Automotive Properties Real Estate Investment Trust

Management's Discussion and Analysis

June 30, 2022

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SECTION 1 – GENERAL INFORMATION AND CAUTIONARY STATEMENTS

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Automotive Properties Real Estate Investment Trust (the "REIT") is intended to provide readers with an assessment of the performance of the REIT for the three and six-month periods ended June 30, 2022. This MD&A also outlines the REIT's capital structure, operating strategies and business outlook. All dollar amounts in this MD&A are presented in thousands of Canadian dollars, except unit and per unit amounts, unless otherwise noted. All comparisons of results for the three months ended June 30, 2022 ("Q2 2022") are against results for the three months ended June 30, 2021 ("Q2 2021") and all comparisons of results for the six months ended June 30, 2022 ("YTD 2022") are against results for the six months ended June 30, 2021 ("YTD 2021"), unless otherwise noted.

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the REIT and accompanying notes for the three and six-month periods ended June 30, 2022. Further information about the REIT can be found in the REIT's annual information form dated March 22, 2022 (the "AIF"). The AIF, along with other continuous disclosure documents required by the Canadian securities regulators, can be found on the REIT's SEDAR profile at www.sedar.com and on the REIT's website at www.automotivepropertiesreit.ca. This MD&A is dated August 15, 2022.

All information regarding Dilawri (as defined below) contained in this MD&A (the "Dilawri Information") has been provided by and is solely the responsibility of Dilawri and not of the REIT, the REIT's management nor the trustees of the REIT (the "Trustees"). Although the REIT has no reason to believe that the Dilawri Information contains a misrepresentation, Dilawri is a private company that is independent of, and operates entirely independently from, the REIT and, consequently, neither the REIT, its management nor its Trustees (in their capacities as such) have been involved in the preparation of the Dilawri Information, nor has the REIT approved such information. Readers are cautioned, therefore, not to place undue reliance on the Dilawri Information.

The REIT

The REIT is an unincorporated, open-ended real estate investment trust that was formed to own primarily income-producing automotive properties, including retail dealership and original equipment manufacturer properties, in Canada. As at the date of this MD&A, the REIT owns a portfolio of 72 income-producing commercial properties. The properties are located in metropolitan areas across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec, totaling approximately 2.7 million square feet of gross leasable area ("GLA"). The REIT has been internally managed since January 1, 2020.

The REIT commenced operations on July 22, 2015 following completion of its initial public offering of trust units (the "IPO"). In connection with the IPO, the REIT indirectly acquired a portfolio of 26 commercial properties from certain members of the Dilawri Group (as defined below) (the "Initial Properties") and leased the Initial Properties to the applicable member of the Dilawri Group (collectively, and including members of the Dilawri Group that became tenants of a property owned by the REIT subsequent to the IPO, the "Dilawri Tenants").

893353 Alberta Inc. ("Dilawri") is a privately held corporation which, together with certain of its affiliates, holds an approximate 29.9% effective interest in the REIT as at June 30, 2022 (December 31, 2021 – 28.8%), through the ownership, direction or control of all of the 9,327,487 outstanding Class B limited partnership units ("Class B LP Units") of Automotive Properties Limited Partnership, the REIT's operating subsidiary (the "Partnership"), and 5,316,220 trust units of the REIT ("REIT Units"). The Class B LP Units are economically equivalent to REIT Units and are exchangeable generally on a one-for-one basis for REIT Units. Dilawri and its affiliates, other than its shareholders and controlling persons, are referred to herein as the "Dilawri Group". On April 28, 2022, the Dilawri Group exchanged 605,766 Class B LP Units for an equal number of Units in accordance with the terms of the amended and restated limited partnership agreement of the Partnership dated July 22, 2015 (the "Exchange"). The Exchange was valued at $8,450.

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

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

On February 1, 2022, the REIT acquired a parcel of land in Ottawa, Ontario, which adjoins the REIT's Bank Street Toyota automotive dealership property, for approximately $650 plus acquisition costs of $53, and is currently tenanted by a health care provider. The property consists of 4,424 square feet of GLA. The REIT funded the purchase price by drawing on its revolving credit facilities.

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

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

On March 1, 2021, the REIT acquired the real estate underlying the Lexus Laval automotive dealership located in Laval, Quebec ("Lexus Laval") from the Dilawri Group for approximately $14,800 plus acquisition costs of $462. The Lexus Laval property is a 30,015 square-foot full-service automotive dealership property. On closing of the transaction, the applicable Dilawri Tenant entered into a 17-year triple-net lease with the REIT. The REIT funded the transaction through the issuance of 1,369,102 REIT Units to Dilawri valued at approximately $14,800. The REIT Units were issued at a price of $10.81 per unit which represents the volume-weighted average price of the REIT Units for the first 20 days of 2021 pursuant to the Strategic Alliance Agreement.

The Strategic Alliance Agreement with Dilawri continues to allow the REIT to benefit from a preferential relationship with Dilawri as Dilawri develops and acquires automotive dealerships in the future. These agreements are described under Section 8 "Related Party Transactions" in this MD&A.

During the first quarter of 2021 ("Q1 2021"), the REIT provided $339 of capital commitments for facility improvements to one of the tenants of the REIT's properties located in Edmonton, Alberta.

As at June 30, 2022, the total number of issued and outstanding REIT Units and Class B LP Units was 39,703,920 and 9,327,487, respectively, for a total of 49,031,407 Units (as defined below). The REIT Units are listed and posted for trading on the Toronto Stock Exchange under the symbol "APR.UN". REIT Units and Class B LP Units are collectively referred to in this MD&A as "Units".

The REIT announced monthly cash distributions of $0.067 per REIT Unit, resulting in total distributions declared and paid of $9,854 for Q2 2022 (Q2 2021 – $9,850 declared and paid). For YTD 2022, the REIT declared and paid distributions totalling $19,708 (YTD 2021 – $19,424 declared and paid).

As at June 30, 2022, the REIT had a Debt to GBV ratio (as defined below) of 41.2% and a strong liquidity position with $74,163 of undrawn capacity under its Credit Facilities (as defined below), cash on hand of $175 and 10 unencumbered properties with an aggregate value of approximately $122,300. In April 2022, the REIT increased the non-revolving portion of Facility 1 (as defined below) by $50,000 at the same credit spread and extended the term to maturity from June 2023 to June 2027. The REIT also entered into floating-to-fixed interest rate swaps totaling $40,000 for a weighted-average term of 8.5 years at a blended rate of 4.75%.

As of the date of this MD&A, the REIT has approximately $75,100 of undrawn capacity under its Credit Facilities (see Section 7 "Liquidity and Capital Resources" in this MD&A for additional details).

Impact of COVID-19

Since the onset of the COVID-19 pandemic, the REIT has engaged in regular discussions with its tenants regarding the impact that COVID-19 has had, and is continuing to have, on their respective businesses. The REIT's tenants' businesses were fully operational during YTD 2022. Certain restrictions imposed to mitigate the spread of COVID-19 that were enforced during the fourth quarter of fiscal 2021 were no longer in effect during YTD 2022.The REIT believes that the fundamentals of the automotive dealership and service business remain strong, and that the industry is resilient and essential. The pandemic has also impacted the vehicle supply chain, resulting in constraints of specific parts, models and brands. Management believes these supply chain constraints will continue into the foreseeable future but will not have a significant impact on the REIT's tenants' ability to pay rent.

Forward-Looking Statements

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

- the impact of the COVID-19 pandemic on the REIT, its investment properties, and its tenants, and the pace of industry consolidation;
- the impact of changes in economic conditions, including changes in interest rates and the rate of inflation;
- the REIT's relationship with the Dilawri Group, Dilawri's shareholders and certain other related persons and entities (collectively, the "Dilawri Organization"), including in respect of (i) the Dilawri Organization's retained interest in the REIT and its current intention with respect thereto, and (ii) expected transactions to be entered into between Dilawri and the REIT (including pursuant to the Strategic Alliance Agreement);
- the REIT's intention with respect to, and ability to execute, its external and internal growth strategies;
- the maintenance by the REIT of a strong balance sheet and prudent financial management and associated minimization of financial risk;
- the REIT representing a unique alternative for automotive dealership operators considering a sale or recapitalization of their business;
- the REIT's capital expenditure requirements and capital expenditures to be made by the REIT and the REIT's tenants;
- the REIT's distribution policy and the distributions to be paid to Unitholders (as defined below);

- the REIT's debt strategy;
- the REIT's access to available sources of debt and/or equity financing;
- the expected tax treatment of the REIT and its distributions to Unitholders;
- the REIT's ability to meet its stated objectives;
- the REIT's ability to expand its asset base and make accretive acquisitions;
- the ability of the REIT to qualify as a "Mutual Fund Trust" as defined in the *Income Tax Act* (Canada) (the "Tax Act"), and as a "Real Estate Investment Trust", as defined in the rules in the Tax Act applicable to "SIFT trusts" and "SIFT partnerships" (the "SIFT Rules"); and
- the REIT's ability to acquire automotive dealership and automotive service centre properties.

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

Although the forward-looking statements contained in this MD&A are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the REIT's control, that may cause the REIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors contained in the REIT's filings with securities regulators, including the factors discussed under Section 12 "Risks & Uncertainties, Critical Judgments & Estimates" in this MD&A.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not, and at which times, such performance or results will be achieved. The forward-looking statements made in this MD&A relate only to events or information as of the date 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 Financial Measures

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

Funds from operations ("FFO"), adjusted funds from operations ("AFFO"), adjusted cash flow from operations ("ACFO"), FFO payout ratio, AFFO payout ratio, ACFO payout ratio, net operating income ("NOI"), cash net operating income ("Cash NOI"), Same Property cash net operating income ("Same Property Cash NOI"), and earnings before income tax, depreciation, and amortization ("EBITDA") are key measures of performance used by the REIT's management and real estate businesses.

Gross book value ("GBV"), indebtedness ("Indebtedness"), net asset value ("Net Asset Value"), debt to gross book value ("Debt to GBV"), debt service coverage ratio ("Debt Service Coverage Ratio"), interest coverage ratio ("Interest Coverage Ratio") and tangible net worth are measures of financial position defined by agreements to which the REIT is a party.

These measures and ratios, as well as any associated "per Unit" amounts are not defined by IFRS and do not have standardized meanings prescribed by IFRS, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS.

The REIT believes that AFFO is an important measure of economic earnings performance and is indicative of the REIT's ability to pay distributions from earnings, while FFO, NOI, Cash NOI, Same Property Cash NOI and EBITDA are important measures of operating performance of real estate businesses and properties. The IFRS measurement most directly comparable to FFO, AFFO, NOI, Cash NOI, Same Property Cash NOI and EBITDA is net income. ACFO is a supplementary measure used by management to improve the understanding of the operating cash flow of the REIT. The IFRS measurement most directly comparable to ACFO is cash flow from operating activities.

"FFO" is a non-IFRS measure of operating performance widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS. The REIT calculates FFO in accordance with the Real Property Association of Canada's White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS issued in February 2019. FFO is calculated as net income in accordance with IFRS, adjusted by removing the impact of: (i) fair value adjustments on investment properties; (ii) other fair value adjustments including fair value adjustments on redeemable or exchangeable units; (iii) gains and losses on the sale of investment properties; (iv) amortization of tenant incentives; (v) distributions on redeemable or exchangeable units treated as interest expense; and (vi) operational revenue and expenses from the right-of-use assets (referred to as "ROU" assets).

"AFFO" is a non-IFRS measure of economic earnings operating performance widely used in the real estate industry to assess an entity's distribution capacity from earnings. The REIT calculates AFFO in accordance with the Real Property Association of Canada's White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS issued in February 2019. AFFO is calculated as FFO subject to certain adjustments, to remove the impact of: (i) any adjustments resulting from recognizing property rental revenues or expenses (including ground lease rental payments) on a straight-line basis; and (ii) capital expenditures. The REIT includes a capital expenditure reserve of 0.5% of base rent in the AFFO calculation. To date, the REIT has not incurred capital expenditure costs. The capital expenditure reserve is based on management's best estimate of costs that the REIT may incur, related to the sustaining/maintaining of the existing leased area.

"ACFO" is a non-IFRS financial measure. The REIT calculates ACFO in accordance with the Real Property Association of Canada's White Paper on Adjusted Cash Flow from Operations for IFRS issued in February 2019. ACFO is calculated as cash flow from operating activities subject to certain adjustments, to (a) remove the impact of: (i) changes in non-cash working capital that are not sustainable in nature; (ii) amortization of financing costs and indemnity payable in respect of the third party tenant portfolio sublease structure; and (iii) capital expenditures and (b) deduct interest expense. The REIT includes a capital expenditure reserve of 0.5% of base rent in the ACFO calculation. To date, the REIT has not incurred capital expenditure costs. The capital expenditure reserve is based on management's best estimate of costs that the REIT may incur, related to the sustaining/maintaining of the existing leased area.

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

"Cash NOI" is a non-IFRS measure that means NOI prior to the effects of straight-line adjustments and deducts land lease payments.

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

Non-IFRS Ratios:

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

“AFFO payout ratio” is a non-IFRS measure of the sustainability of the REIT’s distribution payout capacity from earnings. The REIT uses this metric to provide clarity of the performance of earnings and the overall management of the current portfolio of assets. Management considers AFFO payout ratio as the key measure of the REIT’s distribution capacity from earnings. AFFO payout ratio is calculated as distributions paid per Unit divided by AFFO per Unit diluted.

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

Supplementary Financial Measures:

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

FFO, AFFO, FFO payout ratio, AFFO payout ratio, ACFO, ACFO payout ratio, NOI, Cash NOI and Same Property Cash NOI should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the REIT’s performance. The REIT’s method of calculating FFO, AFFO, FFO payout ratio, AFFO payout ratio, ACFO, ACFO payout ratio, NOI, Cash NOI and Same Property Cash NOI may differ from other issuers’ methods and, accordingly, may not be comparable to measures used by other issuers. See Section 6 “Non-IFRS Financial Measures” in this MD&A for a reconciliation of these measures to net income or cash flow from operating activities, as applicable.

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

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

“Net Asset Value” means total assets less Indebtedness, accounts payable, accrued liabilities, credit facilities, mortgages and interest rate swaps.

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

“Debt Service” means the total payments of principal and interest on debt.

“Debt Service Coverage Ratio” means the ratio of EBITDA divided by Debt Service at a particular time.

“Interest Coverage Ratio” means the ratio of Cash NOI less general and administrative expenses divided by the total of the interest expense and other financing charges.

SECTION 2 — OVERVIEW, STRATEGY AND OBJECTIVES

Overview

According to DesRosiers Automotive Consultants Inc., total Canadian new light vehicle unit sales for YTD 2022 decreased by approximately 11.8% compared to YTD 2021, which was primarily due to the supply chain constraints experienced within the retail automotive industry.

Historically, Canada's automotive retail industry has been characterized by strong industry fundamentals. According to Statistics Canada, automotive retail industry sales totaled $176 billion in 2021 (up 17% from $151 billion in 2020), 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 4.2%. The tables below contain new automobile sales by units in Canada for the 5 months ended May 31, 2022 and May 31, 2021 (the latest available information from Statistics Canada), and for the 2021 and 2020 calendar years as provided by Statistics Canada:

	Five Months Ended May 31 (units)			
	2022	**YoY unit increase/ (decrease)**	**YoY % increase/ (decrease)**	2021
Alberta	76,139	(8,913)	(10.5) %	85,052
British Columbia and the Territories	76,157	(9,778)	(11.5) %	85,935
Manitoba	18,061	(2,970)	(14.1) %	21,031
New Brunswick	14,303	(1,803)	(11.2) %	16,106
Newfoundland and Labrador	9,304	(2,883)	(23.7) %	12,187
Nova Scotia	15,752	(2,755)	(14.9) %	18,507
Ontario	260,555	(9,560)	(3.5) %	270,115
Prince Edward Island	2,728	(574)	(17.4) %	3,302
Québec	153,063	(20,176)	(11.6) %	173,239
Saskatchewan	16,649	(1,780)	(9.7) %	18,429
Total Canada	**642,711**	**(61,192)**	**(8.7) %**	**703,903**

(Source: Statistics Canada)

	Twelve Months Ended December 31 (units)			
	2021	**YoY unit increase/ (decrease)**	**YoY % increase/ (decrease)**	**2020**
Alberta	195,925	12,385	6.7%	183,540
British Columbia and the Territories	198,876	27,554	16.1%	171,322
Manitoba	49,395	2,467	5.3%	46,928
New Brunswick	37,629	3,028	8.8%	34,601
Newfoundland and Labrador	28,502	1,193	4.4%	27,309
Nova Scotia	44,699	4,808	12.1%	39,891
Ontario	664,176	17,901	2.8%	646,275
Prince Edward Island	8,179	1,169	16.7%	7,010
Québec	406,586	35,462	9.6%	371,124
Saskatchewan	42,708	891	2.1%	41,817
Total Canada	**1,676,675**	**106,858**	**6.8%**	**1,569,817**

(Source: Statistics Canada)

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

Strategy and Objectives

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

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

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

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

External Growth

Accretive Acquisitions

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

- *Fragmented ownership* – Management estimates that the top 10 automotive dealership groups in Canada own less than 10% of the approximately 3,500 automotive dealerships in Canada;
- *Capital redeployment needs* – Monetizing the real estate underlying automotive dealership properties allows dealers to retain control of their dealership while redeploying capital into other areas of their business; and
- *Succession planning issues* – Management believes that for the majority of independent dealers, the dealership and its underlying real estate together represent the single largest proportion of their wealth. Selling the underlying real estate to the REIT can help such dealers address succession planning issues, particularly if the transaction can be effected on a tax efficient basis.

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

The REIT evaluates acquisition opportunities based on a number of factors, including: valuation, expected financial performance, stability of cash flows, physical features, existing leases, functionality of design, geographic market, location, automotive brand representation and opportunity for future value enhancement.

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

Management believes that its relationship with the Dilawri Group provides the REIT with additional opportunities to add quality automotive dealership properties to its portfolio in an accretive manner.

Pursuant to the Strategic Alliance Agreement, the REIT has a right of first offer on properties that are suitable for use as an automotive dealership that are acquired, developed, redeveloped, refurbished, repositioned or held for sale by the Dilawri Group.

Since completion of the IPO, the REIT has acquired 13 automotive dealership properties from the Dilawri Group under the Strategic Alliance Agreement as of the date of this MD&A.

Internal Growth

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

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

SECTION 3 — PROPERTY PORTFOLIO

Portfolio Overview

As at June 30, 2022, the REIT’s portfolio consisted of 72 income-producing commercial properties, representing approximately 2.7 million square feet of gross leasable area, in metropolitan markets across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec. Out of the 72 income-producing commercial properties, 36 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 36 properties are jointly occupied by the Dilawri Group (for use as automotive dealerships) and one or more third parties (for use as automotive dealerships or complementary uses, including restaurants), and the remaining 34 properties are exclusively occupied by other dealership groups or original equipment manufacturers for use as automotive dealerships, automotive service centres or for automotive ancillary services, such as a vehicle service compound facility or a repair facility. Consequently, the Dilawri Group is the REIT’s most significant tenant and accounted for approximately 59.1% of the REIT’s YTD 2022 base rent, including rent from properties subleased to third parties (61.8% as at YTD 2021). The overall portfolio continues to be 100% leased.

The applicable Dilawri Tenant is the lead tenant for Dixie Auto Mall until July 2030. As of June 30, 2022, two premises at the Dixie Auto Mall were leased but unoccupied and are being used for ancillary purposes; however, this does not affect the term of the applicable Dilawri Leases.

In January 2021, the lease for the premises at 17616 111 Avenue in Edmonton, Alberta was terminated, and the REIT entered into a new long-term lease with Tesla Canada. The previous tenant occupying the premises paid all deferred rent outstanding and a termination fee of $339. The REIT provided $339 of capital commitments for facility improvements to the new tenant. The maturity date of the lease was extended by 2.5 years.

Overall, at June 30, 2022, the REIT’s properties had a weighted average rental rate of $25.77 per square foot ($25.44 as at June 30, 2021). The increase from Q2 2021 is due to the properties acquired by the REIT subsequent to Q2 2021 and contractual rent increases.

Income Producing Property Portfolio Summary

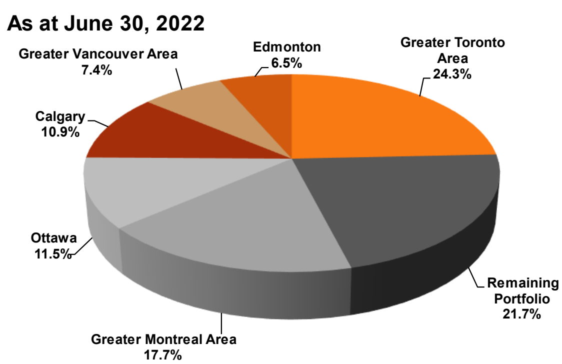
As at June 30, 2022	**Number of Properties**	**GLA (sq. ft.)**	**Average rental rate (per sq. ft.)** [(1)]	**Weighted Average Lease Term (yrs)**
British Columbia[(2)]	8	199,244	$38.17	11.6
Alberta	13	467,508	$28.35	10.6
Saskatchewan	9	203,560	$23.65	8.6
Manitoba	2	96,135	$22.01	15.8
Ontario	29	1,104,119	$27.72	11.0
Quebec	11	608,967	$17.49	11.6
Total Portfolio	**72**	**2,679,533**	**$25.77**	**11.1**

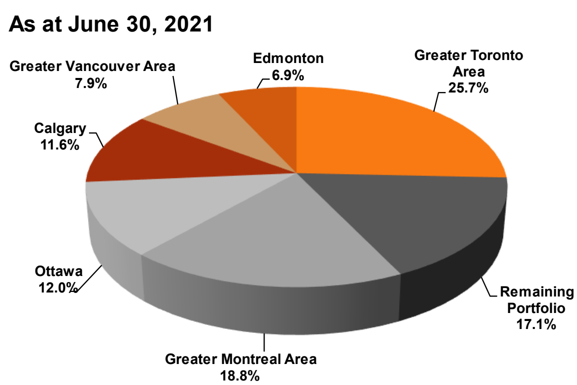
As at June 30, 2021	Number of Properties	GLA (sq. ft.)	Average rental rate (per sq. ft.) [(3)]	Weighted Average Lease Term (yrs)
British Columbia[(2)]	8	199,244	$36.17	12.6
Alberta	13	467,508	$27.66	11.6
Saskatchewan	9	203,560	$23.30	9.6
Manitoba	2	96,135	$20.47	16.8
Ontario	27	1,083,025	$27.12	12.1
Quebec	7	475,019	$16.84	12.7
Total Portfolio	**66**	**2,524,491**	**$25.44**	**12.1**

(1) Based on 12-month period contractual rental revenue commencing June 30, 2022.
(2) Excludes land leases, which expenses are passed on to the tenant.
(3) Based on 12-month period contractual rental revenue commencing June 30, 2021.

GLA by Major Metropolitan Area Across Canada

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

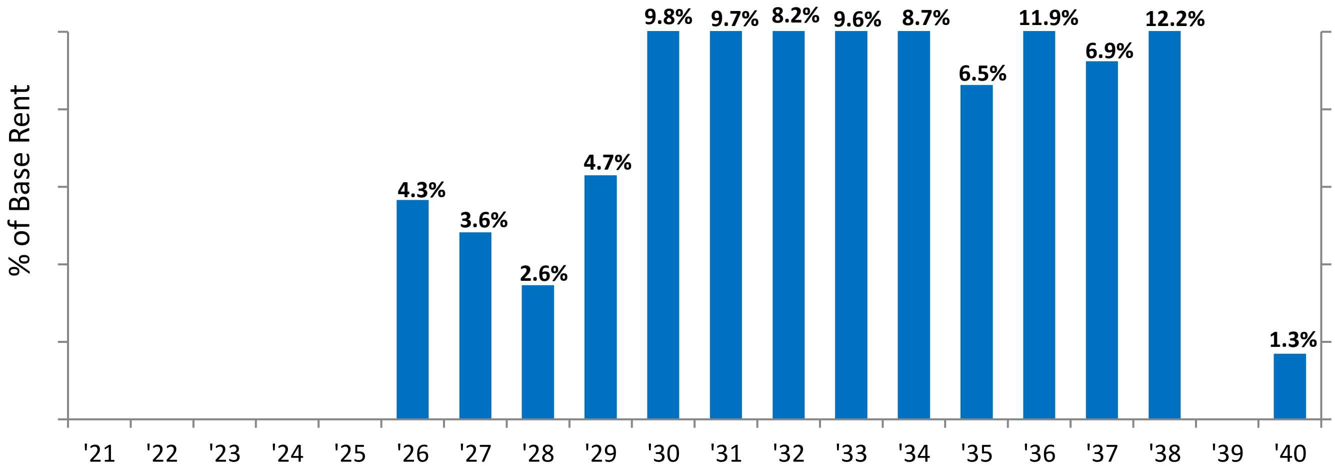




Profile of Overall Lease Maturity

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

Lease Maturity Profile [(*)]



(*) Based on 12-month period contractual rental revenue commencing June 30, 2022.

Property Use and Brand Diversification

Sales for an individual automotive dealership are heavily influenced by the popularity of the automotive brands being marketed, and these, in turn, are often cyclical for each brand as new models are introduced and existing models are updated and refreshed. In addition, prospects for both mass market and luxury brands can vary with economic cycles. Management believes that the portfolio's broad automotive brand diversification contributes to the quality and stability of the REIT's cash flows. The following table sets out the breakdown of automotive brands that are marketed, retailed and serviced at the REIT's properties as of June 30, 2022:

Manufacturer / Brand	REIT Auto Property GLA (Sq. Feet)	% of REIT Auto Property GLA	% of REIT Auto Property Rent (1)	No. of REIT Locations
Honda (2)	396,340	14.9%	14.5%	11
BMW (3)	320,824	12.1%	10.3%	7
Volkswagen	252,299	9.5%	10.4%	7
Tesla (4)	238,879	9.0%	6.2%	6
Audi (5)	237,484	8.9%	10.7%	6
Toyota	210,360	7.9%	7.2%	5
Acura (2)	162,081	6.1%	7.1%	6
Other (6)	101,990	3.7%	4.5%	8
General Motors	99,851	3.8%	3.1%	2
Porsche (7)	84,569	3.2%	4.7%	2
Chrysler (8)	81,750	3.1%	1.8%	2
Mazda	81,352	3.1%	3.7%	4
Hyundai	80,950	3.0%	3.3%	4

Nissan	71,521	2.7%	2.9%	3
Mercedes Benz	60,850	2.3%	2.2%	1
Lexus	46,241	1.7%	1.9%	2
Kia	39,543	1.5%	1.7%	2
Ford	39,287	1.5%	1.4%	1
Infiniti	19,355	0.7%	1.2%	3
Subaru	19,033	0.7%	0.6%	2
Mitsubishi	14,750	0.6%	0.6%	2
Total	**2,659,309**	**100.0%**	**100.0%**	**86**

Notes:

(1) Based on 12-month period contractual base rent commencing April 1, 2022.

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

(3) Includes MINI.

(4) Includes the following Tesla service centre properties: Tesla KW, Tesla Laval, Tesla Edmonton, Tesla Barrie, and Tesla Quebec City (two adjoining properties).

(5) Includes the Audi service property (formerly Infiniti Vancouver).

(6) The Dilawri Group subleased a property in Calgary to Grand Touring Automobile which operates Aston Martin and Bentley. In addition, Grand Touring Automobile sells a variety of luxury used vehicles . Also includes the former Dilawri Acura and BMW property in Regina at 1921 1st Avenue which is being used for ancillary dealership purposes by both the Dilawri Pre Owned and the Triple 7 Chrysler dealerships. It also includes the former Toyota and Hyundai dealerships which have vacated their premises located in Dixie Auto Mall and a Harley Davidson dealership located in the Dixie Auto Mall; and the applicable Dilawri Tenant will continue to be the lead tenant for Dixie Auto Mall until July 2030. Includes 3 vehicle compound facilities and undeveloped land that were acquired as part of the Mierins Auto Group Portfolio. Also includes the former Nissan Truck property in the Dixie Auto Mall which is being used for ancillary purposes.

(7) Includes Porsche JLR Edmonton.

(8) Includes Dodge, FIAT, Jeep and RAM.

Description of the REIT's Key Tenant

At the time of the IPO, Dilawri agreed to provide certain financial information to the REIT pursuant to a financial information and confidentiality agreement for so long as the annual basic rent payable by the applicable members of the Dilawri Group, collectively, under their respective Dilawri Leases represented, in the aggregate, 60% or more of the REIT's Cash NOI during any rolling period of 12 consecutive calendar months, determined quarterly. As of June 30, 2022, such annual basic rent payable represented approximately 60.8% of the REIT's Cash NOI during the 12-month period ended June 30, 2022. As a result, the REIT's independent Trustees and Dilawri have agreed in principle to amend that agreement so that Dilawri will continue to provide its Combined Revenues, EBITDA and Pro Forma Adjusted Rent Coverage Ratio until the REIT releases its financial results for the fiscal year ended December 31, 2023 on a trailing twelve month basis (with a comparative period for the prior 12 month period). The following chart summarizes that information for the 12 months ended June 30, 2022 with comparative figures for the 12-months ended June 30, 2021 as provided to the REIT by Dilawri:

Dilawri Group's Financial Information *(all figures are approximations, not in thousands)*		
	June 30, 2022 LTM [3]	**June 30, 2021 LTM** [3]
Combined Revenues (not audited or reviewed)	$3.9 billion	$3.9 billion
EBITDA (not audited or reviewed)	$232.7 million	$202.2 million
Pro Forma Adjusted Rent Coverage Ratio (not audited or reviewed)	5.4[1]	4.4[2]

Notes:

(1) As at June 30, 2022.
(2) As at June 30, 2021.
(3) "LTM" means the last twelve months.

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

Pursuant to an undertaking provided by Dilawri to the Canadian securities regulatory authorities in connection with the IPO, Dilawri provides to the REIT carve-out interim financial statements and the related management's discussion and analysis in respect of the members of the Dilawri Group subject to leases pertaining to the Initial Properties for the three-month period ended June 30, 2022. These documents, once provided by Dilawri to the REIT, will be available on the REIT's SEDAR profile at www.sedar.com.

Dilawri Additional non-ASPE Measure and Non-ASPE Financial Ratio

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

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

Non-ASPE financial ratio:

"Pro Forma Adjusted Rent Coverage Ratio" is calculated by Dilawri as EBITDA for the LTM plus rent paid by the Dilawri Group for the LTM to third parties and the REIT, less rent received from third parties. The resultant figure is divided by rent paid by the Dilawri Group for the LTM to third parties and the REIT, less rent received from third parties.

SECTION 4 — KEY PERFORMANCE INDICATORS AND SELECTED FINANCIAL INFORMATION

Key Performance Indicators

The REIT's performance is measured by management's selection of certain key indicators including those set out in the table below. For further information on the REIT's operating measures and non-IFRS measures, please refer to Sections 5 and 6 of this MD&A.

Operating Results	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	**2022**	2021
Rental Revenue	**$20,835**	$19,562	**$41,269**	$38,975
NOI (1)	**17,684**	16,860	**35,227**	33,617
Cash NOI (1)	**17,100**	16,025	**34,040**	32,106
Same Property Cash NOI (1)	**16,083**	15,821	**31,880**	31,239
Same Property Cash NOI (excluding bad debt recovery) (1)	**16,083**	15,715	**31,880**	31,133
Net Income	**31,174**	17,858	**60,880**	44,187
FFO (1)	**11,998**	11,750	**23,947**	23,412
AFFO (1)	**11,414**	10,994	**22,776**	22,059
Fair value adjustment to investment properties	**44**	18,778	**1,686**	31,828
Distributions per Unit	**0.201**	0.201	**0.402**	0.402
Net Income per Unit – basic (2)	**0.636**	0.364	**1.242**	0.910
Net Income per Unit – diluted (3)	**0.626**	0.359	**1.224**	0.900
FFO per Unit – basic (1) (4)	**0.245**	0.240	**0.488**	0.482
FFO per Unit – diluted (1) (5)	**0.241**	0.236	**0.481**	0.477
AFFO per Unit – basic (1) (4)	**0.233**	0.224	**0.465**	0.454
AFFO per Unit – diluted (1) (5)	**0.229**	0.221	**0.458**	0.449
Weighted average Units — basic (6)	**49,031,407**	49,005,099	**49,022,656**	48,555,987
Weighted average Units — diluted (7)	**49,799,512**	49,685,935	**49,752,897**	49,079,104
Payout ratio (%)				
FFO (1)	**83.4%**	85.2%	**83.6%**	84.3%
AFFO (1)	**87.8%**	91.0%	**87.8%**	89.5%

Balance Sheet and Other Metrics	**As at June 30, 2022**	As at December 31, 2021	As at June 30, 2021
Total assets	**$1,112,169**	$1,051,650	$992,449
Total liabilities (excluding Class B LP Units)	**$472,215**	$442,777	$557,599
Number of units outstanding (includes Class B LP Units)	**49,031,407**	49,013,407	49,013,407
Market price per REIT Unit – close (end of period)	**$13.49**	$14.95	$12.43
Market capitalization (includes Class B LP Units)	**$661,434**	$732,750	$609,237
Overall capitalization rate	**6.30%**	6.30%	6.50%
Fixed weighted average effective interest rate on debt (excludes revolving credit facilities) (8)	**3.80%**	3.72%	3.73%
Proportion of total debt at fixed interest rates through swaps and Mortgages (9)	**91%**	92%	91%
Weighted average interest rate swap term and Mortgage remaining (years) (10)	**5.2**	5.3	5.4
Weighted average term to maturity of debt	**4.2**	2.9	3.3
Interest Coverage Ratio (9)	**3.7X**	3.8X	3.8X

Debt Service Coverage Ratio (9)	**1.8X**	1.9X	1.9X
Debt to GBV	**41.2%**	40.2%	41.3%

(1) NOI, Cash NOI, Same Property Cash NOI, FFO, AFFO, FFO per Unit, AFFO per Unit, FFO payout ratio and AFFO payout ratio are non-IFRS measures or non-IFRS ratios, as applicable. See Section 1 "General Information and Cautionary Statements – Non-IFRS Financial Measures" and Section 6 "Non-IFRS Financial Measures" of this MD&A.
(2) Net Income per Unit — basic is calculated in accordance with IFRS by dividing the Net Income by the amount of the weighted average number of outstanding REIT Units and Class B LP Units.
(3) Net Income per Unit — diluted is calculated in accordance with IFRS by dividing the Net Income by the amount of the weighted average number of outstanding REIT Units, Class B LP Units and Unit-based compensation (as defined below) granted to certain Trustees and management of the REIT.
(4) FFO per Unit and AFFO per Unit — basic is calculated by dividing the total FFO and AFFO by the amount of the total weighted average number of outstanding REIT Units and Class B LP Units.
(5) FFO per Unit and AFFO per Unit — diluted is calculated by dividing the total FFO and AFFO by the amount of the total weighted average number of outstanding REIT Units, Class B LP Units and Unit-based compensation granted to certain Trustees and management of the REIT.
(6) The weighted average number of outstanding Units — basic includes the Class B LP Units.
(7) The weighted average number of outstanding Units — diluted includes the Class B LP Units and Unit-based compensation granted to certain Trustees and management of the REIT.
(8) The fixed weighted average effective interest rate on debt is calculated on an annualized basis.
(9) For Q2 2022 ratios, see Section 7 "Financing Metrics and Debt Covenants".

SECTION 5 — RESULTS OF OPERATIONS

Net Income and Comprehensive Income

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Variance	**2022**	2021	Variance
Base rent	**$17,186**	$16,013	$1,173	**$34,058**	$31,807	$2,251
Property tax recoveries	**3,151**	2,873	278	**6,210**	5,635	575
Straight line rent adjustment	**498**	676	(178)	**1,001**	1,194	(193)
Lease termination fee	—	—	—	—	339	(339)
Rental Revenue	**20,835**	19,562	1,273	**41,269**	38,975	2,294
Property tax expense	**(3,151)**	(2,873)	(278)	**(6,210)**	(5,635)	(575)
Bad debt recovery	—	171	(171)	—	277	(277)
Land lease termination	—	—	—	**168**	—	168
Property Costs	**(3,151)**	(2,702)	(449)	**(6,042)**	(5,358)	(684)
NOI(1)	**$17,684**	$16,860	$824	**$35,227**	$33,617	$1,610
Other Income (Expenses)						
General and administrative expenses	**(1,202)**	(1,178)	(24)	**(2,476)**	(2,311)	(165)
Interest expense and other financing charges	**(4,458)**	(3,857)	(601)	**(8,574)**	(7,745)	(829)
Fair value adjustment on interest rate swaps	**9,750**	(392)	10,142	**23,735**	10,701	13,034
Distribution expense on Class B LP Units	**(1,874)**	(1,997)	123	**(3,871)**	(3,994)	123
Fair value adjustment on Class B LP Units and Unit-based compensation	**11,230**	(10,356)	21,586	**15,153**	(17,909)	33,062
Fair value adjustment on investment properties	**44**	18,778	(18,734)	**1,686**	31,828	(30,142)
Net Income and Comprehensive Income	**$31,174**	$17,858	$13,316	**$60,880**	$44,187	$16,693

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

For Q2 2022, net income was $31,174 as compared to $17,858 in Q2 2021. The increase in net income was primarily due to the gains in the fair value adjustments for Class B LP Units and Unit-based compensation (which consists of Deferred Units ("DUs"), Income Deferred Units ("IDUs"), Performance Deferred Units ("PDUs") and Restricted Deferred Units ("RDUs") (collectively, "Unit-based compensation")) and an increase due to the gains in the fair value adjustment on interest rate swaps, partially offset by a decrease in the fair value adjustment on investment properties. NOI totalled $17,684 in Q2 2022, an increase of 4.9% as compared to $16,860 in Q2 2021. The increase in NOI was primarily due to the properties acquired subsequent to Q2 2021, and contractual rent increases. See Section 1 "General Information and Cautionary Statements – Non-IFRS Financial Measures" and Section 6 "Non-IFRS Financial Measures" of this MD&A.

Rental Revenue and Property Costs

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

For Q2 2022, rental revenue was $20,835, representing an increase of $1,273, or 6.5%, as compared to Q2 2021. The increase was primarily due to the properties acquired subsequent to Q2 2021 and contractual rent increases.

For YTD 2022, rental revenue was $41,269, representing an increase of $2,294, or 5.9%, as compared to YTD 2021. The increase was attributable to the properties acquired subsequent to YTD 2021 and contractual rent increases.

Property costs for Q2 2022 and YTD 2022 were $449 and $684 higher than Q2 2021 and YTD 2021, respectively. The increases are attributable to the properties acquired subsequent to Q2 2021 and YTD 2021, respectively.

General and Administrative Expenses

The table below illustrates the breakdown of general and administrative expenses incurred in Q2 2022 and YTD 2022 as compared to the corresponding periods in 2021:

	Q2 2022	Q2 2021	Variance	**YTD 2022**	YTD 2021	Variance
Human Resource Costs	**$778**	$769	$9	**1,645**	1,434	$211
Public Entity and Other Costs	**270**	323	(53)	**531**	699	(168)
Independent Trustee Fees	**154**	86	68	**300**	178	122
General and Administrative Expenses	**$1,202**	$1,178	$24	**$2,476**	$2,311	$165

Human resource costs reflect the expenses related to the management, operating and administrative support of the REIT. Human resource costs also include accruals for short-term incentive awards for management, accruals for IDUs and the vesting of long-term DUs, PDUs and RDUs. The increase in human resource costs in Q2 2022 and YTD 2022 of approximately $9 and $211, respectively, resulted primarily from the vesting of long-term compensation awards.

Public entity and other costs reflect the expenses related to ongoing operations of the REIT, including professional fees for legal and audit services, and depreciation expense for ROU assets. Public entity costs will fluctuate from quarter to quarter depending on when such expenses are incurred. There was a decrease in public entity and other costs of $(53) and $(168) for Q2 2022 and YTD 2022, respectively, as compared to Q2 2021 and YTD 2021.

During YTD 2022, all independent Trustees of the REIT ("Independent Trustees") elected to receive board and committee fees in the form of DUs. The non-cash Unit-based compensation expense relates to DUs and IDUs granted in accordance with the REIT's Equity Incentive Plan (the "Plan"). The fair value of each DU granted is measured based on the volume-weighted average trading price of the REIT Units for the five trading days immediately preceding the grant date. For Q2 2022 and YTD 2022, the REIT paid the Independent Trustees $154 and $300, respectively, representing an increase of $68 and $122 as compared to Q2 2021 and YTD 2021, respectively.

Interest Expense and Other Financing Charges

Interest expense includes amounts payable to lenders under the REIT's Credit Facilities and Mortgages (each as defined in Section 7 "Liquidity and Capital Resources" below), as well as amortization of upfront costs and costs to hedge the applicable Credit Facilities and Mortgages at fixed rates. For Q2 2022 and YTD 2022, the interest expense and other financing charges were $4,458 and $8,574, respectively, representing increases of $601 and $829 as compared to Q2 2021 and YTD 2021, respectively. The increases are primarily due to additional debt incurred by the REIT to acquire properties subsequent to Q2 2021, and a higher cost of borrowing.

Changes in Fair Values of Investment Properties

The REIT valued the investment properties using a discounted cash flow approach whereby a current discount rate was applied to the projected net operating income which a property can reasonably be expected to produce in the future. Property under development is measured using both a comparable sales method and a discounted cash flow method, net of costs to complete. The REIT's valuation inputs are supported by quarterly market reports from an independent appraiser which indicated no change in capitalization rates from December 31, 2021 and a nominal adjustment from March 31, 2022.

For Q2 2022 and YTD 2022, the fair value adjustments in investment properties were $44 and $1,686, respectively, compared to $18,778 for Q2 2021 and $31,828 for YTD 2021. The nominal fair value adjustments for Q2 2022 were a result of NOI increases from the investment properties, which were directly offset by adjustments to valuation inputs to reflect current market conditions. The overall capitalization rate applicable to the REIT's entire portfolio increased to 6.30% as at June 30, 2022 (March 31, 2022 – 6.25%; December 31, 2021 – 6.30%). The historical book value of the investment properties owned by the REIT as at June 30, 2022 was $963,922 (December 31, 2021 – $899,000).

In accordance with the REIT's valuation policy, an independent appraiser is engaged to prepare valuations on a portion of the portfolio annually, such that the entire portfolio is appraised at least once every three years. In addition, any investment property which represents greater than 15% of the overall portfolio value will be appraised annually.

A 25 basis point decrease or increase in capitalization rates or discount rates would result in an increase or decrease in the fair value of the investment properties of approximately $45,000 or $(41,600), respectively, as of June 30, 2022.

A 50 basis point decrease or increase in capitalization rates or discount rates would result in an increase or decrease in the fair value of the investment properties of approximately $94,000 or $(80,200), respectively, as of June 30, 2022.

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

The Class B LP Units, Unit-based compensation and the interest rate hedges (see Section 7 "Liquidity and Capital Resources" in this MD&A) are required to be presented under relevant accounting standards at fair value on the balance sheet. The resulting changes in these items are recorded in net income and comprehensive income.

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

The impact of the movement in the traded value of the REIT Units resulted in a decrease in fair value adjustment for Class B LP Units and Unit-based compensation in Q2 2022 of $11,230 (Q2 2021 — increase of $10,356), and a decrease of $15,153 for YTD 2022 (YTD 2021 – increase of $17,909).

The REIT enters into interest rate swaps to limit its exposure to fluctuations in the interest rates on variable rate financings for certain of its Credit Facilities. Gains or losses arising from the change in the fair value of the interest rate derivative contracts are recognized in the consolidated statements of income and comprehensive income.

The fair value adjustment for interest rate swaps for Q2 2022 was a gain of $9,750 (Q2 2021 — loss of $392) and a gain of $23,735 for YTD 2022 (YTD 2021 – gain of $10,701). The variances reflect an increase in interest rates in the derivative market as at June 30, 2022.

SECTION 6 — NON-IFRS FINANCIAL MEASURES

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

The REIT uses the following non-IFRS key performance indicators and ratios: NOI, Cash NOI, FFO, AFFO, FFO payout ratio and AFFO payout ratio. The REIT believes these non-IFRS measures and ratios provide useful supplemental information to both management and investors in measuring the financial performance and financial condition of the REIT. These measures and ratios do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures and ratios presented by other publicly traded real estate investment trusts and should not be construed as an alternative to other financial measures determined in accordance with IFRS (see Section 1 "General Information and Cautionary Statements – Non-IFRS Financial Measures"). The calculations of these measures and the reconciliation to net income and comprehensive income are set out in the following table:

($000s, except per Unit amounts)	Three Months Ended June 30, 2022	2021	Variance	Six Months Ended June 30, 2022	2021	Variance
Calculation of NOI						
Property revenue	**$20,835**	$19,562	$1,273	**$41,269**	$38,975	$2,294
Property costs	**(3,151)**	(2,702)	(449)	**(6,042)**	(5,358)	(684)
NOI (including straight-line adjustments)	**$17,684**	$16,860	$824	**$35,227**	$33,617	$1,610
Adjustments:						
Land lease payments	**(86)**	(159)	73	**(186)**	(317)	131
Straight-line adjustment	**(498)**	(676)	178	**(1,001)**	(1,194)	193
Cash NOI	**$17,100**	$16,025	$1,075	**$34,040**	$32,106	$1,934
Reconciliation of net income to FFO and AFFO						
Net income and comprehensive income	**$31,174**	$17,858	$13,316	**$60,880**	$44,187	$16,693
Adjustments:						
Change in fair value — Interest rate swaps	**(9,750)**	392	(10,142)	**(23,735)**	(10,701)	(13,034)
Distributions on Class B LP Units	**1,874**	1,997	(123)	**3,871**	3,994	(123)
Change in fair value – Class B LP Units and Unit-based compensation	**(11,230)**	10,356	(21,586)	**(15,153)**	17,909	(33,062)
Change in fair value — investment properties	**(44)**	(18,778)	18,734	**(1,686)**	(31,828)	30,142
ROU asset net balance of depreciation/interest and lease payments(1)	**(26)**	(75)	49	**(230)**	(149)	(81)
FFO	**$11,998**	$11,750	$248	**$23,947**	$23,412	$535
Adjustments:						
Straight-line adjustment	**(498)**	(676)	178	**(1,001)**	(1,194)	193
Capital expenditure reserve	**(86)**	(80)	(6)	**(170)**	(159)	(11)
AFFO	**$11,414**	$10,994	$420	**$22,776**	$22,059	$717
Number of Units outstanding (including Class B LP Units)	**49,031,407**	49,013,407	18,000	**49,031,407**	49,013,407	18,000
Weighted average Units Outstanding — basic	**49,031,407**	49,005,099	26,308	**49,022,656**	48,555,987	466,669
Weighted average Units Outstanding — diluted	**49,799,512**	49,685,935	113,577	**49,752,897**	49,079,104	673,793
FFO per Unit – basic(2)	**$0.245**	$0.240	$0.005	**$0.488**	$0.482	$0.006
FFO per Unit – diluted(3)	**$0.241**	$0.236	$0.005	**$0.481**	$0.477	$0.004
AFFO per Unit – basic(2)	**$0.233**	$0.224	$0.009	**$0.465**	$0.454	$0.011
AFFO per Unit – diluted(3)	**$0.229**	$0.221	$0.008	**$0.458**	$0.449	$0.009
Distributions per Unit	**$0.201**	$0.201	-	**$0.402**	$0.402	-
FFO payout ratio	**83.4%**	85.2%	(1.8) %	**83.6%**	84.3%	(0.7) %
AFFO payout ratio	**87.8%**	91.0%	(3.2) %	**87.8%**	89.5%	(1.7) %

(1) Includes the Langley land lease termination of $168 for YTD 2022.
(2) The FFO and AFFO per Unit — basic is calculated by dividing the total FFO and AFFO by the amount of the total weighted-average number of outstanding REIT Units and Class B LP Units.
(3) The FFO and AFFO per Unit — diluted is calculated by dividing the total FFO and AFFO by the amount of the total weighted-average number of outstanding REIT Units, Class B LP Units and Unit-based compensation granted to certain Independent Trustees and management of the REIT.

FFO, AFFO and Cash NOI

In Q2 2022, FFO increased 2.1% to $11,998, or $0.241 per Unit (diluted), compared to $11,750, or $0.236 per Unit (diluted), in Q2 2021. The increase was primarily due to the properties acquired subsequent to Q2 2021 and contractual rent increases.

In YTD 2022, FFO increased 2.3% to $23,947, or $0.481 per Unit (diluted), compared to $23,412, or $0.477 per Unit (diluted), in Q2 2021. The increase was primarily due to the properties acquired subsequent to Q2 2021 and contractual rent increases.

In Q2 2022, AFFO increased 3.8% to $11,414, or $0.229 per Unit (diluted), compared to $10,994, or $0.221 per Unit (diluted), in Q2 2021. Cash NOI was $17,100 on revenue of $20,835, compared to Cash NOI of $16,025 on revenue of

$19,562 for Q2 2021. The increases were primarily due to the properties acquired subsequent to Q2 2021 and contractual rent increases.

In YTD 2022, AFFO increased 3.3% to $22,776, or $0.458 per Unit (diluted), compared to $22,059, or $0.449 per Unit (diluted), in Q2 2021. Cash NOI was $34,040 on revenue of $41,269, compared to Cash NOI of $32,106 on revenue of $38,975 for Q2 2021. The increases were primarily due to the properties acquired subsequent to Q2 2021 and contractual rent increases.

For Q2 2022, the REIT declared and paid distributions to Unitholders of $9,854 or $0.201 per Unit (Q2 2021 – $9,850 declared and paid), and for YTD 2022, the REIT declared and paid distributions of $19,708, or $0.402 per Unit (YTD 2021 – $19,424 declared and paid). This resulted in an AFFO payout ratio of 88.2% in Q2 2022 (Q2 2021 – 91.0%) and 88.0% in YTD 2022 (YTD 2021 – 89.5%). The AFFO payout ratio was lower in Q2 2022 and YTD 2022 primarily due to the properties acquired subsequent to Q2 2021 and contractual rent increases.

Same Property Cash Net Operating Income

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Variance	**2022**	2021	Variance
Same property base rental revenue	**$16,169**	$15,801	$368	**$32,053**	$31,305	$748
Bad debt recovery	**-**	106	(106)	**-**	106	(106)
Land lease payments	**(86)**	(86)	-	**(173)**	(173)	-
Same Property Cash NOI	**$16,083**	$15,821	$262	**$31,880**	$31,238	$642
Bad debt recovery	**-**	(106)	106	**-**	(106)	106
Same Property Cash NOI (excluding bad debt recovery)	**$16,083**	$15,715	$368	**$31,880**	$31,132	$748

Excluding bad debt recovery, Same Property Cash NOI increased 2.3% to $16,083 in Q2 2022 from $15,715 in Q2 2021, and 2.4% to $31,880 in YTD 2022 from $31,132 in YTD 2021. The increases were primarily a result of contractual rent increases.

Reconciliation of Cash Flow from Operating Activities to ACFO

The REIT calculates its ACFO in accordance with the Real Property Association of Canada's *White Paper on Adjusted Cash Flow from Operations (ACFO) for IFRS* issued in February 2019. The REIT believes that ACFO provides useful supplemental information to both management and investors in measuring the financial performance and financial condition of the REIT. ACFO does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures utilized by other publicly traded real estate investment trusts and should not be considered as an alternative to other financial measures determined in accordance with (see Section 1 "General Information and Cautionary Statements – Non-IFRS Financial Measures"). To date, the REIT has not incurred capital expenditure costs. The capital expenditure reserve of 0.5% of base rent is based on the lease terms, assumed renewal retention rates, triple-net lease structure and management's best estimate of cost on a per square foot basis related to sustaining/maintaining existing space that the REIT may incur. The calculation of ACFO and the reconciliation to cash flow from operating activities are set out in the table below:

($000s)	Three Months Ended June 30, 2022	2021	Variance	Six Months Ended June 30, 2022	2021	Variance
Cash flow from operating activities	**$15,854**	$15,406	$448	**$31,768**	$30,845	$833
Change in non-cash working capital	**1,446**	691	755	**2,593**	(960)	3,553
Interest paid	**(4,336)**	(3,775)	(561)	**(8,061)**	(7,333)	(728)
Amortization of financing fees	**(207)**	(119)	(88)	**(377)**	(234)	(143)
Amortization of indemnification fees	**(215)**	(45)	(170)	**(271)**	(90)	(181)
Net interest expense and other financing charges in excess of interest paid	**86**	37	49	**(135)**	(178)	43
Capital expenditure reserve	**(86)**	(79)	(7)	**(170)**	(159)	(11)
ACFO	**$12,542**	$12,116	$426	**$25,257**	$21,891	$3,366
ACFO payout ratio	**78.6%**	81.3%	(2.7) %	**78.0%**	89.2%	(11.2) %

ACFO increased to $12,542 in Q2 2022, from $12,116 in Q2 2021. In YTD 2022, ACFO increased to $25,256 as compared to $21,891 in YTD 2021. The increases were primarily due to the properties acquired subsequent to Q2 2021, contractual rent increases and no rent deferrals. This resulted in an ACFO payout ratio of 78.6% in Q2 2022 (Q2 2021 – 81.3%), and 78.0% in YTD 2022 (YTD 2021 – 89.2%).

SECTION 7 — LIQUIDITY AND CAPITAL RESOURCES

Capital Structure

	Key Terms						
Debt	Term (yrs)	Hedged Term (yrs)	Interest Rate	Payments & Interest/Amortization	Effective Interest Rate (fixed)	**Outstanding as at June 30, 2022**	**Outstanding as at December 31, 2021**
Facility 1	5.0 (1)	0.5 to 9.8	BA + 150 bps, Prime +25 bps	(1)	3.93%	**$233,716**(5)	$190,206(5)
Facility 2	2.0 (2)	1.0 to 8.5	BA + 150 bps, Prime +25 bps	(2)	3.52%	**88,319**	90,707
Facility 3	4.0 (3)	3.5 to 9.5	BA + 150 bps, Prime +50 bps	(3)	3.91%	**108,287**(6)	111,100(6)
Mortgages	5.0 to 8.8(4)	n/a	Fixed 2.21% to 3.72 %	P&I, 20 yrs and 25yrs	3.24%	**23,707**	24,148
						454,029	$416,161
Financing fees						**(2,942)**	(2,178)
Weighted Average /Total	**4.2**	**5.2**			**3.80%**	**$451,087**	$413,983
Class B LP Units and Unit-based compensation						**$134,649**	$157,386
Cash Balance						**$175**	$474

Key Financing Metrics and Debt Covenants(6)(7)	Debt Covenant	Declaration of Trust (8)	**As at June 30, 2022**	As at December 31, 2021
Interest coverage	-	-	**3.7**	3.8

Debt to GBV	<60% [9]	<60% [9]	**41.2%**	40.2%
Unitholders’ Equity (including Class B LP Units, and Unit-based compensation)	>$120,000	-	**$648,775**	$617,757
Debt Service Coverage	>1.35	-	**1.8**	1.9
AFFO payout ratio	[10] [11] [12]	-	**87.8%**	90.3%

(1) In April 2022, the REIT increased the non-revolving portion of Facility 1 by $50,000 at the same credit spread and extended the term to maturity from June 2023 to June 2027.
(2) Facility 2 and the associated revolving facility matures in June 2024.
(3) Facility 3 and the associated revolving facility matures in June 2026.
(4) In January 2021, the REIT renewed a Mortgage in the amount of approximately $5,791 for a term of 7 years at an interest rate of 2.21%. In April 2021, the REIT entered into a Mortgage with a life insurance company in the amount of $10,000 for a term of 10 years at an interest rate of 3.39%.
(5) $27,424 of the non-revolving balance of Facility 1 remains at floating rates (December 31, 2021 – $17,622).
(6) $5,149 of the non-revolving balance of Facility 3 remains at floating rates (December 31, 2021 – $5,187).
(7) The calculations of these ratios, which are non-IFRS measures, are set out under “Financing Metrics and Debt Covenants” below. See also Section 1, “General Information and Cautionary Statements – Non-IFRS Financial Measures”.
(8) The debt agreements for Facility 1, Facility 2 and Facility 3 have other covenants that do not directly relate to the REIT’s consolidated financial position. Management believes that the REIT is in compliance with all such covenants and with the debt agreement covenants for Facility 1, Facility 2, Facility 3 and the Mortgages.
(9) The Declaration of Trust contains other operating covenants that do not relate to leverage or debt service/coverage. The Declaration of Trust is available on www.sedar.com and is described in the AIF. Management believes that the REIT is in compliance with these operating covenants.
(10) Including convertible debentures, the maximum ratio is 65%.
(11) The AFFO payout ratio in respect of Facility 1 may exceed 100% so long as (i) the REIT’s Debt to GBV ratio is less than 55% or (ii) the REIT’s 12 month retrospective rolling AFFO payout ratio is less than 100%.
(12) The AFFO payout ratio in respect of Facility 3 may exceed 100% (four quarter rolling) so long as (i) the REIT’s Debt to GBV ratio is less than 55% and (ii) the REIT’s cash on hand plus the cumulative amount available to be drawn under the revolving Credit Facilities exceeds $17,000.

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

The AFFO payout ratio debt covenant is based on the rolling average of the last four fiscal quarters. For the four quarters ended June 30, 2022, the AFFO payout ratio was approximately 89.7%.

In April 2022, the REIT increased the non-revolving portion of Facility 1 by $50,000 at the same credit spread and extended the term to maturity from June 2023 to June 2027. The REIT also entered into floating-to-fixed interest rate swaps totaling $40,000 for a weighted-average term of 8.5 years at a blended rate of 4.75%. The balance of $10,000 remains at floating rates.

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

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

Principal repayments are as follows:

Remainder of 2022	$20,766
2023	21,651
2024	91,715
2025	16,782
2026	99,785
Thereafter	203,330
Total	$454,029

The REIT's liquidity position as at June 30, 2022 includes $74,163 of undrawn capacity under its revolving Credit Facilities, which management believes is sufficient to carry out its obligations, discharge liabilities as they come due and fund distributions to Unitholders. Capital requirements in the next two years are low and capital expenditure requirements are expected to be insignificant. Nonetheless, the current economic, operating and capital market environment resulting from the pandemic has led to an increased emphasis on liquidity. While the REIT has not changed its objectives in managing its capital structure, the current focus has been on ensuring that the REIT retains sufficient liquidity. As at the date of this MD&A, the REIT has approximately $75,100 of undrawn capacity under its Credit Facilities and 10 unencumbered properties with an aggregate value of approximately $122,300, which can be used as security in respect of future financing requirements, as and when needed.

Capital required for investing activities will be addressed through additional borrowings or issuances of equity as acquisition and development opportunities arise.

Debt Financing

The REIT's overall borrowing policy is to obtain secured credit facilities, principally on a fixed rate or effectively fixed rate basis, which will allow the REIT to: (i) achieve and maintain staggered maturities to lessen exposure to re-financing risk in any particular period; (ii) achieve and maintain fixed rates to lessen exposure to interest rate fluctuations; and (iii) extend loan terms and fixed rate periods as long as possible when borrowing conditions are favourable. Subject to market conditions and the growth of the REIT, management currently intends to target Indebtedness of approximately 50%-53% of GBV. As at June 30, 2022, the REIT's Debt to GBV ratio was 41.2% (December 31, 2021 — 40.2% and June 30, 2021 — 41.3%). The increase as compared to December 31, 2021 is primarily attributable to the property acquisitions completed in Q1 2022 which the REIT funded by drawing on its existing Credit Facilities. Management expects that the ratio of Debt to GBV may increase, at least temporarily, following an acquisition by the REIT of one or more additional properties. Interest rates and loan maturities will be reviewed on a regular basis to ensure appropriate debt management strategies are implemented.

Pursuant to the Declaration of Trust, the REIT may not incur or assume any Indebtedness, if after giving effect to the incurring or assumption of such Indebtedness, the total Indebtedness of the REIT would exceed 60% of GBV (or 65% of GBV including convertible debentures).

Secured Credit Facilities, Mortgages and Interest Rate Swap Arrangements

All of the REIT's Credit Facilities and Mortgages are with Canadian Schedule 1 banks and one life insurance company and are secured by all but 10 of the REIT's investment properties.

As at June 30, 2022, the REIT had total revolving Credit Facilities of $85,000 ($30,000 in Facility 1, $15,000 in Facility 2, and $40,000 in Facility 3), of which $74,163 was undrawn.

Financing Fees

During Q2 2022, the REIT incurred financing fees of $1,143 (December 31, 2021 — $871). The amounts are accounted for using the effective interest method. As at June 30, 2022, $2,942 remains unamortized (December 31, 2021 — $2,178).

Interest Rate Swaps

The REIT enters into interest rate derivative contracts to limit its exposure to fluctuations in the interest rates payable on its variable rate financings under Facility 1, Facility 2 and Facility 3. Gains or losses arising from changes in the fair value of the interest rate derivative contracts are recognized in the consolidated statements of income and comprehensive income.

As a result of the above, the REIT's weighted average interest rate swap term as of June 30, 2022 is 5.1 years.

The following table sets out the combined borrowings under Facility 1, Facility 2 and Facility 3 and the remaining expected term to maturity of the related interest rate swaps as at June 30, 2022.

Remaining Term (yrs)	Amount ($000s)	Total Swapped Fixed Rate Debt (%)
2.2	138,638	35.7
4.2	73,242	18.9
6.6	99,765	25.7
8.9	76,588	19.7
5.1	**388,233**	**100.0**

As at June 30, 2022, the notional principal amount of the interest rate swaps was $388,233 (December 31, 2021 — $357,327) and the fair value adjustment of the interest rate swaps was a gain of $9,750 and $23,735 for the three and six-month periods ended June 30, 2022, respectively, compared to a loss of $(392) and a gain of $10,701 for the three- and six-month periods ended June 30, 2021, respectively. This resulted in an asset balance of $16,863 as at June 30, 2022 (December 31, 2021 — liability of $6,872).

The weighted average interest rate swap term and Mortgage term remaining is 5.2 years as at June 30, 2022.

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

Unitholders' equity consists of the Units described below:

REIT Units

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

Each REIT Unit is transferable and represents an equal, undivided beneficial interest in the REIT and any distributions from the REIT. All REIT Units rank equally among themselves without discrimination, preference or priority and entitle the holder thereof to receive notice of, to attend and to one vote at all meetings of holders of REIT Units and holders of Special Voting Units (as defined below) or in respect of any written resolution thereof.

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

During Q1 2022, a Trustee exchanged 18,000 DUs for REIT Units.

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

As at June 30, 2022, the total number of REIT Units outstanding was 39,703,920.

Class B LP Units

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

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

As at June 30, 2022, the total number of Class B LP Units outstanding was 9,327,487.

Unit-based compensation

The REIT offers an Equity Incentive Plan whereby DUs, PDUs and RDUs may be granted to Trustees, officers and employees of the REIT and other eligible persons (collectively, "Participants") on a discretionary basis by the Governance, Compensation and Nominating Committee of the Board. The maximum number of REIT Units available for issuance under the Plan is 1,750,000. Each DU, PDU and RDU is economically equivalent to one REIT Unit, however, under no circumstances shall they be considered REIT Units nor entitle a Participant to any rights as a Unitholder, including, without limitation, voting rights or rights on liquidation. Each DU, PDU and RDU shall receive a distribution of additional IDUs equal to the amount of distributions paid per REIT Unit by the REIT on its REIT Units. Upon vesting of the DUs, PDUs, RDUs and IDUs, a Participant may elect, prior to their expiry, to exchange such vested DUs, PDUs, RDUs and IDUs (subject to satisfaction of any applicable withholding taxes) for an equal number of REIT Units. The holder of such DUs, PDUs, RDUs and IDUs cannot settle these instruments in cash.

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

For YTD 2022, a total of 76,142 DUs, PDUs, RDUs and IDUs were granted, of which 21,097 DUs, PDUs, RDUs and IDUs will be accounted for in accordance with the vesting schedule. During Q1 2022, a Trustee exchanged 18,000 DUs for REIT Units. As at June 30, 2022, a total of 788,837 DUs, PDUs, RDUs and IDUs have been granted, of which 653,831 were accounted as outstanding and vested.

Distributions

Holders of REIT Units are entitled to receive distributions from the REIT (whether of net income, net realized capital gains or other amounts) if, as and when declared by the Board. Upon the termination or winding up of the REIT, holders of REIT Units will participate equally with respect to the distribution of the remaining assets of the REIT after payment of all liabilities. Such distribution may be made in cash, as a distribution in kind, or both, all as the Board in its sole discretion may determine. REIT Units have no associated conversion or retraction rights.

In determining the amount of the monthly cash distributions paid to holders of REIT Units, the Board applies discretionary judgment to forward-looking information, which includes forecasts, budgets and many other factors including provisions in the Declaration of Trust, the macro-economic and industry-specific environment, debt maturities and covenants, and taxable income. The REIT is currently paying monthly cash distributions to Unitholders of $0.067 per Unit, representing $0.804 per Unit on an annualized basis.

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

Net income prepared in accordance with IFRS recognizes certain revenues and expenses at time intervals that do not match the receipt or payment of cash. Therefore, in applying judgment, consideration is given to AFFO (which is the product of the earnings performance) and other factors when establishing cash distributions to holders of REIT Units.

Financing Metrics and Debt Covenants

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

Calculations of financial metrics and debt covenants		**As at June 30, 2022**	**As at December 31, 2021**
Net Asset Value			
Investment properties, IFRS value		$1,092,534	$1,025,207
Cash, prepaid and other assets		19,635	26,443
Accounts payable and accrued liabilities		(12,307)	(13,038)
Credit Facilities, Mortgages and interest rate swaps		(451,087)	(420,855)
Total Net Asset Value		**$648,775**	**$617,757**
Total Net Asset Value excluding interest rate swaps		**$631,912**	**$624,629**
REIT Units and Class B LP Units outstanding		49,031,407	49,013,407
Debt to GBV			
Indebtedness outstanding:			
Credit Facilities & Mortgages (excludes deferred financing costs)	**A**	$454,029	$416,161
Lease Liability	**A1**	3,943	6,602
Gross Book Value			
Total assets	**B**	1,112,169	1,051,650
Debt to GBV (1)	**((A+A1)/B) X 100**	**41.2%**	**40.2%**
Unitholders' Equity & Unit-based compensation			
Unitholders' Equity		$514,126	$460,371
Value of DUs & IDUs		8,821	8,884
Value of Class B LP Units		125,828	148,502
Total Unitholders' Equity & Unit-based compensation		**$648,775**	**$617,757**

Calculations of financial metrics and debt covenants					
Interest Coverage Ratio		**Q2 2022**	**Q2 2021**	**YTD 2022**	**YTD 2021**
Cash NOI(2)		$17,100	$16,025	$34,040	$31,767
General and administrative expenses		(1,202)	(1,178)	(2,476)	(2,311)
Income before interest expense and fair value adjustments	**C**	15,898	14,846	31,564	29,455

Interest expense and other financing charges	**D**	(4,458)	(3,857)	(8,574)	(7,745)
Interest Coverage Ratio(3)	**C/D**	**3.6X**	**3.8X**	**3.7X**	**3.8X**
Debt Service Coverage Ratio					
Consolidated net income		$31,174	$17,858	$60,880	$44,187
Interest expense and other financing charges		4,458	3,857	8,574	7,745
Distribution expense on Class B LP Units		1,874	1,997	3,871	3,994
Amortization of other assets		47	45	104	91
Fair value adjustments, net		(21,024)	(8,030)	(40,574)	(24,620)
EBITDA(2)	**E**	16,529	15,726	32,855	31,396
Principal payments on (pay down of) debt		5,365	4,574	10,228	9,118
Interest payments on debt (excludes bank charges)		4,336	3,778	8,062	7,336
Debt Service	**F**	9,701	8,352	18,290	16,454
Debt Service Coverage Ratio (4)	**E/F**	**1.7X**	**1.9X**	**1.8X**	**1.9X**
AFFO payout ratio					
AFFO(2)		11,414	10,994	22,776	22,059
Distributions on REIT Units		7,980	7,853	15,837	15,430
Distributions on Class B LP Units		1,874	1,996	3,871	3,994
		9,854	9,849	19,708	19,424
AFFO payout ratio (2)(5)		**87.8%**	**91.0%**	**87.8%**	**89.5.%**

Notes:

(1) The Debt to GBV ratio as at June 30, 2022 increased as compared to December 31, 2021, primarily due to the property acquisitions completed in 2022 which was funded through the REIT drawing on its existing Credit Facilities.

(2) Cash NOI, EBITDA, AFFO and AFFO payout ratio are non-IFRS measures or non-IFRS ratios, as applicable. See Section 1, “General Information and Cautionary Statements – Non-IFRS Financial Measures” and Section 6, “Non-IFRS Financial Measures” of this MD&A.

(3) The Interest Coverage Ratio for Q2 2022 was lower compared to the same period in the previous year, due to an increase in interest expense and other financing charges resulting from higher debt placed as a result of the property acquisitions completed in 2022.

(4) The Debt Service Coverage Ratio for Q2 2022 was lower compared to the same period in the previous year, primarily due to an increase in interest expense and other financing charges resulting from higher debt placed as a result of the property acquisitions completed in 2022.

(5) The AFFO payout ratio is calculated as distributions per REIT Unit divided by the AFFO per Unit - diluted.

SECTION 8 — RELATED PARTY TRANSACTIONS

The REIT’s largest Unitholder and lead tenant is the Dilawri Group, which as at June 30, 2022 held an approximate 29.9% (June 30, 2021 – 28.1%) effective interest in the REIT on a fully diluted basis, through its ownership of all of the issued and outstanding Class B LP Units and 5,316,220 REIT Units.

In the normal course of its operations, the REIT enters into various transactions with related parties and the REIT’s policy is to conduct all transactions and settle all balances with related parties on market terms and conditions and in accordance with the Related Party Transaction Policy adopted by the Board and the Declaration of Trust.

In consideration of the applicable Dilawri Tenants leasing the entirety of two of the Initial Properties with third-party tenants (and thereby bearing occupancy, rental and other risks associated with the portions of those properties to be subleased to third party tenants for the initial lease terms of 12 and 15 years for those properties), the REIT paid to such

Dilawri Tenants an indemnity fee in the aggregate amount of $1,000 at the time of closing of the IPO (amortizable over the term of the leases).

In addition, on October 24, 2017, Dilawri paid the REIT $896 in respect of the recoverable land transfer tax associated with the acquisition of the Initial Properties. The REIT subsequently issued letters of credit to the land transfer tax authority in the amount of approximately $753 to defer the land transfer tax, on behalf of specific members of the Dilawri Group that sold certain of the Initial Properties to the REIT in connection with the IPO (the "LCs"). The Dilawri Group held all of the 9,933,253 issued and outstanding Class B LP Units for three years subsequent to the IPO and, accordingly, the LCs are expected to be released. The REIT is working with the applicable tax authorities and Dilawri to secure the release of the LCs.

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

Strategic Alliance Agreement

In connection with the IPO, the REIT and Dilawri entered into the Strategic Alliance Agreement which establishes a preferential and mutually beneficial business and operating relationship between the REIT and the Dilawri Group. The Strategic Alliance agreement will be in effect so long as the Dilawri Organization and the applicable transferors of the Initial Properties own, control or direct, in the aggregate, an effective interest of at least 10% (on a fully-diluted basis) in the REIT. Among other things, the Strategic Alliance Agreement provides the REIT with the first right to purchase REIT-Suitable Properties (as defined in the Strategic Alliance Agreement) in Canada or the United States acquired or developed by the Dilawri Group. The purchase price in respect of a REIT-Suitable Property will be mutually agreed by the REIT and Dilawri at the applicable time and supported by an independent appraisal report. Pursuant to the Strategic Alliance Agreement, the REIT acquired the following investment properties in 2021 and YTD 2022:

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

SECTION 9 — OUTLOOK

The REIT is subject to risk associated with rising inflation as well as interest rate risk. As a result of rising inflation, including as a result of various factors occurring globally, the Bank of Canada ("BoC") has raised the overnight rate by 225 basis points, with further rate hikes expected over the remainder of the year. As at the date of this MD&A, the BoC 10-year benchmark bond yield has increased by 0.9% since the beginning of 2022 to approximately 2.7%. The REIT will continue to monitor the impact of the rising interest rate environment and inflation on its property portfolio and the overall real estate industry. The REIT's annual contractual rent increases across its portfolio partially insulate the REIT from rising inflation. For Q2 2022, the REIT's valuation of its investment properties remained consistent with the prior quarter resulting in a nominal fair value gain of $44 as at June 30, 2022.

As at June 30, 2022, 91% of the REIT's debt was fixed with a weighted average interest rate of 3.80% with a weighted average interest swap term and Mortgage remaining of 5.2 years and weighted average term to maturity of debt of 4.2 years. The REIT's overall borrowing policy is to obtain secured credit facilities, principally on a fixed rate or effectively fixed rate basis. This allows the REIT to achieve and maintain staggered maturities to lessen exposure to re-financing risk in any particular period and achieve and maintain fixed rates to lessen exposure to interest rate increases. The REIT also continues to extend loan terms and fixed rate periods as long as possible when borrowing conditions are favourable. In April 2022, the REIT increased the amount available under the non-revolving portion of Facility 1 by $50,000 at the same credit spread and extended the term to maturity from June 2023 to June 2027. The REIT also entered into floating-to-fixed interest rate swaps totaling $40,000 for a weighted-average term of 8.5 years at a blended rate of 4.75%. The balance of $10,000 remains at floating rates.

As at the date of this MD&A, the REIT has a strong liquidity position with approximately $75,100 of undrawn capacity under its Credit Facilities, and 10 unencumbered properties with an aggregate value of approximately $122,300.

The continued military conflict in Ukraine has resulted in the price of oil to remain high, which has led to continued high vehicle fuel costs. This may have an adverse effect on consumer demand and the vehicle supply chain. Management continues to monitor the situation.

The REIT believes that the overall fundamentals of the automotive dealership business remain strong, and that the industry is resilient and essential. However, future developments related to the pandemic, including new COVID-19 variants, could result in restrictions being re-implemented that could impact the financial performance and financial position of the REIT and its tenants in future periods. The pandemic has also impacted the vehicle supply chain, resulting in constraints of specific parts, models and brands. Management believes these supply chain constraints will continue into the foreseeable future but will not have a significant impact on the REIT's tenants' ability to pay rent.

As the only publicly traded Canadian real estate entity focused on owning automotive properties, the REIT provides a unique opportunity for automotive dealership owners to monetize the real estate underlying their dealerships while retaining ownership and control of their core automotive dealership businesses. This provides dealership owners with liquidity to advance their individual strategic objectives, whether it be succession planning, directly investing in upgrading their dealerships, or facilitating acquisitions in this period of industry consolidation. The Canadian automotive dealership industry is highly fragmented, and the REIT expects continued consolidation over the mid to long term due to increased industry sophistication and growing capital requirements for owner operators, which encourages them to pursue increased economies of scale.

The financial markets continually fluctuate, and it is therefore difficult for management to quantify the impact that the pandemic and the other factors described above will have on the cost and availability of debt and equity capital to the REIT. Management and the Trustees are continuing to closely monitor the impact of the pandemic and rising interest rates and inflation on the REIT's business and will continue to prudently manage the REIT's available resources.

SECTION 10 — OTHER DISCLOSURES

Environmental and Corporate Social Responsibility

The REIT has a triple-net lease structure and has adopted a written Environmental and Corporate Social Responsibility Policy (the "ESG Policy") to formally recognize the REIT's approach to addressing its environmental and social responsibilities as a good corporate citizen. The ESG Policy acknowledges the nature of the REIT's business as an owner of automotive dealership properties in Canada and its efforts to promote a culture of improvement with regards to sustainability and social responsibility for the benefit of all its stakeholders, including employees, tenants, suppliers, Unitholders and local communities.

The ESG Policy articulates the REIT's commitment to: (i) protecting its investors by managing sustainability-related risks; (ii) informing its tenants, suppliers and investment partners of sustainable options; (iii) sourcing with integrity; (iv) collaborating on sustainability with industry bodies; (v) compliance with applicable Canadian federal, provincial, territorial and municipal laws relating to environmental matters; (vi) making, or requiring its tenants to make, the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues; (vii) requiring its officers and other staff to adhere to the REIT's policies and procedures regarding the environment, sustainability and compliance with environmental legislation, and report any non-compliance with such policies and procedures; and (viii) offering a safe place to work.

Oversight of the ESG Policy is within the mandate of the Governance, Compensation and Nominating Committee (the "GCN Committee"). As part of that oversight, management reports to the GCN Committee at each quarterly meeting of the GCN Committee in respect of, among other things, compliance with the ESG Policy and any environmental and corporate social responsibility ("ESG") initiatives undertaken by management. Furthermore, commencing in 2021, the GCN Committee and the Board made ESG a stand-alone metric in the REIT's short-term incentive plan for named executive officers in recognition of the importance of ESG to the REIT. In 2021, the REIT also retained an outside consultant to assist management with the creation of an ESG and sustainability plan and related updates to the ESG Policy, among other things. The REIT's ESG and sustainability plan was approved by the Board in early 2022 and is available on the REIT's website at www.automotivepropertiesreit.ca. The REIT has also established an ESG committee comprised of REIT management and employees that makes recommendations to management in respect of ESG initiatives and engagement.

Commitments and Contingencies

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

Within 1 year	$202
After 1 year, but not more than 5 years	1,135
More than 5 years	2,606
Total	$3,943

Disclosure Controls and Internal Controls over Financial Reporting

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

There have been no changes to the REIT's ICFR during Q2 2022 that have materially affected, or are reasonably likely to materially affect, the REIT's ICFR.

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

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

SECTION 11 — QUARTERLY RESULTS OF OPERATIONS

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

($ thousands except where otherwise indicated)	**Second Quarter 2022**	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020
Number of Properties	**72**	72	66	66	66	66	65	65
GLA (sq. ft.)	**2,679,533**	2,679,533	2,524,491	2,524,491	2,524,491	2,524,491	2,494,476	2,494,476
Rental revenue	**20,835**	20,434	19,781	19,462	19,562	19,413	19,091	18,627
Net Operating Income	**17,864**	17,543	16,776	16,688	16,860	16,757	16,471	16,168
Net Income	**31,174**	29,706	10,409	30,824	17,858	26,329	30,180	4,395
Net Income per Unit — basic(i)	**0.636**	0.606	0.212	0.629	0.364	0.547	0.634	0.092
Net Income per Unit — diluted(ii)	**0.626**	0.597	0.209	0.620	0.359	0.541	0.626	0.091
FFO per Unit — basic(iii)	**0.245**	0.244	0.234	0.237	0.240	0.242	0.236	0.234
FFO per Unit — diluted(iv)	**0.241**	0.240	0.231	0.234	0.236	0.239	0.233	0.231
AFFO per Unit — basic(iii)	**0.233**	0.232	0.223	0.225	0.224	0.230	0.217	0.217
AFFO per Unit — diluted(iv)	**0.229**	0.228	0.220	0.221	0.221	0.227	0.214	0.215

AFFO payout ratio	**87.8%**	88.2%	91.4%	91.0%	91.0%	88.5%	93.9%	93.5%
Distribution declared per Unit	**0.201**	0.201	0.201	0.201	0.201	0.201	0.201	0.201
Weighted average Units — basic	**49,031,407**	49,031,407	49,013,407	49,013,407	49,005,099	48,101,885	47,630,305	47,630,305
Weighted average Units — diluted	**49,799,512**	49,748,964	49,733,057	49,717,307	49,685,935	48,712,838	48,203,686	48,167,267
Market price per REIT Unit – close (end of period)	**$13.49**	$14.57	$14.95	$12.73	$12.43	$11.44	$10.71	$9.97
Total assets	**1,112,169**	1,101,997	1,051,650	1,011,008	992,449	965,510	936,352	910,671
Debt to GBV	**41.2%**	41.6%	40.2%	40.1%	41.3%	41.7%	43.2%	44.8%
Debt service coverage ratio	**1.7X**	1.9X	1.9X	1.9X	1.9X	1.9X	1.8X	1.8X

Notes:

(i) Net Income per Unit – basic is calculated in accordance with IFRS by dividing the Net Income by the amount of the weighted average number of outstanding REIT Units and Class B LP Units.

(ii) Net Income per Unit **–** diluted is calculated in accordance with IFRS by dividing the Net Income by the amount of the weighted average number of outstanding REIT Units, Class B LP Units, DUs, PDUs, RDUs and IDUs granted as at June 30, 2022, to certain Trustees and management of the REIT.

(iii) The FFO and AFFO per Unit – basic is calculated by using the weighted average number of outstanding REIT Units and Class B LP Units. The FFO and AFFO per Unit basic comparable numbers were adjusted in accordance with the Real Property Association of Canada's White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS issued in February 2019. FFO and AFFO per Unit are non-IFRS ratios. See Section 1 "General Information and Cautionary Statements – Non-IFRS Financial Measures" of this MD&A.

(iv) The FFO and AFFO per Unit – diluted is calculated by using the weighted average number of outstanding REIT Units, Class B LP Units, DUs, PDUs, RDUs and IDUs granted as at June 30, 2022 to certain Trustees and management of the REIT. The FFO and AFFO per Unit — diluted comparable numbers were adjusted in accordance with the Real Property Association of Canada's White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS issued in February 2019. FFO and AFFO per Unit are non-IFRS ratios. See Section 1 "General Information and Cautionary Statements – Non-IFRS Financial Measures" of this MD&A.

The increase in rental revenue and NOI is primarily attributable to the forty-six property acquisitions completed since the REIT's IPO. Net income is also impacted by fluctuations in fair value adjustments of Class B LP Units, investment properties and interest rate swaps.

SECTION 12 — RISKS & UNCERTAINTIES, CRITICAL JUDGMENTS & ESTIMATES

The risks inherent in the REIT's business are identified in the REIT's Management's Discussion and Analysis for the year ended December 31, 2021 (the "Annual MD&A") and in its AIF, all of which remain unchanged at the date of this MD&A and are available at www.sedar.com.