



Granite Real Estate Investment Trust (GRP-UN)

Updated May 25th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$49	5 Year Annual Expected Total Return:	10.0%	Market Cap:	\$3.0 B
Fair Value Price:	\$56	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	05/30/25
% Fair Value:	87%	5 Year Valuation Multiple Estimate:	2.8%	Dividend Payment Date:	06/16/25
Dividend Yield:	5.0%	5 Year Price Target	\$65	Years Of Dividend Growth:	14
Dividend Risk Score:	D	Sector:	Real Estate	Rating:	Hold

Overview & Current Events

Granite REIT is a Canadian-based real estate investment trust that spun off from automotive component manufacturer MI Developments in 2003. The Trust focuses on the acquisition, development, ownership, leasing, and management of industrial properties in North America and Europe. As of March 31st, 2025, Granite's portfolio comprised 144 properties totaling approximately 63.3 million square feet of gross leasable area across five countries. Magna International remains Granite's largest tenant, accounting for about 19% of total gross leasable area and 27% of annualized rental revenue. Granite REIT is listed on the Toronto Stock Exchange under the ticker GRT.UN and on the New York Stock Exchange under the ticker GRP.U. The REIT has a market cap of \$3.0 billion. The REIT reports in CAD but our figures have been converted to USD.

On May 7th, 2025, Granite REIT reported its first-quarter results for the period ending March 31st, 2025. Total revenue for the quarter was approximately \$111 million, up from about \$100 million in the same period last year. This growth was supported by contractual rent escalations, leasing and renewal activity, and contributions from newly delivered development projects. Although overall occupancy dipped slightly to 94.8%, this was offset by higher rents achieved across lease renewals and re-leases, and stable performance across key logistics markets.

FFO/unit came in at about \$1.05, up from \$0.94 last year. This growth was driven by higher same-property net operating income, continued expansion of the gross leasable area, and modest operating leverage gains, despite minor headwinds from vacancies and increased property costs. For Fiscal Year 2025, we expect FFO/unit of \$4.17.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO/Unit	\$2.42	\$2.37	\$2.59	\$2.70	\$2.79	\$3.13	\$3.11	\$3.27	\$3.75	\$3.78	\$4.17	\$4.83
DPU	\$1.66	\$1.81	\$2.08	\$2.00	\$2.16	\$2.29	\$2.38	\$2.31	\$2.42	\$2.30	\$2.47	\$2.86
Units¹	47.0	47.1	46.9	45.7	54.1	61.7	65.7	63.7	63.4	62.7	62.5	75.0

Granite's FFO/unit remained relatively steady from 2015 to 2017, as the REIT was still transitioning its portfolio, with gains from modest leasing and acquisitions offset by FX impacts and one-time items. From 2018 onward, a new strategic capital deployment approach began to show results. Granite significantly rebalanced its portfolio through major dispositions of non-core and Magna-tenanted assets, reinvesting the proceeds into modern logistics facilities in the U.S. and Europe, which began contributing more meaningfully to income growth.

The next two years marked a key inflection point. Granite ramped up acquisitions in high-demand e-commerce markets and launched several development projects while maintaining strong occupancy and lowering its Magna exposure. This not only supported a steady rise in rental income but also improved portfolio quality. In 2020, despite the pandemic, the REIT maintained 100% rent collection and benefited from rising market rents and yield-accretive acquisitions, resulting in a noticeable jump in FFO/unit.

In 2021 and 2022, Granite continued to grow via both acquisitions and a major push into development, adding millions of square feet of modern logistics space. Still, growth in FFO/unit was moderated by equity issuance and the impact of a

¹ In millions

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stronger Canadian dollar on its European income. FFO/unit surged in 2023 and 2024, driven by a strong development pipeline coming online, consistent SPNOI growth, and continued rental rate increases, even as market conditions cooled. Despite a more cautious capital markets environment, Granite managed to grow organically, complete several forward-purchase deals, and sustain a high occupancy rate. Moving forward, we believe Granite can grow its FFO/unit at a 3% CAGR through 2030, as we are wary of the possibility of FX headwinds against its same-store revenue growth prospects. Granite has paid a monthly dividend has increased its dividend every year since 2010 following the cut during the Great Financial Crisis. Since 2013, the dividend has been paid monthly. We also expect the dividend to grow at a CAGR of 3%.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	11.3	14.1	15.9	14.5	17.1	11.7	15.6	21.7	10.0	10.9	11.7	13.5
Avg. Yld.	6.1%	5.7%	5.5%	5.3%	4.1%	6.3%	4.9%	3.3%	6.5%	5.6%	5.0%	4.4%

Granite's average P/FFO has oscillated around its historic average of 14 times. Today, the REIT is trading at about 11.7x our FFO/unit estimate for the year, below the stock's historical average. While we believe that a modest discount is justified given today's above-average interest rates, we believe the stock is undervalued at its current levels. The stock's yield currently hovers at 5.0%, which is above its industrial REIT U.S. peers.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	69%	76%	80%	74%	77%	73%	77%	71%	65%	61%	59%	59%

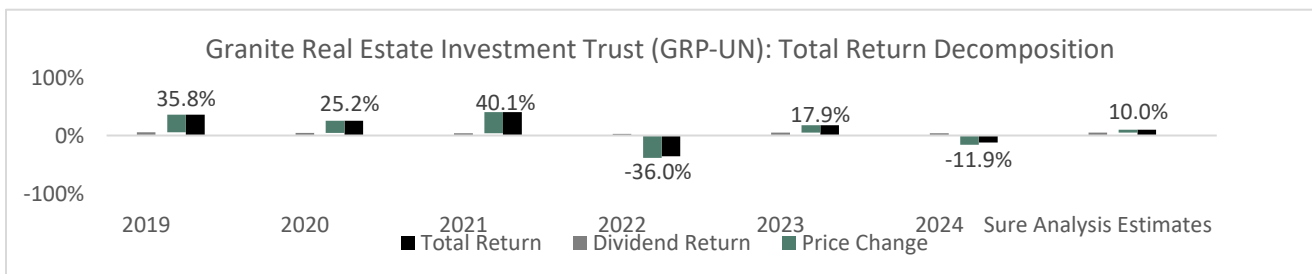
Granite has steadily reduced its reliance on Magna, which now accounts for 26% of rental revenue and 19% of gross leasable area, down from over 80% a decade ago. This shift reflects the trust's long-term strategy to diversify its tenant base and focus on acquiring modern logistics properties while disposing of older, special-purpose assets. The portfolio today consists largely of high-quality, general-purpose distribution properties in strong North American and European markets, leased to a wide range of tenants. Occupancy remains strong at 95%, and leasing spreads on renewals continue to show double-digit growth.

While Granite hasn't operated through a major recession in its current form, it did suffer during the Great Financial Crisis and was forced to slash its dividend. However, Granite thrived during the pandemic. Also, its conservative balance sheet (32% leverage), long lease terms, and focus on essential logistics space should offer a degree of resiliency in a downturn.

Final Thoughts & Recommendation

Overall, Granite offers a strong blend of stable cash flow, high-quality logistics assets, and disciplined growth. We believe that its ongoing tenant diversification, strong balance sheet, and development pipeline position it well for long-term value creation. We also highlight its dividend growth track record and attractive frequency of payouts. Our annualized total return outlook through 2030 comes in at 10.0%, to be powered primarily by the starting dividend yield, our modest growth expectations, and the possibility of a valuation tailwind. We rate Granite a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	169	169	189	191	206	254	314	350	386	415
Gross Profit	164	163	165	167	180	219	265	292	322	344
Gross Margin	96.7%	96.6%	87.2%	87.5%	87.1%	86.1%	84.5%	83.5%	83.5%	82.9%
SG&A Exp.	22	21	20	23	23	24	30	22	30	27
D&A Exp.	1	1	0	0	1	1	1	1	1	1
Operating Profit	141	141	140	144	155	194	234	268	291	318
Operating Margin	83.3%	83.7%	74.0%	75.5%	75.3%	76.3%	74.5%	76.7%	75.3%	76.5%
Net Profit	151	211	276	359	288	321	1,045	120	101	263
Net Margin	89.4%	125.0%	146.2%	188.0%	139.6%	126.3%	332.9%	34.2%	26.2%	63.4%
Free Cash Flow	104	106	58	96	115	185	209	213	232	247
Income Tax	28	36	10	41	32	52	192	(49)	(7)	23

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,969	2,160	2,550	3,075	3,678	5,291	6,719	6,838	6,834	6,703
Cash & Equivalents	86	183	55	483	229	652	316	100	88	88
Accounts Receivable	3	1	2	3	6	5	8	9	9	13
Total Liabilities	629	713	850	1,242	1,268	2,216	2,545	2,800	2,851	2,706
Accounts Payable	3	4	5	4	5	3	6	8	9	9
Long-Term Debt	406	480	541	880	909	1,708	1,903	2,236	2,311	2,145
Shareholder's Equity	1,332	1,445	1,699	1,832	2,408	3,074	4,171	4,034	3,978	3,991
LTD/E Ratio	0.31	0.33	0.32	0.48	0.38	0.56	0.46	0.55	0.58	0.54

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.4%	10.2%	11.7%	12.8%	8.5%	7.2%	17.4%	1.8%	1.5%	3.9%
Return on Equity	11.0%	15.1%	17.5%	20.3%	13.6%	11.7%	28.8%	2.9%	2.5%	6.6%
ROIC	8.3%	11.5%	13.2%	14.5%	9.5%	7.9%	19.2%	1.9%	1.6%	4.2%
Shares Out.	47.0	47.1	46.9	45.7	54.1	61.7	65.7	63.7	63.4	62.7
Revenue/Share	3.60	3.58	4.03	4.18	3.81	4.12	4.78	5.50	6.09	6.62
FCF/Share	2.21	2.25	1.23	2.10	2.13	3.00	3.18	3.34	3.66	3.94

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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