratio**" is calculated by Dilawri as EBITDA (approximately $73.7 million) for the LTM plus rent paid by the Dilawri Group for the LTM to third parties and the REIT, less rent received from third parties (net amount of approximately $36.4 million). The resultant figure is divided by rent paid by the Dilawri Group for the LTM to third parties and the REIT, less rent received from third parties (net amount of approximately $36.4 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, 2016 prepared in accordance with the recognition, measurement and disclosure principles of ASPE.

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

SECTION 5 – RESULTS OF OPERATIONS

Results of Operations - For the three and nine months ended September 30, 2016

Net Income (Loss) and Comprehensive Income (Loss)

The REIT completed its IPO and commenced trading on the Toronto Stock Exchange on July 22, 2015 and, accordingly, had no operations prior to July 22, 2015. As a result, the three and nine-month periods ended September 30, 2015 reflect the REIT's operating results only for the 71-day Period. Consequently, the 2015 results cover different time frames as compared to the 2016 results and, therefore, are not comparable. Accordingly, the analysis of the results of operations will focus on Q3 2016 and the 71-day Period.

	Three months ended September 30			Nine months ended September 30		
	2016	2015[1]	Variance	**2016**	2015[1]	Variance
Net Property Income						
Rental revenue from investment properties	$ 8,538	$ 5,801	$ 2,737	$ 25,147	$ 5,801	$ 19,346
Property costs	(1,236)	(754)	(482)	(3,344)	(754)	(2,590)
NOI	**7,302**	**5,047**	**2,255**	**21,803**	**5,047**	**16,756**
Other Income (Expenses)						
General and administrative expenses	(507)	(299)	(208)	(1,518)	(299)	(1,219)
Interest expense and other financing charges	(1,805)	(1,148)	(657)	(5,406)	(1,148)	(4,258)
Distribution expense on Class B LP Units	(1,997)	(1,549)	(448)	(5,989)	(1,549)	(4,440)
Fair value adjustment on Class B LP Units	(5,066)	2,583	(7,649)	(22,549)	2,583	(25,132)
Fair value adjustment on interest rate swaps	354	(3,817)	4,171	(2,588)	(3,817)	1,229
Fair value adjustment on investment properties	2,890	1,155	1,735	5,217	1,155	4,062
Net Income (Loss) and Comprehensive Income (Loss)	**$ 1,171**	**$ 1,972**	**$ (801)**	**$ (11,030)**	**$ 1,972**	**$ (13,002)**
Units Outstanding including Class B LP Units	***21,894,253***	*18,053,253*	*3,841,000*	***21,894,253***	*18,053,253*	*3,841,000*
Per Unit [2]	***$ 0.063***	*$ 0.109*	*$ (0.046)*	***$ (0.605)***	*$ 0.109*	*$ (0.714)*

(1) Based on operations commencing July 22, 2015.
(2) Calculation based on the weighted average number of Units basic and diluted.

Property Revenue and Property Costs

Rental revenue is based on rents from leases entered into with tenants on closing of the applicable acquisitions, all of which are triple-net leases and as such include recoverable realty taxes. The Dilawri Leases have remaining lease terms ranging from approximately 12.7 to 16.3 years, with an average remaining lease term of 13.8 years and an annual basic rent escalation of 1.5% in each year during the initial term. The Porsche JLR Edmonton property has an initial 17-year term and an annual base rent escalator of 1.0% after the fifth year of the term. The Pfaff Audi property has a triple-net lease with a remaining initial term of approximately 4.75 years, following which there are two five-year renewal options available to the tenant. Two of the Initial Properties are subject to land leases. Land lease expense includes straight line rent on the land leases over the expected lease term and recoverable realty taxes that have been paid by the REIT.

For Q3 2016, rental revenue of $8,538 was $2,737 higher than the 71-day Period, primarily due to the time frame variance, which contributed approximately $1,818. The four properties acquired since the IPO (Toyota Woodland, Porsche JLR Edmonton, Audi Barrie and Pfaff Audi) had a positive impact on revenue during Q3 2016 of approximately $919.

Rental revenue for YTD 2016 was $25,147 (September 30, 2015 - $5,801).

Property costs for Q3 2016 were $482 higher than those incurred during the 71-day Period. A $371 increase is attributable to the time frame variance, and $111 to the four properties acquired subsequent to the IPO. The property costs for YTD 2016 were $3,344 (September 30, 2015 - $754).

General and Administrative Expenses

The REIT has two broad categories of general and administrative expenses consisting of: i) public entity costs, and ii) outsourced costs. The public entity costs reflect the expenses related to ongoing operations of the REIT (including professional fees and fees payable to members of the REIT's Board of Trustees (the "Board") and will fluctuate depending on when such expenses are incurred. The outsourced costs are largely related to the services provided by Dilawri pursuant to the Administration Agreement. The Administration Agreement provided for services to the REIT to be on a cost-recovery basis with a fixed fee during the period from July 1, 2015 to June 30, 2016 (the "Forecast Period"). General and administrative expenses in Q3 2016 of $507 were $208 higher than those incurred during the 71-day Period.

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

Certain independent Trustees elected to receive board and committee fees in the form of DUs. The fair value of each DU granted is measured based on the volume-weighted average trading price of the REIT Units for the five trading days immediately preceding the grant date. As of September 30, 2016 the REIT incurred an expense of $38 reflecting the grant of 3,674 DUs granted in Q3 2016.

	Q3 2016	**71-day Period**	**Variance**
Administration Agreement	$ (210)	$ (136)	$ (74)
DU expense	(38)	-	(38)
Public entity costs and other	(259)	(163)	(96)
General and administrative expenses	**$ (507)**	**$ (299)**	**$ (208)**

The table above illustrates the breakdown of general and administrative expenses incurred in Q3 2016 as compared to the 71-day Period.

The $74 increase in Administration Agreement cost is attributable to the time frame variance and an increase in outsourced costs. DU expense reflects the costs attributed to DUs granted to participants under the Plan. Public entity costs and other include legal and audit fees and other regulatory and general business expenses which were higher due to the time frame variance and to the four properties acquired subsequent to the IPO.

Interest Expense and Other Financing Charges

Interest expenses include amounts payable to lenders under the REIT's Credit Facilities as well as amortization of upfront costs and costs to hedge the Credit Facilities at fixed rates. For Q3 2016, the interest expense and other financing charges were $1,805, $657 higher than those incurred during the 71-day Period. The time frame variance had an impact of $377 and the four properties acquired since the IPO resulted in an increase of $185.

The weighted average fixed rate of interest on the REIT's debt is 3.15%, the same as the 71-day Period.

Changes in Fair Values of Investment Properties

As at	September 30, 2016	December 31, 2015
Balance, beginning of period	$389,650	$-
Acquisition of Initial Properties	-	357,742
Subsequent acquisitions	28,928	30,846
Fair value adjustment on investment properties	5,217	(94)
Straight-line rent	2,074	1,156
Balance, end of period	**$425,869**	**$389,650**

The REIT assessed the valuation of the investment properties using a discounted cash flow approach whereby a current discount rate was applied to the projected net operating income which a property can reasonably be expected to produce in the future. A $5,217 fair value gain was recognized for the nine-month period ended September 30, 2016.

The REIT's valuation inputs are supported by quarterly market reports from a third party appraiser which indicate a decrease in capitalization rates in the Vancouver and Toronto markets which were offset by a capitalization rate increase for the Regina market. The overall implied capitalization rate, applicable to the entire portfolio remained at 6.5%, which is equivalent to the REIT's overall assessment as at December 31, 2015. A 25 basis point decrease or increase in capitalization rates would result in an increase or decrease in the fair value of investment properties of approximately $15,700.

In addition, the appraiser prepares valuations on a portion of the portfolio annually, such that the entire portfolio is appraised at least once every three years.

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

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

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

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

The contribution to net income for Q3 2016 is primarily attributable to the fair value adjustments for both investment properties of $2,890 and interest rate swaps of $354. The net loss for YTD 2016 is primarily attributable to the fair value adjustments for both Class B LP Units of $22,549 and interest rate swaps of $2,588.

NOI, Cash NOI, FFO and AFFO

The REIT uses the following non-IFRS key performance indicators: NOI, Cash NOI, FFO, AFFO, FFO Payout Ratio and AFFO Payout Ratio. The REIT believes these non-IFRS measures and ratios provide useful supplemental information to both management and investors in measuring the financial performance and financial condition of the REIT for the reasons outlined below. These measures and ratios do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures and ratios presented by other publicly traded real estate investment trusts, and should not be construed as an alternative to other financial measures determined in accordance with IFRS. The calculations of these measures and the reconciliation to net income and comprehensive income are set out in the following table:

	Three months ended September 30			Nine months ended September 30		
	2016	2015[1]	Variance	**2016**	2015[1]	Variance
($000s, except per Unit amounts)						
Calculation of NOI						
Property revenue	$8,538	$5,801	$2,737	$25,147	$5,801	$19,346
Property costs	(1,236)	(754)	(482)	(3,344)	(754)	(2,590)
NOI (including straight-line adjustments)	**7,302**	**5,047**	**2,255**	**21,803**	**5,047**	**16,756**
Reconciliation of net income to FFO and AFFO						
Net income (loss) and comprehensive income (loss)	1,171	1,972	(801)	(11,030)	1,972	(13,002)
Adjustments:						
Change in fair value – Class B LP Units	5,066	(2,583)	7,649	22,549	(2,583)	25,132
Change in fair value – Interest rate swaps	(354)	3,817	(4,171)	2,588	3,817	(1,229)
Change in fair value – Investment properties	(2,890)	(1,155)	(1,735)	(5,217)	(1,155)	(4,062)
Distributions on Class B LP Units	1,997	1,549	448	5,989	1,549	4,440
FFO	**4,990**	**3,600**	**1,390**	**14,879**	**3,600**	**11,279**
Adjustments:						
Amortization of deferred financing costs and indemnity fee[2]	74	39	35	186	39	147
Straight-line adjustment (rent and land lease) [3]	(653)	(503)	(150)	(2,074)	(503)	(1,571)
Equity Incentive Plan[4]	38	-	38	224	-	224
Structural reserve[5]	(73)	(50)	(23)	(218)	(50)	(168)
AFFO	**4,376**	**3,086**	**1,290**	**12,997**	**3,086**	**9,911**
NOI (including straight-line adjustments)	7,302	5,047	2,255	21,803	5,047	16,756
Adjustments:						
Straight-line adjustment (rent and land lease)	(653)	(503)	(150)	(2,074)	(503)	(1,571)
Cash NOI	**$6,649**	**$4,544**	**$2,105**	**$19,729**	**$4,544**	**$15,185**

Number of Units outstanding (including Class B LP Units)	21,894,253	18,053,253	3,841,000	21,894,253	18,053,253	3,841,000
Weighted average Units Outstanding – basic	*18,554,253*	-	-	*18,221,472*	-	-
Weighted average Units Outstanding – diluted	*18,554,293*	-	-	*18,221,485*	-	-
FFO per Unit - basic(6)	**$0.269**	**$0.199**	**$0.07**	**$0.817**	**$0.199**	**$0.618**
FFO per Unit - diluted(7)	**$0.269**	**$0.199**	**$0.07**	**$0.817**	**$0.199**	**$0.618**
AFFO per Unit - basic (6)	**$0.236**	**$0.171**	**$0.065**	**$0.713**	**$0.171**	**$0.542**
AFFO per Unit - diluted (7)	**$0.236**	**$0.171**	**$0.065**	**$0.713**	**$0.171**	**$0.542**
Distributions per Unit	**$0.201**	**$0.156**	**-**	**$0.603**	**$0.156**	**-**
FFO payout ratio	**74.7%**	**78.4%**	**-3.7%**	**73.8%**	**78.4%**	**-4.6%**
AFFO payout ratio	**85.2%**	**91.2%**	**-6.0%**	**84.6%**	**91.2%**	**-6.6%**

(1) Based on operations commencing July 22, 2015. The 71-day Period.

(2) Amortization of deferred financing costs and indemnity fee of $74 for Q3 2016 and $186 for YTD 2016. The increase of $35 from the 71-day Period is attributable to the time frame variance and the four properties acquired subsequent to the IPO.

(3) Straight line adjustment (rent and land lease) of $653 and $2,074 for Q3 2016 and YTD 2016, respectively, The increase from the 71-day Period is attributable to the time frame variance and the four properties acquired subsequent to the IPO.

(4) During Q3 2016, the REIT incurred an expense of $38 due to 3,674 DUs granted in Q3 2016.

(5) Structural reserve of $73 was $23 higher than the 71-day Period attributable to the time frame variance and the four properties acquired subsequent to the IPO.

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

(7) The FFO and AFFO per unit – diluted is calculated by dividing the total FFO and AFFO by the amount of the total weighted-average number of outstanding REIT Units, Class B LP Units and DUs granted as at September 30, 2016 to certain independent Trustees.

Cash Flow from Operating Activities Compared to AFFO

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

	YTD 2016
Cash generated from operating activities	11,326
Add (deduct):	
Structural reserve	(218)
Changes in non-cash operating accounts	1,960
Amortization of other assets (1)	(71)
AFFO	**12,997**

(1) The amortization of other assets of $71 is not added back to AFFO since these costs are expenses within a 12 month period.

SECTION 6 – LIQUIDITY AND CAPITAL RESOURCES

Capital Structure

	Key Terms						
Debt[5]	Term (yrs)	Hedged Term (yrs)	Interest Rate	Payments & Interest/ Amortization	Effective Interest Rate		**As at September 30, 2016**
Facility 1	(1)	1.8 to 8.8	BA + 150 bps, Prime +25 bps	(1)	3.1%	$	129,280
Facility 2	3.8	1.8 to 8.8	BA + 150 bps, Prime +25 bps	(2)	3.1%		57,525
Facility 3	2.4	n/a	Fixed 3.5 %	P&I, 20 yrs	3.5%		13,542
Facility 4	4.3	n/a	Fixed 3.22 %	P&I, 20 yrs	3.2%		6,978
						$	**207,325**
Financing fees							(662)
Average /Total		**5.2**				**$**	**206,663**

Class B LP Units & Equity	Number of Units Outstanding		**September 30, 2016**
Class B LP Units	9,933,253	$	104,499
REIT Units	11,961,000		111,000
	21,984,253	**$**	**215,499**

Cash Balance			**$2,068**
Key Financing Metrics and Debt Covenants(3),(6)	Debt Covenant	Declaration of Trust(4)	**As at for the period ended September 30, 2016**
Interest coverage	-	-	**3.4**
Debt to GBV	<65% (5)	<65%(5)	**48.2%**
Unitholders' Equity (including Class B LP Units)	>$120,000	-	**$214,041**
Debt Service Coverage	>1.35	-	**1.8**
AFFO payout ratio	<100%	-	**84.6%**

(1) $114,728 of this facility matures 5 years from July 22, 2015.

$14,550 of this facility matures 5 years from December 30, 2015.

(2) $57,525 of this facility matures 5 years from July 22, 2015.
(3) The calculations of these ratios, which are non-IFRS measures, are set out under "Financing Metrics and Debt Covenants" below.
(4) The Declaration of Trust contains other operating covenants that do not relate to leverage or debt service/coverage. The Declaration of Trust is available on www.sedar.com and is described in the AIF. Management believes that the REIT is in compliance with these operating covenants.
(5) Including convertible debentures. Excluding convertible debentures, the maximum ratio is 60%.
(6) The debt agreements for Facility 1 and Facility 2, which are available on www.sedar.com, have other covenants that do not directly relate to the REIT's consolidated financial position. Management believes that the REIT is in compliance with all such covenants and with debt agreement covenants for Facility 3 and Facility 4.

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

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

Principal mortgage repayments are as follows:

2016	$2,124
2017	8,577
2018	8,780
2019	20,673
2020	161,404
Thereafter	5,767
Total	$207,325

See details below of the credit facilities and remaining expected terms of maturity of the interest rate swaps.

Management believes that the REIT's liquidity position as at September 30, 2016, which includes approximately $22,500 of undrawn credit facilities and cash on hand of $2,068, 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. As at September 30, 2016 Debt to GBV ratio is 48.2%. Management expects that the ratio of Debt to GBV may increase, at least temporarily, following an acquisition by the REIT of one or more additional properties. Interest rates and loan maturities will be reviewed on a regular basis by management and the Trustees to ensure appropriate debt management strategies are implemented.

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

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

Secured Credit Facilities

Facility 1

A non-revolving loan in the amount of $114,730 bearing interest at bankers' acceptance ("BA") rate plus 150 basis points (bps) or Canadian prime rate ("Prime") plus 25 bps, maturing 5 years from July 22, 2015, repayable in equal quarterly principal payments which commenced on December 31, 2015, based on a 25-year amortization. The REIT entered into floating-to-fixed interest rate swaps on August 7, 2015 for terms of 3 to 10 years which resulted in a weighted average effective interest rate of 3.1%.

Facility 1 includes an additional non-revolving loan in the amount of $14,550 bearing interest at BA rate plus 150 bps or Prime plus 25 bps, maturing 5 years from December 30, 2015, repayable in equal quarterly principal payments which commenced on March 31, 2016, based on a 25-year amortization. The REIT entered into a floating-to-fixed interest rate swap on December 30, 2015 for a term of 7 years which resulted in a weighted average effective interest rate of 3.17%.

A $15,000 revolving Credit Facility bearing interest at Prime plus 25 bps or CDOR plus 1.50% maturing 3 years from July 22, 2015. The REIT used a portion of the net proceeds from the Equity Offering (as defined herein) to repay the drawn balance of $12,650. As at September 30, 2016, this Credit Facility has a balance of $nil (December 31, 2015 - $10,200).

Facility 2

A non-revolving loan in the amount of $57,525 (December 31, 2015 - $59,074) bearing interest at the BA rate plus 150 bps or Prime plus 25 bps, maturing 5 years from July 22, 2015 repayable in monthly blended payments based on a 20 year amortization. The REIT entered into floating-to-fixed interest rate swaps on August 7, 2015 for terms of 3 to 10 years which resulted in a weighted average effective interest rate of 3.1%.

A $7,500 revolving Credit Facility bearing interest at Prime plus 25 bps maturing 5 years from July 22, 2015. The REIT used a portion of the net proceeds from the Equity Offering to repay the drawn balance of $4,400. As at September 30, 2016, this Credit Facility has a balance of $nil (December 31, 2015 – $nil).

Facility 3

A non-revolving loan in the amount of $13,542 bearing interest at 3.5% maturing on February 28, 2019, repayable in monthly blended payments based on a 20-year amortization.

Facility 4

A non-revolving loan in the amount of $6,978 bearing interest at 3.22% maturing 5 years from January 14, 2016, repayable in monthly blended payments based on a 20-year amortization.

The Credit Facilities described above (the "Credit Facilities") are secured by the REIT's investment properties, excluding the Toyota Woodland property, located in Montreal, Quebec and Pfaff Audi property, located in Vaughan, Ontario, which are secured in respect of the 2016 Facility (as defined below).

2016 Facility

On October 13, 2016, the REIT entered into a new $14,600 revolving acquisition credit facility with a Schedule I Canadian chartered bank bearing interest at the BA rate plus 150 bps. This credit facility is secured by the Toyota Woodland property, located in Montreal, Quebec and the Pfaff Audi property, located in Vaughan, Ontario (the "2016 Facility"). As of the date hereof, this facility remains undrawn.

Financing Fees

The REIT incurred financing fees of $849. The amount is accounted for using the effective interest method, $662 (December 31, 2015 - $585) remains unamortized at September 30, 2016.

Hedging Arrangements

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

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

Remaining Term (yrs)	Amount ($000s)	Total Swapped Fixed Rate Debt (%)
1.8	43,639	23.4
3.8	41,338	22.1
5.8	43,639	23.4
6.25	14,550	7.7
8.8	43,639	23.4
5.2	**186,805**	**100.0**

As at September 30, 2016, the fair value of the interest rate swaps was a net financial liability of $6,760 (December 31, 2015 - $4,172).

Unitholders' Equity (including Class B LP Units)

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

REIT Units

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

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

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

On September 19, 2016, the REIT issued an aggregate of 3,841,000 Units at a price of $10.50 per REIT Unit in connection with a public offering of REIT Units for gross proceeds of $40,330, which included the exercise in full of the over-allotment option granted to the underwriters, whereby an additional 501,000 Units were issued at a price of $10.50 per REIT Unit. Direct costs of $2,124 were netted against the gross proceeds.

As at September 30, 2016, the total number of the REIT Units outstanding was 11,961,000.

Class B LP Units

In conjunction with the IPO, and as partial consideration for the Initial Properties, the REIT, through the Partnership, issued Class B LP Units to certain members of the Dilawri Group. Each Class B LP Unit is exchangeable at the option of the holder for one REIT Unit (subject to certain anti-dilution adjustments), is accompanied by a special voting unit (a "Special Voting Unit") (which provides the holder with that number of votes at any meeting of holders of REIT Units to which a holder of the number of REIT Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled), and will receive distributions of cash from the Partnership equal to the distributions to which a holder of the number of REIT Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled. Under IFRS, the Class B LP Units are classified as financial liabilities and measured at fair value through profit and loss (FVTPL). The fair value of the Class B LP Units will be measured every period by reference to the traded value of the REIT Units, with changes in measurement recorded in interest expense and other financing charges. Distributions on the Class B LP Units will be recorded in interest expense and other financing charges in the period in which they become payable. As at September 30, 2016, the total number of the Class B LP Units outstanding was 9,933,253.

Distributions

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

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

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

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.

Deferred Units

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

(Number of awards)	**Nine months ended September 30, 2016**
Outstanding DUs, beginning of period	-
DUs Granted	**3,674**
Outstanding DUs, end of period	**3,674**

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	**Nine Months ended September 30, 2016**
Net Asset Value	
Investment properties, IFRS value	$ 425,869
Cash, prepaid and other assets	4,425
Accounts payable and accrued liabilities	(2,830)
Credit Facilities and interest rate swaps	(213,423)
Total Net Asset Value	$ **214,041**
REIT Units and Class B LP outstanding (thousands)	21,894

Interest coverage		
Cash NOI		$ 19,729
General and administrative expenses		(1,518)
Income before interest expense and fair value adjustments	(**A**)	$ 18,211
Interest expense and other financing charges	(**B**)	$ 5,406
Interest coverage ratio	(**A/B**)	**3.4X**

Debt to GBV		
Indebtedness outstanding :		
Credit Facilities (excludes deferred financing costs)		$ 207,325
Credit Facilities (excludes deferred financing costs)	(**C**)	$ 207,325
Gross Book Value		
Total assets	(**D**)	430,294
Debt to GBV	**(C/D) X 100**	**48.2%**

Unitholders' Equity & Class B LP Units	
Unitholders' Equity	$ 109,542
Value of Class B LP Units	104,499
Total Unitholders' Equity & Class B LP Units	**214,041**

Calculations of financial metrics and debt covenants		**Three Months ended September 30, 2016**	**Nine Months ended September 30, 2016**
Debt Service Coverage			
Consolidated net income		$1,171	$(11,030)
Interest expense and other financing charges		1,805	5,406
Distribution expense on Class B LP units		1,997	5,989
Amortization of deferred financing costs and indemnity fee		74	186
Fair value adjustments, net		1,822	19,920
EBITDA	E	6,869	20,471

Principal payments on debt		2,339	6,308
Interest payments on debt		1,748	5,274
Debt Service	F	4,087	11,582
Debt Service Ratio	E/F	**1.7 X**	**1.8 X**
AFFO payout ratio			
AFFO		4,376	12,997
Distributions on REIT Units		1,888	5,154
Distributions on Class B LP Units		1,997	5,989
		3,885	11,143
AFFO payout ratio (1)		**85.2%**	**84.6%**

(1) The AFFO payout ratio is calculated by dividing the payout ratio per Unit by the AFFO per Unit.

SECTION 7 – QUARTERLY RESULTS OF OPERATIONS

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

Selected Quarterly Information

($ thousands except where otherwise indicated)	**Third Quarter 2016**	Second Quarter 2016	First Quarter 2016	Fourth Quarter 2015	Third Quarter 2015 (i)
Number of Properties	**30**	29	29	28	26
GLA (sq. ft.)	**1,146,684**	1,077,810	1,077,810	1,052,828	958,000
Rental revenue	**8,538**	8,302	8,308	7,499	5,801
Net Operating Income	**7,302**	7,266	7,235	6,519	5,047
Net Income (loss)	**1,171**	(2,530)	(9,673)	15,653	1,972
FFO per unit – basic(ii)	**0.269**	0.269	0.279	0.247	0.199
FFO per unit – diluted(ii)	**0.269**	-	-	-	-
AFFO per unit – basic(ii)	**0.236**	0.239	0.238	0.210	0.171
AFFO per unit – diluted(ii)	**0.236**	-	-	-	-
AFFO payout ratio	**85.2%**	84.1%	84.5%	95.7%	91.2%
Distribution declared per unit	**0.201**	0.201	0.201	0.201	0.156
Units outstanding (including Class B LP Units)	**21,894,253**	18,053,253	18,053,253	18,053,253	18,053,253
Total assets	**430,294**	407,366	407,201	393,839	370,414
Debt to total assets	**48.2%**	55.6%	55.9%	55.0%	52.4%
Debt service coverage	**1.7x**	1.8x	1.8x	2.1x	3.7x

(i) Q3 2015 represents, the period from June 1, 2015 (date of formation) to September 30, 2015.
(ii) The FFO and AFFO per unit basic and is calculated by using the weighted-average number of outstanding REIT Units and Class B LP Units and DUs granted as at September 30, 2016 for FFO and AFFO per unit diluted.

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

SECTION 8 – RELATED PARTY TRANSACTIONS

The REIT's largest Unitholder and lead tenant is the Dilawri Group, which as at September 30, 2016, held an approximate 45% effective interest in the REIT on a fully diluted basis, through its ownership of all of the issued and outstanding Class B LP Units. The Dilawri Group's effective interest in the REIT was reduced from approximately 55% to approximately 45% as a result of the Equity Offering.

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

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

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

Administration Agreement

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

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

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

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

Effective July 1, 2016, subject to the provisions above, Dilawri has agreed to provide these services to the REIT at the rate of $420 for the period July 1, 2016 to December 31, 2016, reflecting Dilawri's costs in providing such services. Dilawri agreed to provide the above-noted services for a fixed fee equal to $700 during the Forecast Period. The independent Trustees approved a $70 budget increase which was effective July 1, 2016 for the balance of 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 $500,000 or in the event of a material breach or material default of the REIT's obligations under the Administration Agreement or insolvency of the REIT, in all cases without payment of any termination fees. For clarity, after the expiry of the Forecast Period, the REIT may terminate the Administration Agreement in part in respect of one or more particular services, in each case, upon 90 days' prior written notice, without payment of any termination fees. As part of any termination of the Administration Agreement, the REIT will be permitted to solicit employees of the Dilawri Group who provide services to the REIT under the Administration Agreement.

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

General and administrative expenses include $560 and $210 for the three and nine month periods ended September 30, 2016 respectively paid by the REIT to Dilawri pursuant to the Administration Agreement (September 30, 2015 - $136).

Strategic Alliance Agreement

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

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

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

SECTION 9 − OUTLOOK

The Canadian automotive retail industry is a large and stable business with a track record of long-term growth. At over 6.0% of Gross Domestic Product ("GDP") in 2015, the automotive retail industry is the largest component of retail sales and merchandise in Canada. Over the last 20 years, Canadian automobile retail sales grew at a compound annual rate of 4.5%. For calendar year 2015, this steady growth has continued, with sales of new automobiles up 2.6% to 1,939,954 units, compared to 1,890,387 units for 2014, which was itself a record year for automobile sales in Canada *(Source: Statistics Canada)*. For the eight months ended August 31, 2016, this steady growth continued, with sales of new automobiles up 3.2% to 1,356,952, units, compared to 1,313,198 units for the corresponding period in 2015. *(Source: Statistics Canada)*. Management expects continued steady sales levels for 2016.

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

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

SECTION 10 – OTHER DISCLOSURES

Commitments and Contingencies

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

The Independent Trustees, means a Trustee who is “independent” pursuant to National Instrument 58-101 — *Disclosure of Corporate Governance Practice.* The Independent Trustees approved the REIT’s 2016 budget which includes an increase in the estimated costs payable to Dilawri commencing July 1, 2016 of $70 for the balance of 2016.The REIT, as lessee, is committed under long-term land leases that are classified as operating leases with expiry dates to 2033 with minimum annual rentals as follows:

Within 1 year	$576
After 1 year, but not more than 5 years	2,466
More than 5 years	9,150
Total	$12,192

Disclosure Controls and Internal Controls over Financial Reporting

The REIT’s certifying officers have designed a system of disclosure controls and procedures (“DC&P) to provide reasonable assurance that (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by the REIT in its annual filings, interim filings and other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Also, the REIT’s certifying officers have designed a system of internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

There have been no changes to the REIT’s ICFR during Q3 2016 that has materially affected, or is reasonably likely to materially affect, the REIT’s ICFR.

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

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

SECTION 11 – RISKS & UNCERTAINTIES, CRITICAL JUDGEMENTS & ESTIMATES

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

APPENDIX

Property List as at September 30, 2016

Name	Address	City/ Province	Year Built /Renov.	GLA
Properties ***(as at September 30, 2016)***				
1. Dixie Auto Mall				
Dilawri-Owned Auto				
Volkswagen	5500 Ambler Drive	Mississauga, ON	1988/2011	39,209
Nissan	5500 Dixie Road	Mississauga, ON	1988/2001	26,369
Mazda	5500 Ambler Drive	Mississauga, ON	1987/2014	16,713
Infiniti	5500 Ambler Drive	Mississauga, ON	1988/2014	14,592
Mitsubishi	5525 Ambler Drive	Mississauga, ON	1998	8,000
Third Party Auto				
Toyota (ancillary-other)	5500 Dixie Road	Mississauga, ON	1987	22,078
Honda (ancillary-other)	5500 Dixie Road	Mississauga, ON	1987	17,735
Kia	5505 Ambler Drive	Mississauga, ON	2002/2006	13,890
Hyundai	5515 Ambler Drive	Mississauga, ON	1998	9,345
Third Party Retail				
Montana’s	1495 Aerowood Drive	Mississauga, ON	2001	5,150
Kelsey’s	1485 Aerowood Drive	Mississauga, ON	2001	5,000
A&W	1465 Aerowood Drive	Mississauga, ON	1999	4,000
Subway/NY Fries	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	2,200
Enterprise Rent-a-Car	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	2,000
Made in Japan	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	1,875
Dixie Auto Mall Total				**188,156**
2. Markham Honda and Ford				
Dilawri-Owned Auto				
Markham Honda	8220 Kennedy Road	Markham, ON	2004	32,723
Third Party Auto				
Markville Ford Lincoln	8210 Kennedy Road	Markham, ON	1988/2010	39,287
Markham Honda and Ford Total				**72,010**
3. Calgary BMW	34 Heritage Meadows Road S.E.	Calgary, AB	2007	87,724
4. Calgary Honda	11700 Lake Fraser Dr S.E.	Calgary, AB	2005	43,511
5. Triple 7 Chrysler	700 Broad Street	Regina, SK	1959/2011	40,957
6. Porsche Centre Vancouver	688 Terminal Avenue	Vancouver, BC	2013	39,790
7. Frost Chevrolet Buick GMC Cadillac	150 Bovaird Drive West	Brampton, ON	2013	35,504
8. Honda Used Car and Regina Collision Centre	815 Broad Street	Regina, SK	2012/2015	32,457
9. Oakville Honda	500 Iroquois Shore Road	Oakville, ON	2003/2006	33,334
10. Markham Acura	5201 Highway 7 E	Markham, ON	2002	32,025
11. Regina Honda/Acura	789 Broad Street	Regina, SK	2003/2015	30,900
12. Agincourt Mazda	5500 Finch Avenue E	Toronto, ON	2005	30,788
13. Dilawri Nissan Infiniti	1775 5th Avenue	Regina, SK	1998/2015	30,864
14. Audi Sales Downtown Vancouver	1788 West 2nd Avenue	Vancouver, BC	2013	29,300

15. Meadowvale Honda	2210 Battleford Road	Mississauga, ON	2007	28,039
16. Burrard Acura[(1)]	730 Terminal Avenue	Vancouver, BC	2015	27,640
17. Langley Acura[(1)]	20257 Langley Bypass	Langley, BC	2015	26,448
18. Distinctive Collection	150 Glendeer Circle S.E.	Calgary, AB	1988/2008	24,367
19. Bolton Toyota	12050 Albion Vaughan Road	Bolton, ON	2004	22,741
20. Hyundai Gallery	11770 Lake Fraser Dr S.E.	Calgary, AB	2006	22,185
21. North Vancouver Nissan Infiniti	819 Automall Drive	N. Vancouver, BC	1992/2002	19,050
22. Regina Hyundai	444 Broad Street	Regina, SK	2005	18,204
23. Dilawri BMW	1919 1st Avenue	Regina, SK	1997	12,456
24. Infiniti Vancouver	1718 West 3rd Avenue	Vancouver, BC	1999	11,722
25. 1921 1st Avenue *(formerly Dilawri Acura)*	1921 1st Avenue	Regina, SK	1997	11,390
26. Dilawri Mitsubishi	1750 6th Avenue	Regina, SK	1993/2003	6,750
27. Toyota Woodland	1000-1009 Woodland Avenue	Montreal, QC	2007/2008	49,737
28. Porsche Centre and Jaguar Land Rover Edmonton[(2)]	17007 111th Avenue N.W.	Edmonton, AB	2014	44,779
29. Audi Barrie[(2)]	2482 Doral Drive	Innisfil, ON	2015	24,982
30. Pfaff Audi	9088 Jane Street	Vaughan, ON	2006	68,874
Portfolio Total				**1,146,684**

Notes:

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

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

Automotive Properties Real Estate Investment Trust
Condensed Consolidated Interim Financial Statements
For the period ended September 30, 2016

Automotive Properties REIT
Condensed Consolidated Interim Balance Sheet
(Unaudited)

(in thousands of Canadian dollars)	**Note**	**As at September 30, 2016**	As at December 31, 2015
ASSETS			
Cash and cash equivalents		$2,068	$1,769
Prepaid expenses and other assets	**4**	2,357	2,420
Investment properties	**3**	425,869	389,650
Total assets		**$430,294**	$393,839
LIABILITIES AND UNITHOLDERS' EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	**6**	$2,830	$4,319
Credit facilities	**5**	206,663	215,878
Interest rate swaps	**5**	6,760	4,172
Class B LP Units	**8**	104,499	81,950
Total liabilities		320,752	306,319
Unitholders' equity		109,542	87,520
Total liabilities and unitholders' equity		**$430,294**	$393,839

See accompanying notes to the condensed consolidated interim financial statements.

Approved on behalf of the Board of Trustees

"Janet Graham"

Janet Graham
Trustee, Audit Committee Chair

"John Morrison"

John Morrison
Trustee, Lead Independent

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

(in thousands of Canadian dollars)	Note	**Three months ended September 30 2016**	Three months ended September 30 2015	**Nine months ended September 30 2016**	Period from June 1, 2015 to September 30 2015
Net Property Income					
Rental revenue from investment properties		**$8,538**	$5,801	**$25,147**	$5,801
Property costs		**(1,236)**	(754)	**(3,344)**	(754)
Net Operating Income		**7,302**	5,047	**21,803**	5,047
Other Income (Expenses)					
General and administrative expenses		**(507)**	(299)	**(1,518)**	(299)
Interest expense and other financing charges		**(1,805)**	(1,148)	**(5,406)**	(1,148)
Fair value adjustment on interest rate swaps	**12**	**354**	(3,817)	**(2,588)**	(3,817)
Distribution expense on Class B LP Units	**7**	**(1,997)**	(1,549)	**(5,989)**	(1,549)
Fair value adjustment on Class B LP Units	**8**	**(5,066)**	2,583	**(22,549)**	2,583
Fair value adjustment on investment properties	**12**	**2,890**	1,155	**5,217**	1,155
Net Income (Loss) and Comprehensive Income (Loss)		**$1,171**	$1,972	**($11,030)**	$1,972

See accompanying notes to the condensed consolidated interim financial statements.

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

For the nine months ended September 30, 2016
(in thousands of Canadian dollars)

	Note	Trust Units	Cumulative Net Income (Loss)	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at December 31, 2015		**$72,794**	**$17,625**	**$(2,899)**	**$87,520**
Issuance of Units	**8**	33,156	—	—	33,156
Over-allotment Issuance of Units	**8**	5,050			5,050
Net loss		—	(11,030)	—	(11,030)
Distributions	**7**	—	—	(5,154)	(5,154)
Unitholders' Equity at September 30, 2016		**$111,000**	**$6,595**	**$(8,053)**	**$109,542**

For the period from June 1, 2015 (date of formation) to September 30, 2015
(in thousands of Canadian dollars)

	Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at June 1, 2015	**$—**	**$—**	**$—**	**$—**
Issuance of Units in connection with IPO	66,966	—	—	66,966
Over-allotment Issuance of Units	5,828	—	—	5,828
Net income	—	1,972	—	1,972
Distributions	—	—	(1,267)	(1,267)
Unitholders' Equity at September 30, 2015	**$72,794**	**$1,972**	**$(1,267)**	**$73,499**

See accompanying notes to the condensed consolidated interim financial statements.

Automotive Properties REIT
Condensed Consolidated Interim Statement of Cash Flow
(Unaudited)

(in thousands of Canadian dollars)

	Note	Nine months ended September 30 2016	Period from June 1, 2015 to September 30 2015
OPERATING ACTIVITIES			
Net income (loss)		**$ (11,030)**	$ 1,972
Straight-line rent		**(2,074)**	(503)
Non-cash compensation expense		**224**	-
Fair value adjustment on interest rate swaps		**2,588**	3,817
Distributions expense on Class B LP Units		**5,989**	1,549
Fair value adjustment on Class B LP Units		**22,549**	(2,583)
Fair value adjustment on investment properties		**(5,217)**	(1,155)
Amortization of financing fees		**131**	-
Amortization of other assets		**126**	-
Change in non-cash operating accounts	9	**(1,960)**	33
Cash Flow from operating activities		**11,326**	3,130
INVESTING ACTIVITIES			
Investment properties:			
Acquisition of investment properties		**(28,928)**	(258,100)
Other assets		**-**	(2,800)
Cash Flow used in investing activities		**(28,928)**	(260,900)
FINANCING ACTIVITIES			
Proceeds from Credit Facilities		**15,150**	193,790
Principal repayment on Credit Facilities		**(24,508)**	(637)
Financing fees paid		**(61)**	(572)
Proceeds from bank indebtedness		**-**	806
Issuance of Units		**40,330**	81,200
Issuance costs		**(2,124)**	(7,704)
Distributions to REIT unitholders and Class B LP unitholders		**(10,886)**	(1,607)
Cash Flow from financing activities		**17,901**	265,276
Net increase (decrease) in cash and cash equivalents during the period		**299**	7,506
Cash and cash equivalents, beginning of period		**1,769**	-
Cash and cash equivalents, end of period		**$ 2,068**	$ 7,506

See accompanying notes to the condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS

Automotive Properties Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust existing pursuant to a declaration of trust dated June 1, 2015, as amended and restated on July 22, 2015 (the "Declaration of Trust") under, and governed by, the laws of the Province of Ontario. In connection with the formation of the REIT, one trust unit of the REIT (each, a "Unit") was issued for $10.00 in cash on June 1, 2015 and subsequently redeemed for $10.00 in cash following closing of the REIT's initial public offering on July 22, 2015 (the "IPO"). From June 1, 2015 to July 22, 2015, the REIT had no operations or activity other than holding $10.00 cash and an equivalent amount of equity. Accordingly, the information contained in these condensed consolidated financial statements in respect of the three and nine month periods ended September 30, 2015 reflects commencement of operations as of July 22, 2015. The principal, registered and head office of the REIT is located at 133 King Street East, Suite 300, Toronto, Ontario M5C 1G6.

893353 Alberta Inc. ("Dilawri") is a privately held corporation, which, together with certain of its affiliates, holds a 45% effective interest in the REIT, through the ownership, direction or control of all of the Class B limited partnership units ("Class B LP Units") of Automotive Properties Limited Partnership, the REIT's operating subsidiary (the "Partnership"). The Class B LP Units are economically equivalent to, and exchangeable for, Units. Dilawri and its affiliates, other than its shareholders and controlling persons, are referred to herein as the "Dilawri Group".

The REIT was formed primarily to own income-producing automotive dealership properties located in Canada. In connection with the completion of the REIT's IPO, the REIT indirectly acquired a portfolio of 26 commercial properties from certain members of the Dilawri Group (the "Initial Properties"). The REIT currently owns a portfolio of 30 commercial properties, including the Initial Properties, located in Ontario, Saskatchewan, Alberta, British Columbia and Quebec, totaling approximately 1.1 million square feet of gross leasable area. Out of the REIT's 30 properties, 26 are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while two of the other four properties are jointly occupied by the Dilawri Group (for use as automotive dealerships) and one or more third parties (for use as automotive dealerships or complementary uses, including restaurants). The two remaining properties are exclusively occupied by third party tenants for use as automotive dealerships. On September 20, 2016, the REIT acquired a dealership property from a third party vendor located in Vaughan, Ontario. The subsidiaries of the REIT included in the REIT's consolidated financial statements include the Partnership and Automotive Properties REIT GP Inc. At the time of the acquisition of each applicable investment property, the REIT entered into a lease with the applicable member of the Dilawri Group (collectively, the "Dilawri Tenants") in respect of each of the 28 investment properties occupied by the Dilawri Group. As such, the Dilawri Tenants are the REIT's major tenant.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

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

These condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT (the "Board") and authorized for issuance on November 7, 2016.

(b) Basis of Presentation

The condensed consolidated interim financial statements of the REIT have been prepared using the historical cost basis except for the following items that were measured at fair value:

- Investment properties as described in note 3;
- Interest rate swaps as described in note 5; and
- Class B LP Units which are exchangeable for Units at the option of the holder as described in note 8.

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

(c) Basis of Consolidation

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

(d) Future accounting standards

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

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

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

3. INVESTMENT PROPERTIES

	As at September 30, 2016	**As at December 31, 2015**
Balance, beginning of period	$389,650	$—
Acquisition of Initial Properties	—	357,742
Subsequent acquisitions	28,928	30,846
Fair value adjustment on investment properties	5,217	(94)
Straight-line rent	2,074	1,156
Balance, end of period	**$425,869**	**$389,650**

Investment Property Acquisitions

Audi Barrie Property

On January 14, 2016, the REIT acquired the real estate underlying the Audi Barrie dealership located in Innisfil, Ontario (the "Audi Barrie Property"), for approximately $11,100, representing a capitalization rate of approximately 7.1% on forecast net operating income, from a member of the Dilawri Group and leased it to a Dilawri Tenant. Audi

Barrie is newly constructed and is an approximately 25,000 square foot automotive dealership located on 3.1 acres of land. The Audi Barrie Property was one of the three development properties owned by the Dilawri Group at the time of the IPO. Pursuant to the Strategic Alliance Agreement, the Audi Barrie Property was offered for purchase to the REIT by the Dilawri Group. The REIT incurred transaction costs of $313 related to the above investment property acquisition.

Pfaff Audi Property

On September 20, 2016, the REIT acquired the real estate underling the Pfaff Audi dealership located in Vaughan, Ontario (the “Pfaff Audi Property”), for approximately $17,150. The Pfaff Audi Property is a 68,744 square foot automotive dealership property located on 3 acres of land. The REIT has assumed the current “triple net” lease on the Pfaff Audi Property, which has a remaining initial term of approximately 4.75 years, following which there are two five-year renewal options available to the tenant. The REIT incurred transaction costs of $365 related to the above investment property acquisition.

Valuation of Investment Properties

The REIT assessed the valuation of the investment properties using a discounted cash flow approach whereby a current discount rate was applied to the projected net operating income which a property can reasonably be expected to produce in the future. A $5,217 fair value gain was recognized for the nine-month period ended September 30, 2016.

The REIT’s valuation inputs are supported by quarterly market reports from a third party appraiser which indicate a decrease in capitalization rates in the Vancouver and Toronto markets which were offset by a capitalization rate increase for the Regina market. The overall implied capitalization rate, applicable to the entire portfolio remained at 6.5%, which is equivalent to the REIT’s overall assessment as at December 31, 2015. A 25 basis point decrease or increase in capitalization rates would result in an increase or decrease in the fair value of investment properties of approximately $15,700.

In addition, the appraiser prepares valuations on a portion of the portfolio annually, such that the entire portfolio is appraised at least once every three years.

4. PREPAID EXPENSES AND OTHER ASSETS

	September 30, 2016	December 31, 2015
Prepaid indemnity fee	$912	$967
Recoverable land transfer taxes(i)	896	896
Prepaid other	549	557
	$2,357	$2,420

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

5. CREDIT FACILITIES

(a) Credit Facilities payable consists of:

	September 30, 2016	December 31, 2015
Facility 1(i)	$129,280	$143,515
Facility 2(ii)	57,525	59,074
Facility 3(iii)	13,542	13,874
Facility 4(iv)	6,978	—

Total Facilities	$207,325	$216,463
Financing fees(v)	(662)	(585)
	$206,663	$215,878

(i) Facility 1 includes:

A non-revolving loan in the amount $114,730 (December 31, 2015 - $118,315) bearing interest at the bankers' acceptance ("BA") rate plus 150 basis points (bps) or Canadian prime rate ("Prime") plus 25 bps, maturing 5 years from July 22, 2015, repayable in equal quarterly principal payments which commenced on December 31, 2015, based on a 25 year amortization. The REIT entered into floating-to-fixed interest rate swaps on August 7, 2015 for terms of 3 to 10 years which resulted in a weighted average effective interest rate of 3.1%.

A non-revolving loan in the amount of $14,550 (December 31, 2015 - $15,000) bearing interest at the BA rate plus 150 bps or Prime plus 25 bps, maturing 5 years from December 30, 2015 repayable in equal quarterly principal payments which commenced on March 31, 2016, based on a 25 year amortization. The REIT entered into a floating-to-fixed interest rate swap on December 30, 2015 for a term of 7 years which resulted in a weighted average effective interest rate of 3.17%.

A $15,000 revolving Credit Facility bearing interest at Prime plus 25 bps or CDOR plus 1.50% maturing 3 years from July 22, 2015. The REIT used a portion of the net proceeds from the Equity Offering (as defined herein) to repay the drawn balance of $12,650. As at September 30, 2016, this Credit Facility has a balance of $nil (December 31, 2015 - $10,200).

(ii) Facility 2 includes:

A non-revolving loan in the amount of $57,525 (December 31, 2015 - $59,074) bearing interest at the BA rate plus 150 bps or Prime plus 25 bps, maturing 5 years from July 22, 2015 repayable in monthly blended payments based on a 20 year amortization. The REIT entered into floating-to-fixed interest rate swaps on August 7, 2015 for terms of 3 to 10 years which resulted in a weighted average effective interest rate of 3.1%.

A $7,500 revolving Credit Facility bearing interest at Prime plus 25 bps maturing 5 years from July 22, 2015. The REIT used a portion of the net proceeds from the Equity Offering to repay the drawn balance of $4,400. As at September 30, 2016, this Credit Facility has a balance of $nil (December 31, 2015 – $nil).

(iii) A non-revolving loan in the amount of $13,542 (December 31, 2015 - $13,874) bearing interest at 3.5% maturing on February 28, 2019 repayable in monthly blended payments based on a 20 year amortization.

(iv) A non-revolving loan in the amount of $6,978 bearing interest at 3.22% maturing 5 years from January 14, 2016 repayable in monthly blended payments based on a 20 year amortization.

(v) When these Credit Facilities were put in place, the REIT incurred financing fees of $849. The amount is accounted for using the effective interest method, $662 (December 31, 2015 - $585) remains unamortized at September 30, 2016.

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

Principal repayments are as follows:

Remainder of 2016	$2,124
2017	8,577
2018	8,780
2019	20,673
2020	161,404
Thereafter	5,767
Total	$207,325

(b) Interest Rate Swaps

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

As at September 30, 2016, the notional principal amount of the interest rate swaps was $186,805 (December 31, 2015 - $192,389) and the fair value adjustments applicable to interest rate swaps was $354 and $(2,588) for the three and nine month periods ended September 30, 2016 (September 30, 2015 - $3,817).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	September 30, 2016	December 31, 2015
Accounts payable and accrued liabilities	$1,159	$2,914
Accrued interest	205	196
Distributions payable (Note 7)	1,466	1,209
	$2,830	$4,319

7. DISTRIBUTIONS

	September 30, 2016			December 31, 2015
	Units	Class B LP Units	Total	Total
Paid in Cash	$4,353	$5,324	$9,677	$5,236
Payable as at period end	801	665	1,466	1,209
	$5,154	$5,989	$11,143	$6,445

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

Units

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

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

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

On September 19, 2016, the REIT issued an aggregate of 3,841,000 Units at a price of $10.50 per REIT Unit in connection with a public offering of REIT Units for gross proceeds of $40,330, which included the exercise in full of the over-allotment option granted to the underwriters, whereby an additional 501,000 Units were issued at a price of $10.50 per REIT Unit (the “Equity Offering”). Issuance costs of $2,124 were netted against the gross proceeds.

Class B LP Units

In conjunction with the IPO, and as partial consideration for the Initial Properties, the REIT, through the Partnership, issued Class B LP Units to certain members of the Dilawri Group. Each Class B LP Unit is exchangeable at the option of the holder for one Unit (subject to certain anti-dilution adjustments), is accompanied by a special voting unit (a “Special Voting Unit”) (which provides the holder with that number of votes at any meeting of Unitholders to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled), and will receive distributions of cash from the Partnership equal to the distributions to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled.

For the period ended September 30, 2016

	Units	Amount
Units, beginning of period	8,120,000	$72,794
Units issued	3,340,000	33,156
Over-allotment option	501,000	5,050
Total Units, end of period	**11,961,000**	**$111,000**
Class B LP Units, beginning of period	9,933,253	$81,950
Fair value adjustment on Class B LP Units	—	22,549
Total Class B LP Units, end of period	**9,933,253**	**$104,499**
Total Units and Class B LP Units, end of period	**21,894,253**	**$215,499**

For the period ended December 31, 2015

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

Equity Incentive Plan

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

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

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

During the period ended September 30, 2016, the REIT accrued for short-term incentive awards in the amount of $186 which will eventually be settled by the granting of DUs.

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

(Number of awards)	**Nine months ended September 30, 2016**
Outstanding DUs, beginning of period	**-**
DUs Granted	**3,674**
Outstanding DUs, end of period	**3,674**

9. OTHER CASH FLOW INFORMATION

	Nine months ended September 30 2016	Period from June 1, 2015 to September 30 2015
Changes in non-cash operating accounts		
Prepaid expenses and other assets	($63)	($737)
Accounts payable and accrued liabilities	(1,897)	770
Change in non-cash operating accounts	$(1,960)	$33
Supplemental Cash Flow Information		
Interest paid on Credit Facilities	$5,275	$771
(Total interest and financing charges $5,406)		

10. SEGMENT INFORMATION

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

11. CAPITAL MANAGEMENT

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

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

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

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

12. FAIR VALUES AND FINANCIAL INSTRUMENT RISK MANAGEMENT

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

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

	Fair value through profit or loss	Loans and receivables / other financial liabilities		Total	Total
Measurement basis	(Fair value)	(Amortized cost)	(Fair value)	(Carrying value)	(Fair value)
Financial Liabilities					
Credit Facilities	$—	$206,663	$207,325	$206,663	$207,325
Interest rate swaps	6,760	—	—	6,760	6,760
Class B LP Units	104,499	—	—	104,499	104,499
	$111,259	**$206,663**	**$207,325**	**$317,922**	**$318,584**

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

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

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

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

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

(i) Investment Properties

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

(ii) Credit Facilities

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

(iii) Interest Rate Swaps

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

(iv) Class B LP Units

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

(b) Financial Risk Management

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

Market Risk

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

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

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

Liquidity Risk

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

13. COMMITMENTS AND CONTINGENCIES

In conjunction with the IPO, the REIT and Dilawri entered into an Administration Agreement which covers various operational and administrative services to be provided to the REIT by Dilawri on a cost-recovery basis. The REIT paid $700 for such services from July 22, 2015 to June 30, 2016 and will pay $420 for the period of July 1, 2016 to December 31, 2016. The Administration Agreement has a term of 5 years from July 22, 2015 and will be automatically renewed for one year terms.

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

Within 1 year	$576
After 1 year, but not more than 5 years	2,466
More than 5 years	9,150
Total	$12,192

14. RELATED PARTY TRANSACTIONS

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

General and administrative expenses include $560 and $210 for the three and nine month periods ended September 30, 2016 respectively paid by the REIT to Dilawri pursuant to the Administration Agreement (September 30, 2015 - $136).

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

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

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

15. SUBSEQUENT EVENTS

On October 13, 2016, the REIT entered into a new $14,600 revolving acquisition credit facility with a Schedule I Canadian chartered bank, bearing interest at the BA rate plus 150 bps. This credit facility is secured by the Toyota Woodland property, located in Montreal, Quebec and the Pfaff Audi Property, located in Vaughan, Ontario. As of the date hereof, this facility remains undrawn.