



Granite Real Estate Investment Trust (GRP-UN)

Updated August 23rd, 2025 by Nikolaos Sismanis

Key Metrics

| | | | | | |
|----------------------|------|--------------------------------------|-------------|---------------------------|----------|
| Current Price: | \$59 | 5 Year Annual Expected Total Return: | 5.9% | Market Cap: | \$3.58 B |
| Fair Value Price: | \$56 | 5 Year Growth Estimate: | 3.0% | Ex-Dividend Date: | 08/29/25 |
| % Fair Value: | 105% | 5 Year Valuation Multiple Estimate: | -1.0% | Dividend Payment Date: | 09/15/25 |
| Dividend Yield: | 4.2% | 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 June 30th, 2025, Granite's portfolio comprised 141 properties totaling approximately 60.6 million square feet of gross leasable area across five countries. Magna International remains Granite's largest tenant, accounting for about 20% of total gross leasable area and 28% 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 \$3.58 billion. The REIT reports in CAD but our figures have been converted to USD.

On August 6th, 2025, Granite REIT reported its second-quarter results for the period ending June 30th, 2025. Total revenue for the quarter was approximately \$109 million, up from about \$102 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. Overall occupancy improved to 95.8%, reflecting higher rents achieved across lease renewals and re-leases, and continued strength across key logistics markets.

FFO/unit came in at about \$1.01, up from \$0.96 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 |
| Units ¹ | 47.0 | 47.1 | 46.9 | 45.7 | 54.1 | 61.7 | 65.7 | 63.7 | 63.4 | 62.7 | 61.3 | 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 | 14.2 | 13.5 |
| Avg. Yld. | 6.1% | 5.7% | 5.5% | 5.3% | 4.1% | 6.3% | 4.9% | 3.3% | 6.5% | 5.6% | 4.2% | 4.4% |

Granite's average P/FFO has oscillated around its historic average of 14x. Today, the REIT is trading at about 14.2x our FFO/unit estimate for the year. A modest premium is warranted with potential rate cuts ahead, but our fair multiple is at 13.5x to stay prudent given rates do remain high. The yield now hovers at 4.2%, 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% |

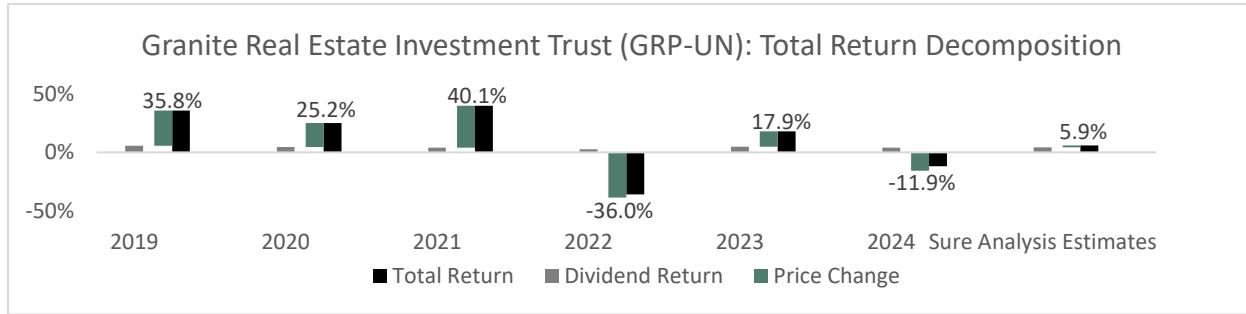
Granite has steadily reduced its reliance on Magna, which now accounts for 26% of rental revenue and 19% of gross leasable area, down from over 80% a decade ago. This shift reflects the trust's long-term strategy to diversify its tenant base and focus on acquiring modern logistics properties while disposing 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 about 96%, 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 (36% 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 5.9%, to be powered primarily by the starting dividend yield, our modest growth expectations, and the possibility of a valuation headwind. We rate Granite as 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.

Disclaimer

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