dream

2019 Annual Report

Zibi
Ottawa, ON / Gatineau, QC

Dream (TSX:DRM) is an award-winning Canadian real estate company with approximately $9 billion of assets under management in North America and Europe.

Dream is a leading developer of exceptional office and residential assets in Toronto, owns stabilized income generating assets in both Canada and the U.S., and has an established and successful asset management business, inclusive of $9 billion of assets under management across three TSX listed trusts and numerous partnerships. We also develop land and residential assets in Western Canada for immediate sale. Dream expects to generate more recurring income in the future as its urban development properties are completed and held for the long term. Dream has a proven track record for being innovative and for our ability to source, structure and execute on compelling investment opportunities.

Letter to Shareholders

Over the last 14 months, we have delivered a total return of 83% to shareholders and repurchased over $130 million of stock. While we are pleased with the increase in market price year-over-year, we believe that continuing to buy back stock under our normal course issuer bid is a good use of capital and a driver of value creation. As of February 21, 2020, we held $743 million units at fair value in Dream Office REIT and Dream Alternatives, which accounts for over 60% of our current market cap before considering our extensive land holdings in downtown Toronto which are carried at cost on our balance sheet or the value of our remaining asset management contracts. In 2019, we acquired an aggregate of $91 million in Dream Office REIT and Dream Alternatives, and the fair value of our holdings appreciated over $150 million while generating cash distributions of $21 million. We intend to continue investing in both Trusts on an opportunistic basis.

On December 10th, we closed on the sale of Dream Global REIT to Blackstone. This transaction was a pivotal event for our Company. The sale itself generated proceeds of $500 million, which was used to reduce our debt by $254 million, including redeeming our preference shares and fund a $117.5 million substantial issuer bid, making our balance sheet even stronger and the Company more valuable. As at December 31, 2019, our debt to total asset ratio was approximately 25%, a record low for the Company and down 10% from a year ago. The sale also demonstrated our ability to execute and create value within our asset management business. From the time of Dream Global REIT's IPO eight years ago, we have sourced incredible assets to grow the portfolio, completed significant capital recycling programs and capitalized on market fundamentals across Europe. We are now deploying our global asset management team to lead Dream Industrial REIT's European expansion strategy and utilizing our expertise and relationships to grow our asset management business through new private opportunities.

Dream is one of the most significant developers and owners of real estate in Toronto with 7.1 million square feet of retail and commercial GLA in fully stabilized assets or in our development pipeline and nearly 12,000 residential units (at project level). Our assets include: Dream Office REIT's income producing and redevelopment properties, our mixed-use developments at Brightwater, the Canary and Distillery Districts and the West Don Lands. As the development manager for Dream Office REIT, we are leading the rezoning and intensification process for the REIT's redevelopment assets. This includes 250 Dundas St. West, which recently obtained council zoning approval to convert the property to a multi-use development comprising commercial office, multi-residential rental and retail components.

In 2019, we achieved several advancements and key approvals across our Toronto & Ottawa development portfolio. We secured the first major tenant, the Federal Government of Canada, for our first commercial building at Zibi, our 34-acre waterfront community in the Nation's Capital. After extensive collaboration with the City of Mississauga and community of Port Credit, we reached an agreement with the City to advance municipal approvals for Brightwater. We also closed on Block 10 in the Canary District and secured landmark financing on our first purpose-built affordable rental building in downtown Toronto (West Don Lands Block 8) through CMHC's Rental Construction Financing initiative for $357 million and thereafter commenced construction. Each of these further advances the value of our business for the long term.

Overall, we are pleased with the safety of our Company and the return we are generating for shareholders. Our core operating business has strong fundamentals and there is a significant amount of value yet to be realized from assets we already own on our balance sheet today.

Thank you for your continuing support.

Sincerely,

Michael J. Cooper
President & Chief Responsible Officer

February 25, 2020

250 Dundas Street
Toronto, ON

At a Glance

$9 B

IN ASSETS UNDER MANAGEMENT AS AT DECEMBER 31, 2019

~$35 B

OF REAL ESTATE & RENEWABLE POWER TRANSACTIONS COMPLETED

~14,000

CONDOMINIUM & PURPOSE-BUILT RENTAL UNITS UNDER CONSTRUCTION OR IN OUR DEVELOPMENT PIPELINE

$742.9 M

OF EQUITY HELD IN DREAM PUBLICLY LISTED FUNDS AS AT FEBRUARY 21, 2020

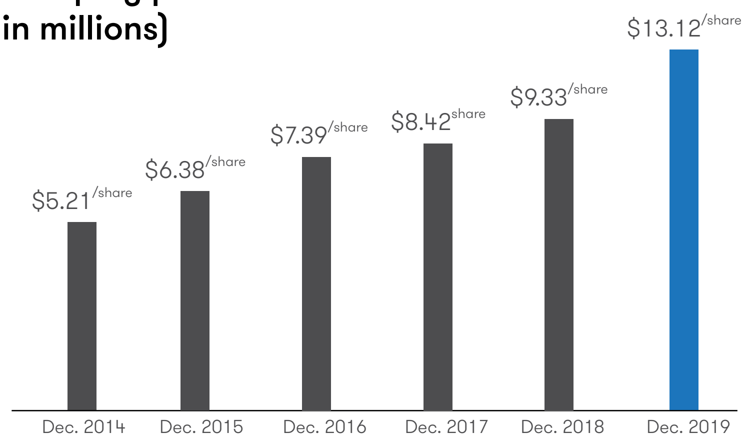
Brightwater
Port Credit, ON

Financial Highlights Dream Standalone[1]

	2019	2018
Revenue	$ 536,559	$ 294,071
Earnings before income taxes	$ 518,630	$109,334
Earnings per period	$ 402,492	$ 83,093
Basic earnings per share[2]	$ 3.81	$ 0.76

(1) Dream standalone represents the standalone results of Dream, excluding the impact of Dream Alternatives' equity accounted/consolidated results. Refer to the "Non-IFRS Measures" section of our MD&A for further details.
(2) Basic earnings per share is computed by dividing Dream's earnings attributable to owners of the parent by the weighted average number of Dream Subordinate Voting Shares and Dream Class B shares outstanding during the period and has been adjusted to include the non-controlling interest relating to Sweet Dream Corp.
(3) Total equity (excluding non-controlling interests) excludes $64.9 million of non-controlling interest as at December 31, 2019 ($43.9 million as at December 31, 2018) and includes the Company's investment in Dream Alternatives as at December 31, 2019 of $93.8 million ($72.7 million as at December 31, 2018). For further details refer to the "Segmented Assets and Liabilities" section of our MD&A.

Total equity per share[3]
($ in millions)



21%

CAGR IN TOTAL EQUITY TO 2019

* Total equity per share is calculated based on total shareholder's equity, including SDC's non-controlling interest for years prior to December 31, 2018.

Note: We issued $55.0M of equity in 2014

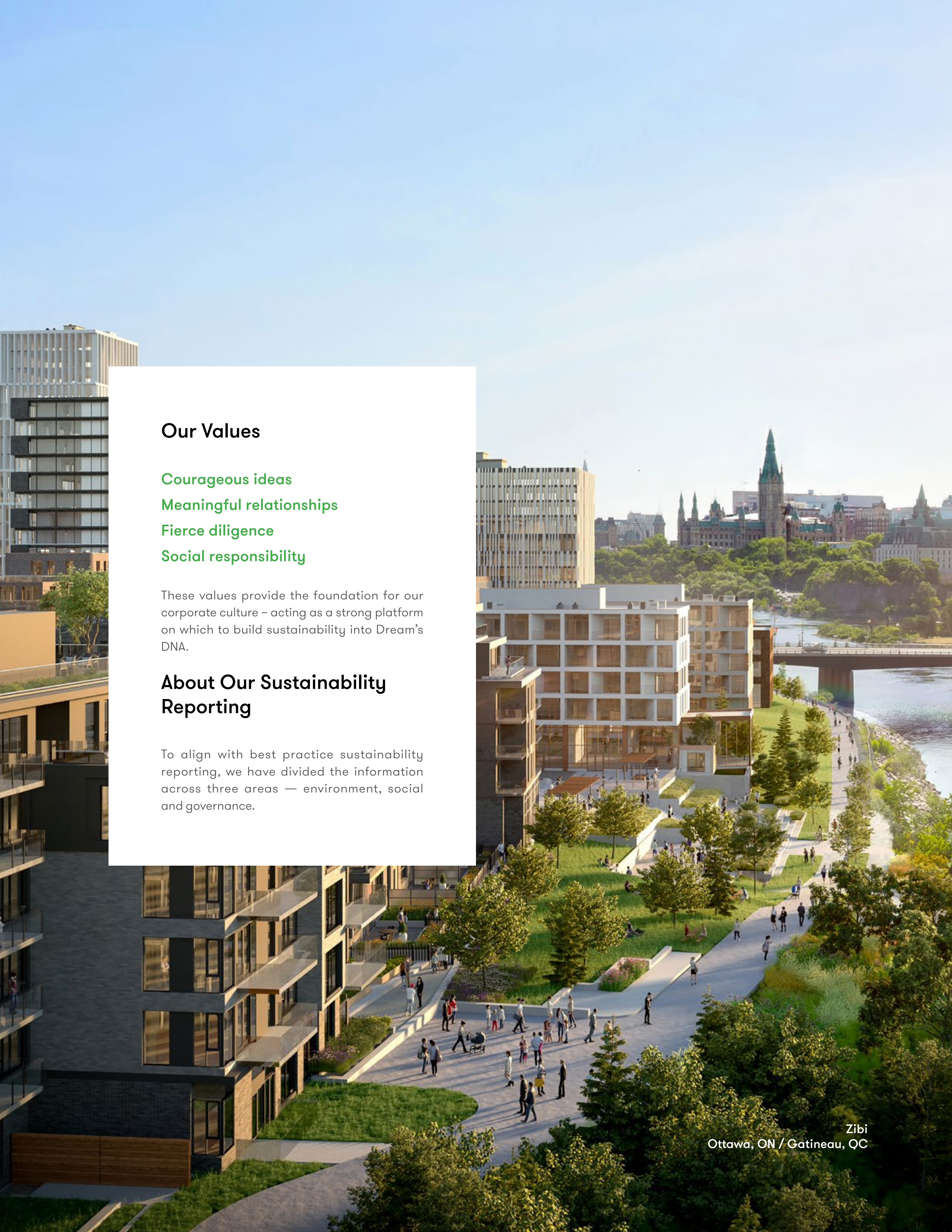
Our Values

Courageous ideas
Meaningful relationships
Fierce diligence
Social responsibility

These values provide the foundation for our corporate culture – acting as a strong platform on which to build sustainability into Dream's DNA.

About Our Sustainability Reporting

To align with best practice sustainability reporting, we have divided the information across three areas — environment, social and governance.



Zibi
Ottawa, ON / Gatineau, QC

Sustainability

Focus on Sustainability

> We focus on promoting the highest standards of corporate governance, social responsibility and ethical behaviour throughout our organization.

Sustainability is ingrained in how we run our business both internally and externally. It fits naturally with Dream's purpose to **Build Better Communities** and with our values. Building better communities guides how we think, live and work. We strive to make positive impacts on the natural environment and the communities in which we operate, work and live.

As property owners, operators and developers, we believe building a better community is bigger than ourselves and our own assets, it encompasses the greater community at large and the cities in which we live and operate. Building a better community means more than just limiting environmental impact, it applies to social benefits, such as promoting inclusivity, diversity and health and wellness.

As a developer we have a legacy of building communities that showcase best practices in sustainability. Brightwater in Port Credit, as well as the LEED Gold Canary District, and West Don Lands in Toronto, are all examples of our commitment to sustainable design in urban centres. Our communities cater to buyers seeking a green, urban lifestyle where transit and public spaces have premium value.

Affordable housing is intrinsic to this vision. The integration of market and affordable units within a vibrant mixed-income community is an integral part of creating a complete, family focused community that provides access to housing for people of all income levels. Whether building new communities, making new investments or operating our existing assets, we always keep in mind the impact we have on our customers, tenants, employees and homebuyers, as well as the greater community and residents in general.

From our ongoing dialogue with stakeholders, we know that they care about our sustainability platform, best practices and results. Our investors want to be confident that they are investing in a corporate entity which uses land and resources responsibly, minimizes carbon emissions and is in good standing with its employees and communities.

Our focus is to directly tie sustainability to our corporate values, our culture and the way in which we conduct our business. We have been making progress in how we manage our environmental impacts, engage employees and conduct social out-reach programs by adopting a formal approach to sustainability.

We are also continuing to invest in the development of our employees, which contributes to the strong execution of our business strategies. Further, it is increasingly important to employees that they feel good about the company for which they work.

Our commitment to strong governance ensures that we attain the highest ethical standards, which includes how we manage and mandate sustainability. We continue to implement strategies to manage our impact and measure our performance in attaining targets.

Our continued focus on sustainability is fostering a culture of innovation and collaboration with external business partners and the community at large. We look forward to continued engagement with our stakeholders as we move forward with our sustainability initiatives.

Environmental

Pro-active implementation of sustainability best practices throughout our portfolio.

Our environmental initiatives include:

1. Developing sustainable and inclusive communities and properties where people are proud to live and work.
2. Monitoring our resource consumption to reduce the environmental impact of our operations and our carbon footprint.

Green Building Certifications

According to the Canadian Green Building Council (CaGBC), green-certified buildings or communities with lower operating costs and superior indoor environmental quality are more attractive to a growing group of customers. High-performing buildings and communities are becoming a material factor when tenants and home buyers make leasing and buying decisions.

Affirming Strong Sustainability Practices and Responding to Market Demands

Dream is working hard to integrate sustainability into every aspect of our operations. Green building certifications help us incorporate a range of sustainability features into our physical properties and our daily practices.

Sustainability initiatives increase occupancy and rental rates, ultimately increasing rental income. Studies have shown that certified buildings produce higher capital and income growth relative to industry benchmarks.

We are very proud of the fact that 100% of Dream Office REIT properties over 100,000 square feet are BOMA BEST certified.

In addition, several of the communities we develop are built to attain LEED status: West Don Lands, The Canary District, Brightwater and The Distillery District, to name a few.

LEED

The Leadership in Energy and Environmental Design (LEED) certification

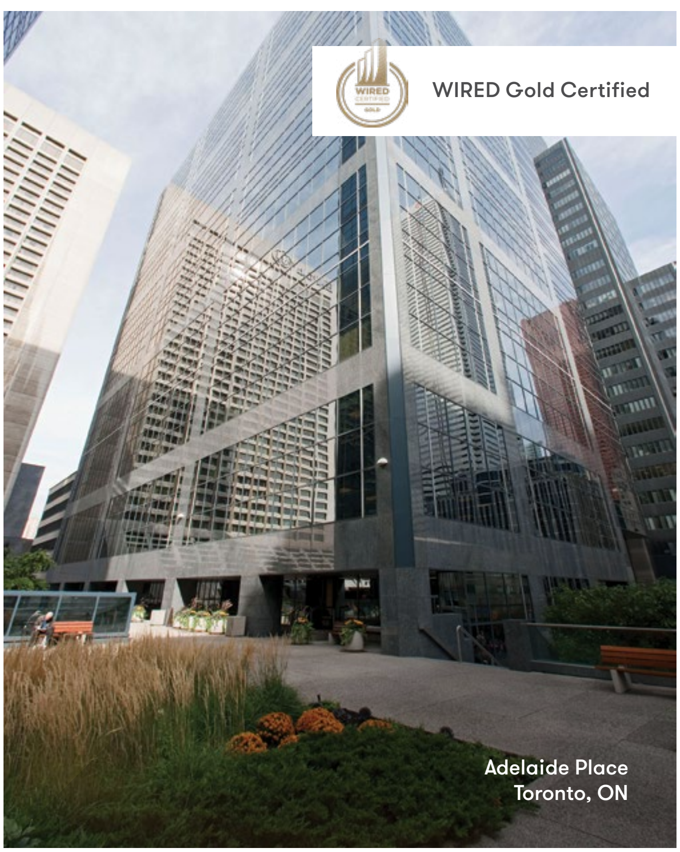
LEED provides independent, third-party verification that a building was built using strategies aimed at achieving high performance in key areas of human and environmental health. It is administered by the CaGBC.

BOMA BEST

BOMA BEST is a leading certification program for existing buildings in Canada. Over 3,150 buildings, totalling 594 million square feet of Canadian commercial real estate are certified.

Brightwater
Mississauga, ON

438 University
Toronto, ON



Adelaide Place
Toronto, ON

Canary District
Toronto, ON

Sustainable Development

Creating inclusive and vibrant urban communities that people are proud to live and work in.

Affordability and Mixed-income Neighbourhoods

At Dream, we develop a wide range of housing types to meet the needs of varying age and income groups and lifestyles. Dream believes building mixed-use and mixed income projects within our master-planned communities is smart business and aligns with our values, as well as our commitment to shareholders and communities.

Sustainability is a Key Driver of Our New Communities

Sustainable Planning

To integrate sustainability, it all starts with planning. We consult with the public to identify community needs that can be incorporated into the overall plan prior to starting the development application process.

We also work with world leaders in urban design and master community planning to create attractive, community-oriented and environmentally sustainable concepts and designs that advance the approval process.

Sustainable Materials

Dream continues to lead the industry as one of Canada's largest Energy Star-certified builders. Energy Star is administered by Natural Resources Canada and promotes homes that are at least 20% more efficient than a house built to code. However, we go beyond regulatory requirements by integrating sustainability into technical design and procurement. Standard benchmarks for Dream Homes include:

- Triple-paned windows, LED lights and 92-96% efficient furnaces to improve building energy efficiency
- Energy Star appliances to reduce electricity and water usage
- Long-lasting polyvinyl chloride water pipes to prevent water leakage
- Low VOC interior paints and materials to improve air quality
- Heat recovery ventilator to supply fresh air to homes in colder months
- Timber certified by the Forest Stewardship Council
- Strategic positioning to allow for optimal sunlight
- Energuide rating of 82 for all Homes by Dream built homes in the Calgary community of Evansridge

Sustainable Design

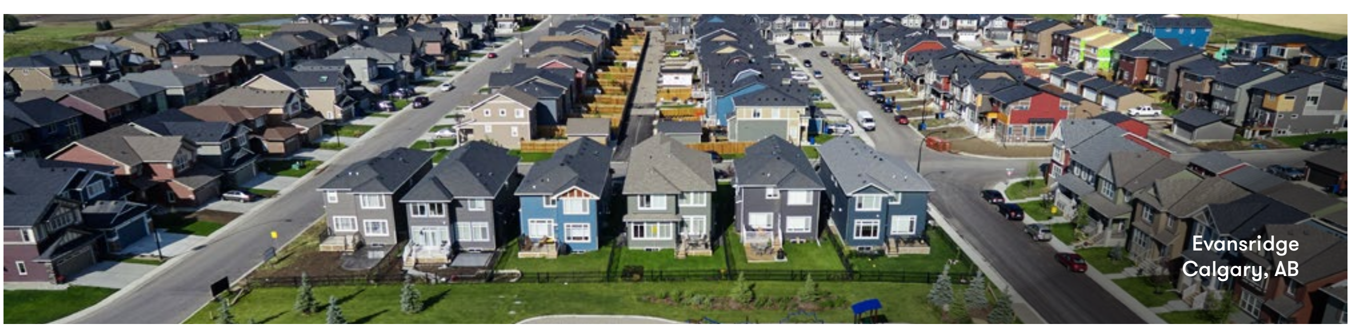
One of our design objectives is to integrate our communities into the natural environment. To do this, we build around important environmental landmarks. We use native plants and grasses where possible.

The street network of Dream neighbourhoods are designed in an urban grid-like pattern with limited roads. Our communities also boast extensive pathway systems. For example, our Harbour Landing community has 16 km of pedestrian trails. These factors encourage pedestrian mobility and health as well as achieve better traffic flow.

Sustainable Construction

Dream aims to develop local supply chains as a way to minimize our transportation footprint and create local jobs. During procurement, we make a conscious effort to use 50% local trades and raw materials originating within an 800-kilometre radius. We are also trying to align ourselves with suppliers that have sustainability policies and values.

In Regina, we have developed a Builder Standards Manual that is enforced during construction to ensure a safer environment and a more attractive neighbourhood. We employ consultants to monitor and they prepare monthly summaries of builder activity. Based on the report, we administer fines for infractions that must be paid before further lots are contracted to the builder. As a result, the cleanliness of construction sites has improved and there is less damage to concrete walkways and streets from heavy machines and equipment.



Evansridge
Calgary, AB

Sustainable Development

> Creating an innovative and affordable sustainable community that provides equal access to all amenities for residents.

West Don Lands

Affordable housing, accessibility and energy efficiency

Affordable housing and energy efficiency is key to the development plan for our LEED Gold designed West Don Lands development. In addition to offering sustainability and affordability, West Don Lands residents can take advantage of the proximity to public transit, schools and services as well as the many neighbourhood amenities in the nearby Canary and Distillery Districts.

- One of the largest affordable housing projects in Canada.
- First mixed-use, purpose-built rental community in the area (1,869 purpose-built rentals of which 30% will be affordable).
- Public-private partnership to create long-term affordable units.
- Won a competitive bidding process by ensuring long-term affordability and our plan to manage without further government incentives.
- Secured $357 million of financing as part of CMHC's Rental Construction Financing initiative.

Sustainable Development

Partnering with Toronto's First Nations community in the Canary District & bringing current sustainable practices to The Historic Distillery District.

Distillery District

Sustainability in historical buildings

BOMA Certified

The historic Distillery District is a Toronto landmark featuring 40 heritage buildings on 13 acres in Toronto's east end. We achieved BOMA BEST Certification in 2020 and are proud to be a leader in embracing sustainability for heritage buildings despite the intrinsic obstacles.

Canary District

Innovative partnership with Anishnawbe Health Toronto

Dream has entered into an agreement with Anishnawbe Health Toronto to develop Canary Block 10, a mixed-use project in the Canary District. Canary Block 10 will be comprised of: a proposed 200-unit condominium building, a 225-unit residential rental building, heritage retail space, a community health centre and a mixed-use commercial building that includes a training, education and employment centre, and a city daycare. Canary Block 10 is an important part of the Indigenous Hub which will celebrate indigenous culture and serve the needs of Toronto's First Nations community as well as the broader city.

Canary District, Block 10
Toronto, ON

Sustainable Development

> The Zibi development will be one of Canada's most sustainable communities and Canada's first One Planet community.

ONE PLANET COMMUNITY

Zibi

District Thermal Energy System

- First post industrial waste heat recovery system in a master-planned community in North America
- First zero-carbon-emission District Thermal Heating and Cooling System in the National Capital Region

The District Thermal Energy System will provide self-sufficient, net-zero heating and cooling for all tenants, residents and visitors of Zibi. It will contribute to Zibi being the region's first zero-carbon-emission community, allowing for equitable access to a sustainable community which provides environmental, social and economic benefits to all.

Zibi
Ottawa, ON / Gatineau, QC

2019 Year in Review

In 2019, at Zibi, we began to lay the foundation of our community with residents moving into the project's first condominium building, O, in Gatineau. Unlike most other development projects, Zibi's involvement in the community does not end at the completion of the development. As a One Planet Living Community we are not only here to design and build sustainable infrastructure, but through the role of the One Planet Ambassador, a position that exists to build change through sustainable culture, residents are inspired to lessen their impact on the planet. In 2019, the One Planet Ambassador hosted a series of events including an evening snowshoe, a talk on zero carbon, an organic gardening workshop and a hands-on introduction to Zibi's honey bees, the Zibees. The intent of these events is to foster a sense of appreciation for the planet and to create a sense of community among residents.

In the spring of 2019, the National Capital Region experienced unprecedented and catastrophic flooding. As a project building on islands and the shores of the Ottawa River, climate change vulnerability is top of mind. In response, our buildings are constructed to accommodate a 1-in-1000-year flood and incorporate additional climate resilient mitigation measures including waterproofing of underground infrastructure. As a result, we were spared from the flooding of 2019 and will continue to follow climate change science closely to adapt to future changes.

Zibi undertook a major infrastructure project in 2019 that will have significant positive impact on the region. Working with many land managers, Zibi closed a major commuting corridor connecting Gatineau and Ottawa in order to install site services and to modernize active transportation infrastructure. The corridor which was previously a harrowing experience on a bike will now facilitate relevant and safe cycling and pedestrian access across the Ottawa River to and from our project. This project also marks significant investment in our district thermal energy system which ultimately solidifies our commitment to our long-term goal of operating as a zero-carbon community.

Lastly, with our One Planet Design and Contractor Specifications in place, we became better at systemizing our approach to sustainability. Throughout the year, we developed procedures that allow for us to track our progress on our One Planet Action Plan, building by building. Ultimately, this enhances accountability and allows for us to boast about our leadership in sustainability with confidence.

Arapahoe Basin Ski Resort
Colorado, USA

Sustainable Ski Development

Arapahoe Basin's Strategic Sustainability Plan: 7 Goals in 7 Years

- Become Carbon Neutral by 2025
- 100% Renewable Electricity
- 75% Landfill Diversion Rate
- No Net Increase in Domestic Water Use
- Increase Carpooling and Public Transportation Ridership
- Be a leader in Watershed and Wildlife Stewardship
- Centralize Purchasing

In 2018, Arapahoe Basin's Senior Leadership Team met numerous times with the Brendle Group, a Colorado-based environmental consulting firm, to create a strategic plan to bolster the mountain's sustainability goals and to help guide Arapahoe Basin's many sustainability initiatives and projects. The plan features seven sustainability-related goals, all to be achieved in seven short years – by 2025.

Just two years into implementation, serious headway has been made towards all seven of these goals. A new collaboration with the Colorado Carbon Fund has made it possible for Arapahoe Basin to address fuel-related emissions during 2019, offsetting the emissions from all diesel, gasoline, and propane use. Also, new programs with Xcel Energy, our electricity provider, have helped us get to 54% renewable electricity, well on our way to achieving 100% by 2025.

Continued emphasis on our waste reduction efforts has led to a landfill diversion rate of over 50% for the second year in a row as we creep ever closer to our 75% goal, while a major bathroom remodel, featuring waterless urinals and low-flow and automated fixtures, led to significant water savings in our base area lodge.

We've renewed our commitment to public transportation and carpooling, with a designated parking lot for carpoolers and discounted lift tickets for visitors who share a ride.

The Beavers, a terrain expansion that grew the ski area by more than 30%, remains a shining example of how to responsibly manage and develop a large piece of terrain for improved skiing and snowboarding, while maintaining important wildlife habitat and avoiding major impacts to sensitive wetlands and alpine ecosystems.

Lastly, significant efforts have been made towards centralizing our purchasing process and greening our supply chain across the ski area. We look forward to continuing these efforts and are excited to see where our refocused commitments get us by 2025.

Resource Management

Real estate properties consume significant amounts of resources. Resource use directly and/or indirectly impacts profitability, operating margins, tenant demand and asset values. This section mainly focuses on Dream Office REIT's initiatives.

Management of Tenant Sustainability Impacts

Resource consumption, waste generation and other sustainability issues (occupant health and safety) are often driven by the activities of the occupant. However, real estate owners can exert influence in a manner that may increase tenant demand and satisfaction, decrease direct operating costs, decrease risks related to building codes and regulations, and drive asset value appreciation.

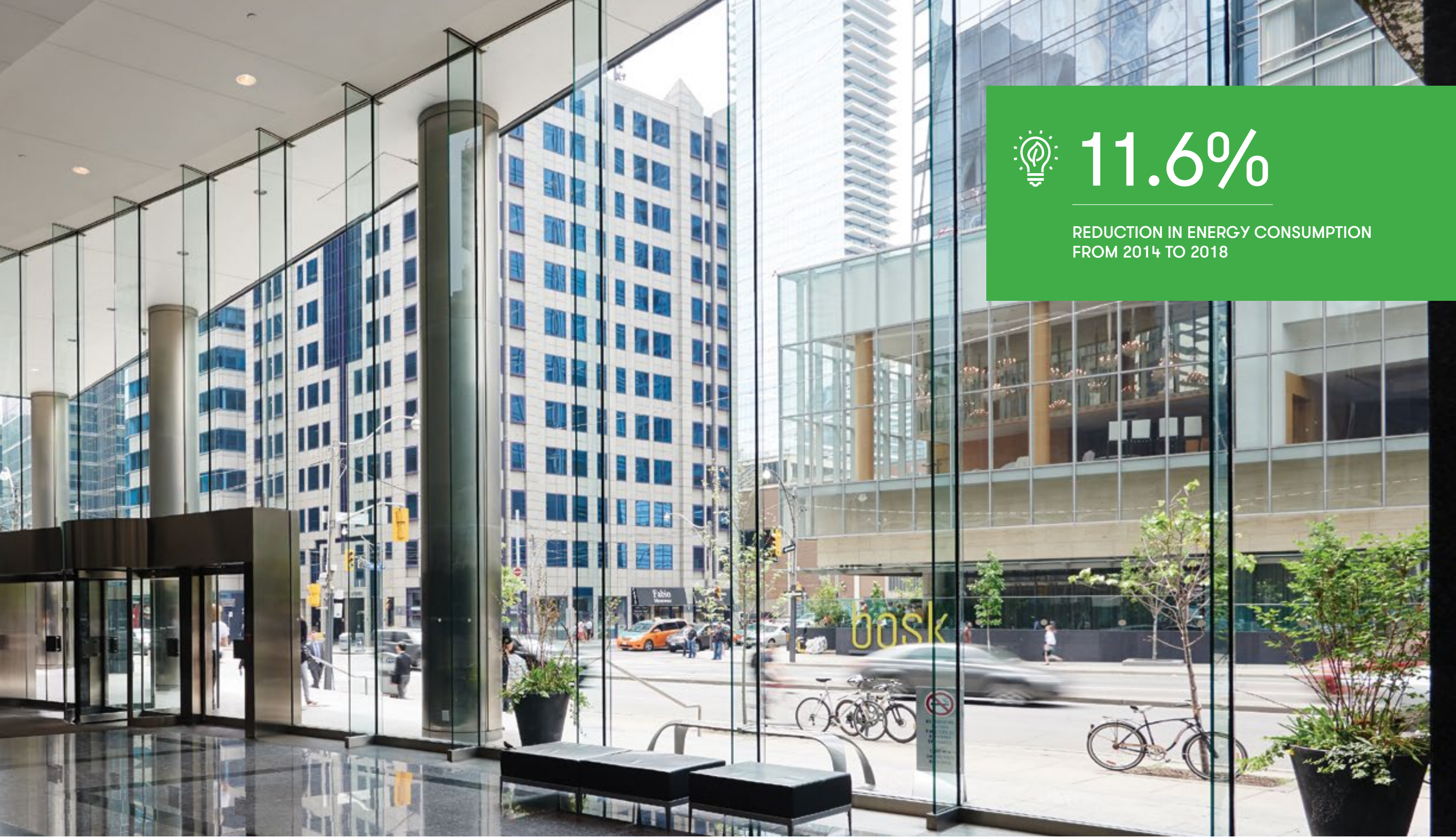
Management process, controls and measurement

Virtually all leases in the portfolio are structured in a manner whereby the tenant pays for their share of resource utilization. Leases generally contain clauses that allow for the recovery of certain capital expenditures (amortized over a period), some of which relate to energy efficiency and HVAC upgrades.

Beyond this, Dream Office REIT engages with its tenants in a variety of ways to share best practices and raise tenant awareness. Onsite teams are in continual communication with occupants through a work order management platform to address issues specific to tenant spaces.

Performance and progress

- Dream Office REIT partnered with Tesla Motors to provide 80 electric vehicle chargers at several downtown properties.
- The Bay Street repositioning program is expected to have a positive impact on occupant health and well-being and to reduce total resource consumption.
- The robust tenant engagement program should continue to have a positive impact.



11.6%

REDUCTION IN ENERGY CONSUMPTION FROM 2014 TO 2018

Energy

Focus on energy efficiency is yielding results

Reducing our energy consumption is a key initiative across all of the Dream entities. It is an important part of our operational strategy. It reduces costs and decreases our contribution to carbon emissions and climate change. We enable energy efficiency and conservation through capital investments, process changes and modifying behaviours. Proactive energy management provides Dream with the ability to mitigate the adverse impacts of new regulation, compliance costs and carbon pricing.

Management process, controls and measurement

Energy audits were recently performed across the portfolio to find opportunities to increase energy efficiency and optimize the operation and management of our properties. This process resulted in a series of recommendations, including: (1) LED retrofits; (2) heating and air conditioning upgrades; and (3) retro-commissioning; each of these has incorporated into a ten year capital plan.

Virtually all of Dream Office REIT's properties are equipped with a real-time operating system that enables property managers to view consumption data in 15-minute intervals to better manage each building's environmental impact and stress on the grid.

Performance and progress

- 41% of GLA is separately metered or sub-metered for energy consumption sourced from the grid.
- Total energy consumed in 2018 was 587,572 GJ.
- Reduced total energy consumption by 11.6% on a like-for-like basis since 2014.
- At the end of 2019, 100% of the portfolio was ENERGY STAR certified, 12% was LEED-certified and all Canadian properties of over 100,000 square feet were BOMA BEST–certified.
- LED retrofits were completed in 10 buildings in 2019.
- A smart building technology strategy is under development, with a pilot planned for 2020.
- Additional LEED certifications are underway; once complete portfolio-wide LEED certifications will increase to 25%.
- External battery storage solutions at eligible sites along with bidirectional EVs through our partnership with Peak Power.

Greenhouse Gas Emissions

Climate change

Leading scientists agree that human activities are contributing to a warming climate. Governments around the world are enacting legislation to reduce greenhouse gas emissions. For example, there are now carbon pricing systems in many Canadian provinces which provide incentives for businesses that take action.

Dream's primary source of greenhouse gas emissions stems from energy consumption at our properties. We are reducing our impact through technological and operational improvements in energy efficiency.

15,000 tonnes

REDUCTION IN GREENHOUSE GAS EMISSIONS, EQUIVALENT TO REMOVING 3,200 CARS FROM THE ROAD PER YEAR

15.9%

REDUCTION IN WATER CONSUMPTION FROM 2014 TO 2018

Water & Waste

Efficient water and waste management

Real estate properties consume significant amounts of water. Efficient water and waste management directly and indirectly impacts profitability, operating margins, tenant demand and asset values. On the other hand, poor management can lead to flood damage, increase operating expenses and/or capital expenditures and negatively impact asset values.

Managing our water use

Dream Office REIT invests in water-efficient technologies and practices where we have the largest impact. For example, in older buildings, we have implemented improved cooling tower controls to reduce water evaporation and we have invested in rain sensors, perennial landscaping and mulch to reduce water consumption due to irrigation in landscaping practices.

All Dream Office REIT BOMA BEST-certified properties also need to comply with our water reduction policy. The policy outlines target fixture flow rates and requirements for landscaping practices. Dream has developed a policy for helping us achieve our water reduction target. An important part of this strategy is our alignment with the best practices for water management as defined by the BOMA BEST process.

Performance and progress

- From 2014 to 2018, Dream Office REIT experienced a 15.9% reduction in annual water consumption on a per square foot basis.
- 12.1% of Dream Office REIT's portfolio is in regions classified as High or Extremely High Baseline Water Stress as determined by the Aqueduct Water Risk Atlas tool.
- Dream Office REIT continues to be proactive in its approach to reducing water consumption. Leak detection systems have been implemented at two properties and the potential rollout to additional sites is being evaluated. Management is also looking into the installation of smart water meters to enhance its tracking ability and to manage consumption.

Affecting waste diversion

All Dream Office REIT BOMA BEST certified properties follow our solid waste management policy, which strives to reduce the amount of waste sent to landfills. The policy requires proper disposal of different types of waste. It also stipulates that large properties must regularly conduct waste audits, which is our primary tool for measuring and tracking waste output.

Resource Management

> Innovative landscape irrigation in Dream's Brighton community and Peak Power partnership in Dream Office REIT.

Brighton Community, Saskatoon, SK

Brighton

Landscape irrigation in Brighton

The City of Saskatoon currently uses potable water from the municipality's water mains for park irrigation. In designing the new park in Brighton, our master-planned Saskatoon community, we decided to try a new approach and collect rain water in ponds. The ponds are used for storm water management and use the water collected to irrigate the surrounding parks and sports fields.

Peak Power

Dream Office REIT takes leading role with vehicle-to-grid and energy storage

As part of Dream's sustainability goals and our ongoing effort, Dream Office REIT tenants at Adelaide Place and State Street Financial Centre have the opportunity to purchase an electric vehicle at a discounted lease thanks to an innovative partnership with Peak Power. Peak Power has installed bi-directional (two-way) charging infrastructure at these buildings which allows electric vehicles to send electricity back to the building during key "peak" times. This reduces the building's overall energy costs with a portion of the savings going to the driver participants. The technology is being developed by Peak Power along with Ontario Power Generation to help make the transition to electric vehicles more attractive to consumers.

Peak Power uses machine learning (a form of Artificial Intelligence) to predict these moments of high electricity demand, which can form over 65% of a typical electricity bill. This technology will also help Dream Office REIT reduce its environmental footprint. By charging at night and discharging during peak moments, we reduce our reliance on natural gas peaker plants in favour of non-emitting hydro and nuclear sources. Peak Power is currently in the design phase to expand this technology to various other Dream Office REIT properties in downtown Toronto, which would create a virtual power plant that can respond to grid needs while lowering Dream Office REIT's energy costs.

Alate Partners

Using technology to rethink real estate

Dream Unlimited Corp., along with Dream Office REIT, entered into a strategic partnership with Relay Ventures to create Alate Partners to invest in technology companies that are rethinking how real estate is designed, built and managed. In addition to capital, Alate Partners provides entrepreneurs with unique access to real estate expertise, customers and partners that can help accelerate their growth.

By embracing emerging technologies and new approaches to how we build and manage real estate, we can reduce our environmental impact and improve the quality of life in our communities.

alate
partners

Select Alate Investment: Bird Rides

Stage: Growth
Founded: 2017
HQ: Santa Monica

Bird's mission is to make cities more livable by reducing car usage, traffic and carbon emissions.

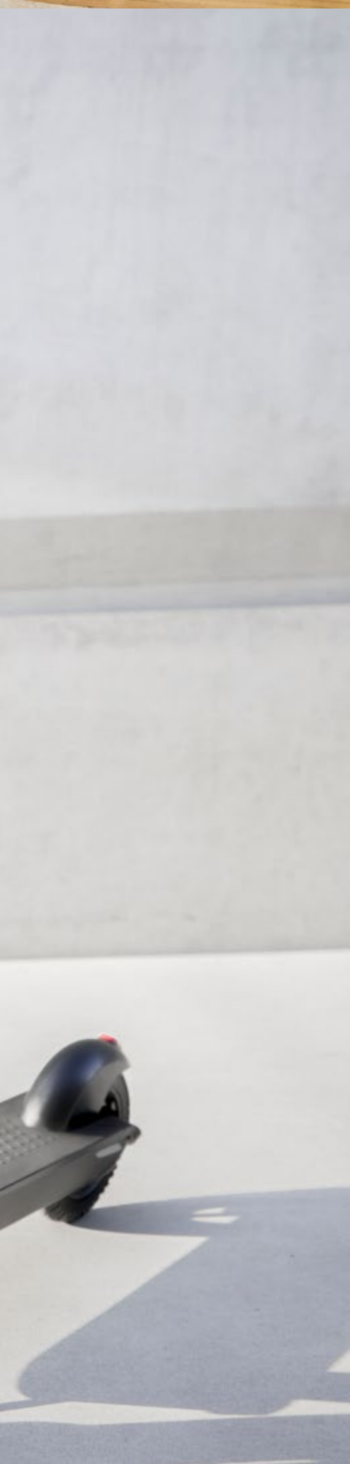
Along with Alate Partners' investment in Bird Rides, the company partnered with Relay Ventures and Obelysk to launch Bird Canada, a Canadian-owned and operated company that holds the exclusive licence to operate Bird's micro-mobility platform in Canada. Bird Canada complements public transit options to provide safe and reliable mobility options between destinations in urban areas.

BIRD
CANADA

Select Alate Investment: Branch

Stage: Early
Founded: 2019
HQ: New York

Alate Partners has recently invested in Branch, an office furniture startup based in New York. Branch delivers inexpensive furniture that can be delivered within 48 hours compared to traditional wait times of 8–16 weeks. In addition, it offers a trade-in program allowing office furniture to be reused rather than disposed of. Currently, the vast majority of office furniture is single-use only and 17 billion pounds of office furniture ends up in landfill every year.



Social

Building a thriving, people-centric organization.

Our social initiatives encompass three key areas:

1. **Employees:** Committed to the development of employees through continuous learning and promotion of healthy workplaces and lifestyles.
2. **The Greater Community:** Actively committed to the community and local charitable organizations.
3. **Tenants:** Committed to tenant satisfaction and engagement.

A Diverse Group of Employees Demonstrating a Culture of Sustainability

A future-oriented workforce

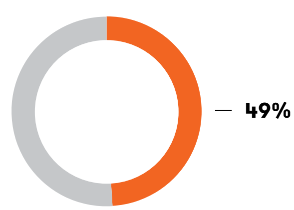
Dream's potential as an organization comes from our strong and diverse workforce. We have more than 500 employees across our business that possess expertise in a wide variety of areas that benefit our business, from real estate management and development to capital markets, risk and insurance, and many more.

Our people come from a range of backgrounds and places, bringing many valuable skills and perspectives to our team. The people we hire all have one thing in common: they share our company values and contribute to our company culture.

We are very proud to have a strong female presence in our workforce – 49% of our employees are women. In addition, we have many women in senior management roles across our company.

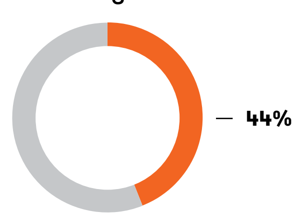
A gender-diverse company

Female employees



Female directors & above

Female managers & above



Dream in the Community

Our company values are aligned with sustainability

As a major Canadian real estate and development company, we recognize the integral role that Dream plays in building and strengthening the communities where we work. We are involved with a range of community organizations across Canada and we engage community members wherever we are present.

Healthy Workplaces and Lifestyle

Employees health and wellness is important to Dream and there are a large number of initiatives and programs to encourage employees to lead healthy lifestyles. We provide free fresh fruit in all our offices, and selected healthy snacks are available for purchase at an affordable price.

Throughout the year, Dream also supports fundraising events that encourage employees to be active for a good cause – bike rides, stair climbing, runs and walks – and sponsors employee teams so they can play soccer, hockey or volleyball together in corporate leagues.

Health and safety is a priority

Ensuring the health and safety of our employees, tenants and others on all our sites is something we never compromise on: we target zero injuries. We also seek to exceed health and safety regulatory requirements by implementing programs focused on accident investigation and prevention and other types of health and safety training.

Dream Employees

Making an impact

Our employees are connected to the communities where they work. Dream creates opportunities for employees to volunteer through our relationships with charitable organizations. We have Community Leaders in each city who identify local volunteering opportunities and organize team volunteering days for their colleagues. We also encourage our employees to contribute to their local communities and boost their efforts through an employee donation program. Dream will contribute $500 per employee annually to a charitable organization that employees are actively involved with.

Building Better Leaders

We take great pride in our people and know that investing in them is a smart decision with great payback. We are focused on developing leaders throughout our company by providing opportunities for employees to grow personally and professionally.

Goal-setting

Dream employee goal-setting takes place at the beginning of each year. Employees discuss goals with their managers that are aligned with corporate or department objectives as well as personal development goals. All leadership team goals are visible through our internal employee website for any employee to view across all of our business lines.

Tenant Collaboration

Strengthening relationships through joint initiatives with our tenants.

As a major landlord, we understand our responsibility to act as a model citizen and positively influence our communities and work with our tenants. Our initiatives support our business objective of being a premier community partner. We aspire to uphold our positive reputation in the communities where we are present and actively seek out partnership opportunities with our tenants. This also helps us to become a builder and landlord of choice.

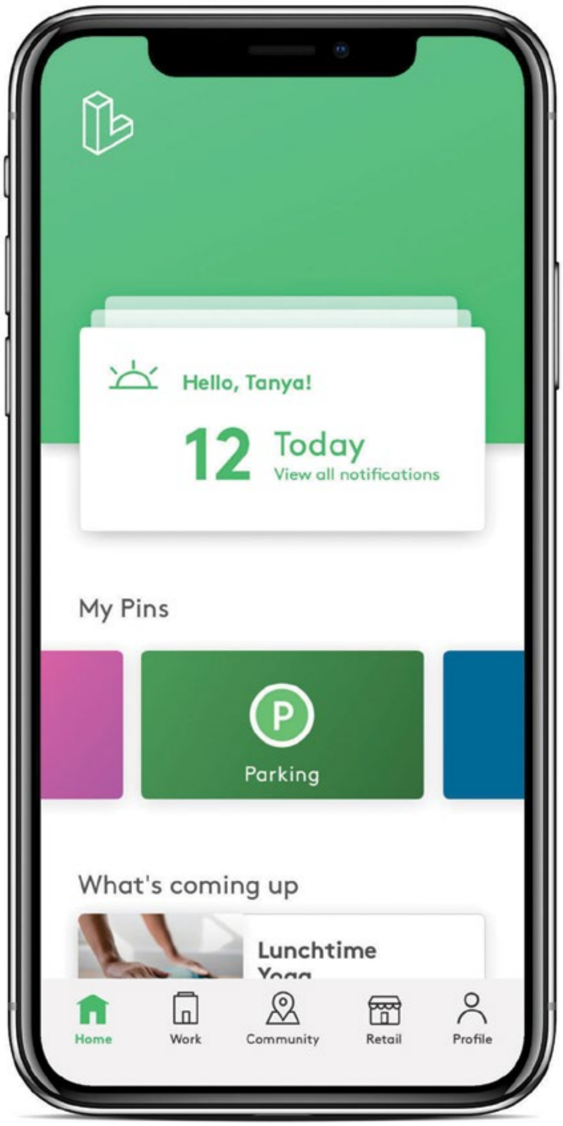
Partnering with Tenants on the Tree of Dreams

For the fourth consecutive year, we hosted the Tree of Dreams campaign, in support of local charities that care for underprivileged seniors. Through this campaign, Dream and its tenants can send gifts to seniors in our communities who might otherwise not receive gifts or visits during the holidays. The feedback from tenants was overwhelmingly positive. With their help, we distributed over 400 gifts to seniors in need, right here in our community.

Select Alate Investment: Lane

Delivering a superior tenant experience using technology

Lane is a tenant experience platform for commercial office buildings. Headquartered in Toronto, Lane helps leading property owners and managers unlock the full value of their assets and deliver a superior experience for everyone at their properties. By bringing together the entire workplace ecosystem, the platform allows tenants to access everything they need in one place, including building information, services, software and amenities. Lane is a scalable solution designed for buildings of all sizes.



Governance

Strong governance practices & high ethical standards.

Our governance initiatives include:

1. Diverse and experienced Board with majority of independent trustees.
2. Strong governance. Transparency in all aspects of our business.

Commitment to Good Governance

Dream is committed to sound and effective corporate governance. Our goal is to not only meet the requirements established by regulators, but also to uphold the spirit of good corporate governance.

Good governance is a key aspect of sustainability

Good governance is regarded as an important part of corporate sustainability. As one of Canada's leading real estate organizations, Dream is committed to maintaining the highest standards as it relates to board governance and ethical business conduct.

All of our public companies have diverse and experienced Boards of directors, with a high ratio of independent directors and trustees.

dream	dream alternatives	dream office REIT	dream industrial REIT
75% Independent	71% Independent	71% Independent	75% independent
50% Female	43% Female	43% Female	25% Female

Sound Board composition and committees that oversee sustainability

Among the four Boards of directors and trustees that oversee our four listed entities, we are achieving strong marks on board independence and we are making progress in gender diversity. Dream and Dream Industrial have the highest ratio of independent representation, at 75%. At Dream Unlimited, 50% of board of directors are female, exceeding our 30% target.

We are also starting to embed elements of sustainability in our board mandates. For example, at Dream Unlimited the Governance Committee oversees environmental property risks, the Organizational Design and Culture Committee works to enhance culture and employee satisfaction, and the Leaders and Mentors Committee oversees diversity and inclusion at all levels of organization.

Driving Sustainability Progress

Our vision is to integrate sustainability in all our businesses' strategic plans, enterprise management systems and, most importantly, in our culture. Good sustainability governance is important as this is an emerging area of management and value creation.

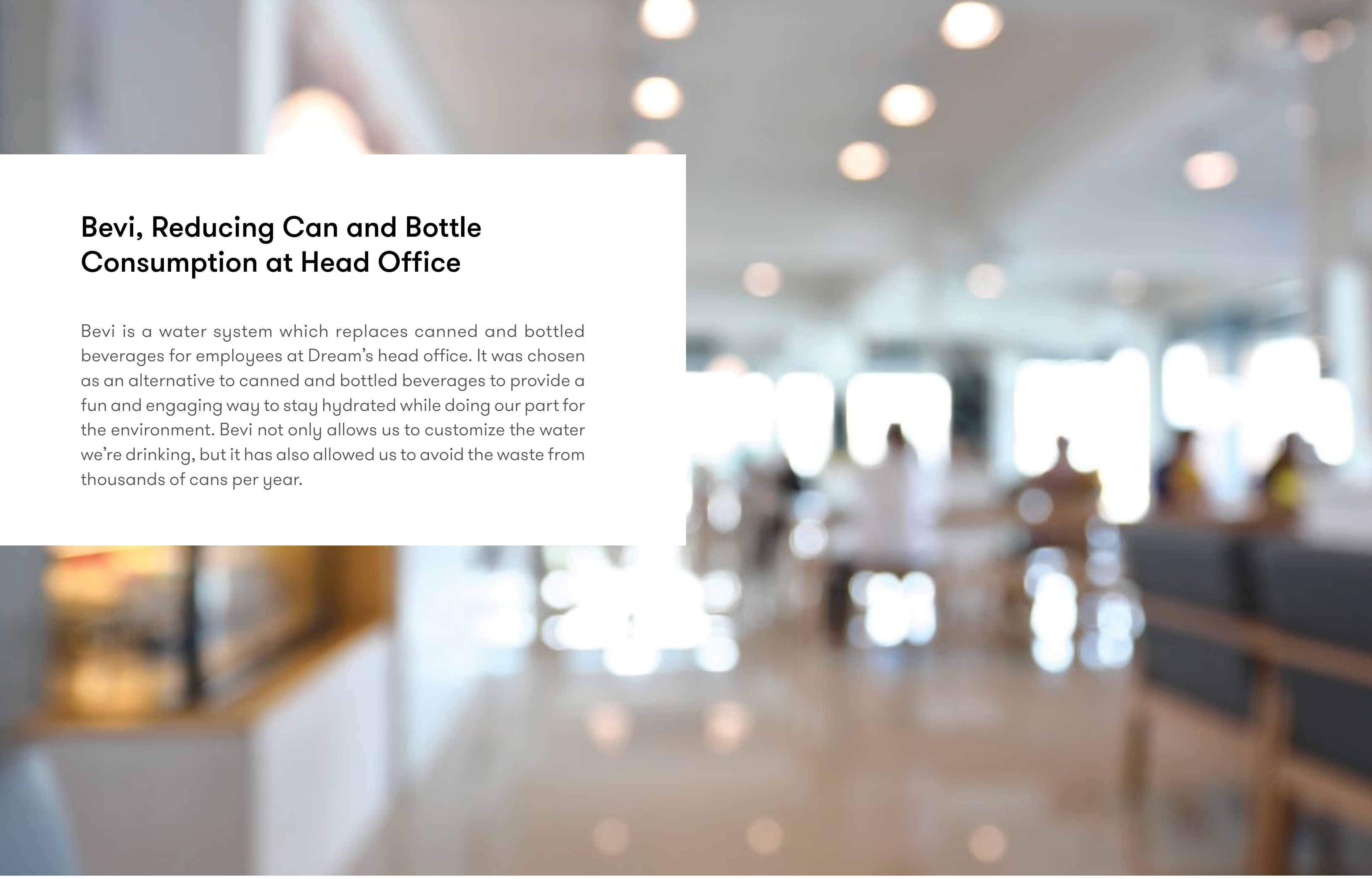
Code of Business Conduct and Ethics

Each of the Dream entities has a code of business conduct and ethics. The code has guidelines for expected behaviours and practices in day-to-day business activities. While it does not specifically address corrupt or anti-competitive business situations that employees may be exposed to, it directs employees to report conflicts of interest to a manager and it is also supported by a whistleblower policy.

We anticipate expanding our business ethics guidelines with explicit guidance about bribery and anti-competitive situations in the upcoming year. You can find out more information about the Code of Conduct and the Whistleblower Policy on our website at www.dream.ca.

Bevi, Reducing Can and Bottle Consumption at Head Office

Bevi is a water system which replaces canned and bottled beverages for employees at Dream's head office. It was chosen as an alternative to canned and bottled beverages to provide a fun and engaging way to stay hydrated while doing our part for the environment. Bevi not only allows us to customize the water we're drinking, but it has also allowed us to avoid the waste from thousands of cans per year.



Sustainability Highlights

Environmental

Reducing Impact
on the environment through monitoring our operations and reducing our carbon footprint

Sustainable Development
principles are embedded in the design and construction of our communities

Public Collaboration
to identify community needs that can be incorporated to the overall development plan

West Don Lands
community will offer purpose-built rentals that include affordable options

Zibi is 1 of 10 Endorsed
One Planet communities in the world based on 10 sustainable principles

Tenant Engagement
on energy management through education and awareness

Social*

~1,300+ Shoeboxes and ~$11,000
were donated to The Shoebox Project for Women's Shelters by Dream employees

~$700,000
was donated to charities and communities

~$302,000
in tuition and professional development fees were reimbursed to employees

449 Gifts
were donated to seniors in need through the Tree of Dreams with Dream tenants

Tenant Focused
We are committed to tenant satisfaction and are continually looking for ways to improve their experience in our buildings

Community Engagement
We are actively engaged with the community through strong partnerships and support for local charitable organizations

Employee Development, Education & Well-being
Committed to the development of employees through continuous learning and promotion of healthy workplaces and lifestyles

National Sponsor
of The Shoebox Project for Women's Shelters

Peer Recognition
Ethos Award recognizes employee contributions and their demonstration of core values, culture and initiatives to build better communities

Governance

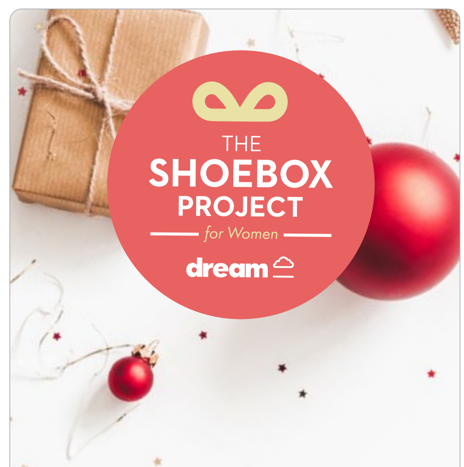
50%
of Dream Unlimited Board members are women

75%
of Dream Unlimited Board members are independent

Strong Governance
policies and transparency in all aspects of our business

Whistleblower
procedures and reporting guidelines

Board Mandated
and supported sustainability initiatives



Since Dream became the National Sponsor for The Shoebox Project for Women in 2014, Dream employees have donated over **6,000 shoeboxes to women in shelters.**

* Social highlights are based on all Dream entities combined.

Tax Contribution*

The Company is subject to a range of federal, provincial, municipal and other local taxes, fees, charges and levies. The following chart summarizes amounts paid by the Company in the normal course of operations. We highlight our contribution because we see this as an important measure of our specific financial contribution to the overall Canadian economy.

	2019	2018
Income Taxes**	$ 107,798,000	$ 15,237,000
Property Related Taxes Taxes paid on leased and owned property, school taxes, provincial/municipal land transfer tax or property registration taxes paid on the purchase of real property.	$ 8,524,000	$ 7,527,000
Development & Other Charges Development charges/fees paid, building permits, levies and the cost of municipal services installed on lands related primarily to the Company's land and housing business in western Canada.	$ 33,564,000	$ 62,528,000
People Taxes Company's share of various payroll taxes including government pension, employment insurance, government health costs and workers' compensation.	$ 3,056,000	$ 3,189,000
Total	$152,942,000	$ 88,481,000

* Represents Dream on a standalone basis.
** The amount reported in 2019 includes payments of $102.1 million made by the Company in February 2020 for 2019 income taxes payable (The amount reported in 2018 includes payments of $1.4 million made by the Company in February 2019 for 2018 income taxes payable).

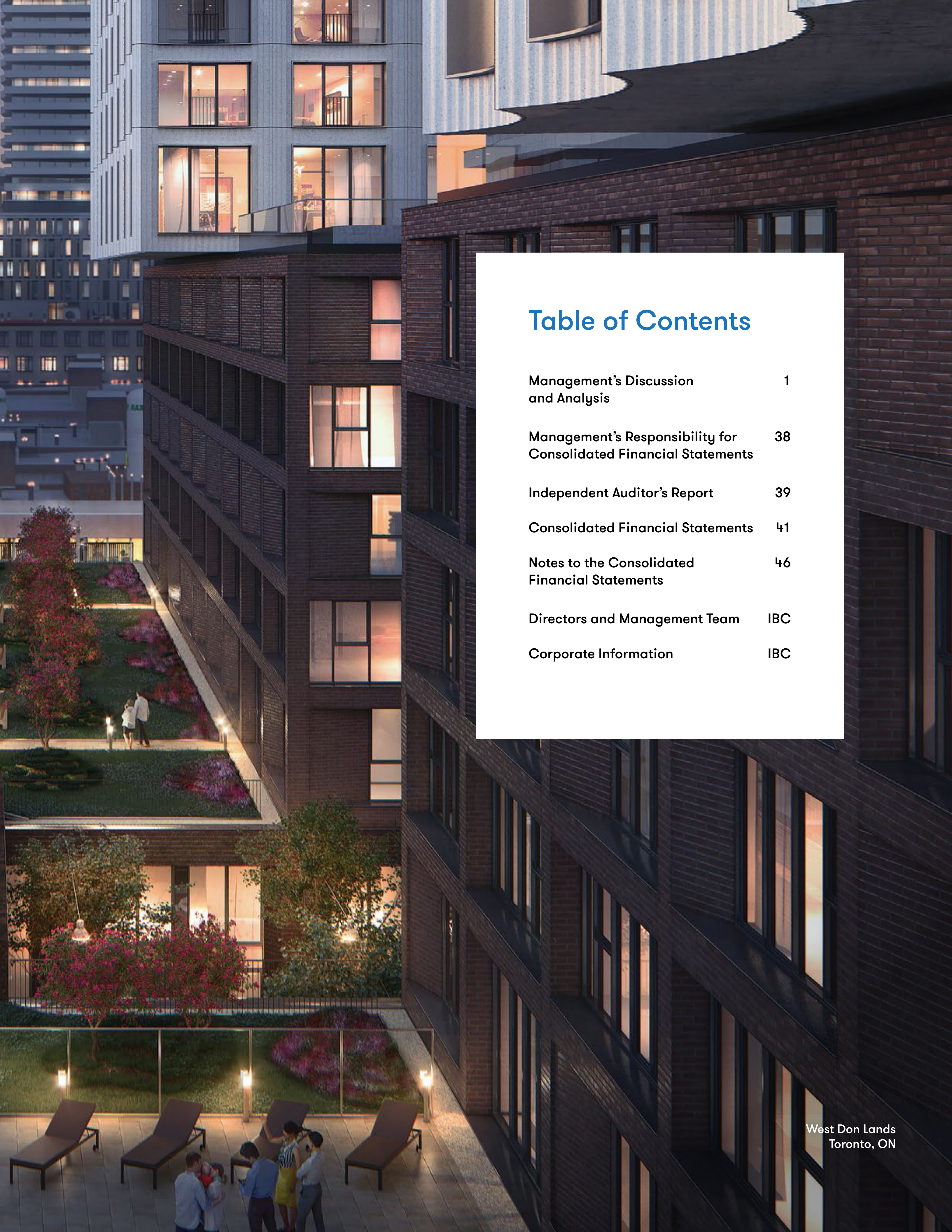


Table of Contents

West Don Lands
Toronto, ON

Management's Discussion and Analysis

The Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding Dream Unlimited Corp. (the "Company" or "Dream"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the audited consolidated financial statements ("consolidated financial statements") of Dream, including the notes thereto, as at and for the year ended December 31, 2019 and December 31, 2018, which can be found in the Company's annual filings on the System for Electronic Document Analysis and Retrieval ("SEDAR") (www.sedar.com). The financial statements underlying this MD&A, including 2018 comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain disclosures included herein are non-IFRS measures. Refer to the "Non-IFRS Measures" section of this MD&A for further details.

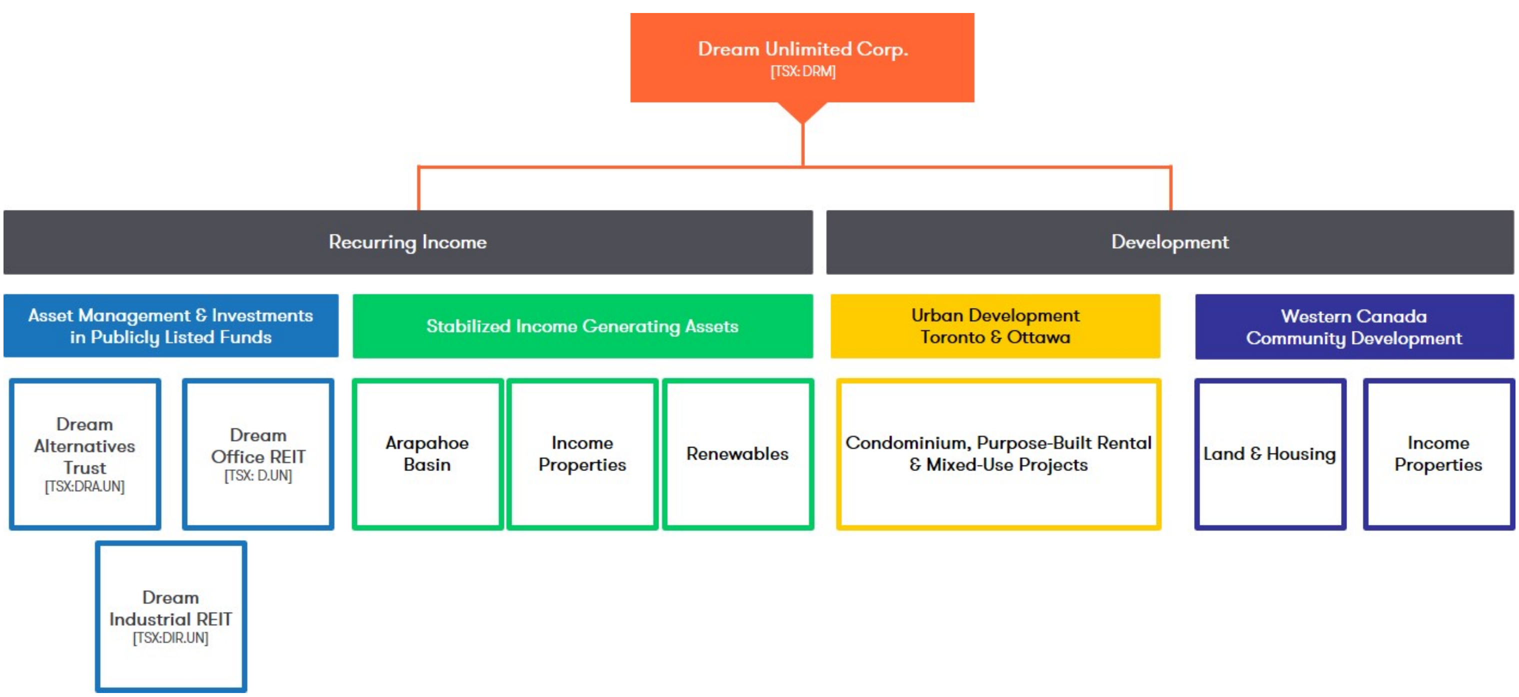
All dollar amounts in tables within this MD&A are in thousands of Canadian dollars, unless otherwise specified. Unless otherwise specified, all references to "we", "us", "our" or similar terms refer to Dream and its subsidiaries. This MD&A is dated as of, and reflects all material events up to, February 25, 2020.

The "Forward-Looking Information" section of this MD&A includes important information concerning certain information found in this MD&A that contains or incorporates statements that constitute forward-looking information within the meaning of applicable securities laws. Readers are encouraged to read the "Forward-Looking Information" and "Risk Factors" sections of this MD&A for a discussion of the risks and uncertainties regarding this forward-looking information as there are a number of factors that could cause actual results to differ materially from those disclosed or implied by such forward-looking information.

Business Overview

Dream is a leading developer of exceptional office and residential assets in Toronto, owns stabilized income generating assets in both Canada and the U.S., and has an established and successful asset management business, inclusive of $9 billion of assets under management across three Toronto Stock Exchange ("TSX") listed trusts and numerous partnerships. We also develop land and residential assets in Western Canada for immediate sale. Dream expects to generate more recurring income in the future as its urban development properties are completed and held for the long term. Dream has a proven track record for being innovative and for our ability to source, structure and execute on compelling investment opportunities. A comprehensive overview of our holdings is included in the "Summary of Dream's Assets & Holdings" section of this MD&A.

From the outset, we have successfully identified and executed on opportunities for the benefit of the business and shareholders, including the creation of Dream Asset Management Corporation ("DAM") in 1996 as a public company, its subsequent privatization in 2003 and reorganization in 2013, the creation of Dream Office REIT in 2003, the establishment of our asset management business, and the creation of Dream Global REIT, Dream Industrial REIT and Dream Hard Asset Alternatives Trust ("Dream Alternatives" or "DAT") in 2011, 2012 and 2014, respectively. In the three and twelve months ended December 31, 2019, the Company sold Dream Global REIT to affiliates of real estate funds managed by The Blackstone Group Inc. (collectively, "Blackstone") in one of the largest real estate mergers and acquisitions transactions in Canada.



Summary of Achievements – Fourth Quarter and Year Ended 2019

Completion of the Sale of Dream Global REIT & Liquidity Update

The sale of Dream Global REIT to affiliates of real estate funds managed by the Blackstone Group Inc. successfully closed in the fourth quarter of 2019 (the “transaction”). In the three months ended December 31, 2019, the transaction generated pre-tax earnings of $421.6 million ($446.5 million in the twelve months ended December 31, 2019) and net cash proceeds to Dream of approximately $500.0 million in respect of the Company’s asset management agreement and units directly owned in the REIT. The proceeds were used to pay down $225.0 million on corporate debt facilities, in addition to funding the redemption of all outstanding Preference shares, series 1 for aggregate proceeds of $29.1 million and for other working capital purposes. As of December 31, 2019, we had corporate level cash of $233.4 million, most of which was used to fund a substantial issuer bid (“SIB”) and corporate taxes subsequent to year end. As at December 31, 2019, our debt to total asset ratio on a Dream standalone basis, was 24.6%, down from 36.4% as at September 30, 2019 and 34.9% as at December 31, 2018. As at December 31, 2019 we had $322.8 million of undrawn credit availability on our corporate facilities, the most excess liquidity we have ever had in our history since going public.

The Company remains committed to maintaining a conservative debt position and may use excess liquidity to purchase additional units in Dream Office REIT and Dream Alternatives as opportunities arise and to fund potential new investments and ongoing share repurchases under the Company’s normal course issuer bid (“NCIB”).

Share Repurchase Activity & Return to Shareholders

In the three and twelve months ended December 31, 2019, 0.3 million and 2.0 million Subordinate Voting Shares were purchased for cancellation by the Company for $2.5 million and $16.5 million, respectively, under its NCIB representing 12% of annual trade volume.

In the three months ended December 31, 2019, the Company announced its intention to repurchase up to 10.0 million shares at a price of $11.75 per share under a SIB. On January 22, 2020, the SIB was successfully completed, and the Company repurchased the full amount of shares for an aggregate purchase price of $117.5 million.

Dividends of $2.6 million and $10.6 million were declared and paid on its Subordinate Voting Shares and Class B common shares ("Class B Shares") in the three and twelve month periods, respectively.

Asset Management and Investments in Dream Publicly Listed Funds

Post-closing of the Dream Global REIT transaction, the Company has committed its global asset management team to lead Dream Industrial REIT’s overseas expansion by leveraging their expertise and local relationships in Europe. On this front on January 22, 2020, Dream Industrial REIT announced a European expansion strategy into Germany and the Netherlands, which will allow the REIT to capitalize on purchasing high quality assets with a low cost of debt. To date, the REIT has completed or is in exclusive negotiations or under contract to complete approximately $327 million (€223 million) in acquisitions in the first half of 2020. In addition to industrial properties, we will continue to seek out growth opportunities in Europe across other asset classes.

At December 31, 2019, the total fair value of units held in the Dream Publicly Listed Funds (comprising Dream Alternatives and Dream Office REIT) was $642.5 million, representing 52% of the Company’s total market capitalization (compared to $457. 5 million as at December 31, 2018, inclusive of Dream Global REIT units). The increase in value from 2018 was driven by acquisitions in the open market of $64.1 million of Dream Office REIT units, $26.7 million of Dream Alternatives units, and an increase in fair value of $182.0 million due to unit price appreciation, partially offset by the redemption of the Dream Global REIT units as part of the transaction of $86.1 million. As of February 21, 2020, Dream currently owns 17.0 million units or $615.7 million at fair value in Dream Office REIT (a 28% interest, or 30% interest inclusive of units held by the President and Chief Responsible Officer ("CRO")) and 16.1 million units or $127.2 million at fair value in Dream Alternatives (a 23% interest), comprising 61% of our market capitalization.

Toronto & Ottawa Development & Stabilized Income Generating Assets

Across the Dream group platform, which includes assets held directly through the Company, Dream Alternatives and Dream Office REIT, we have approximately 5.4 million square feet (“sf”) of gross leasable area (“GLA”) in retail or commercial assets which are fully stabilized, and approximately 3.7 million sf of GLA and nearly 14,000 condominium or purpose-built rental units (at the project level) in our development pipeline across Toronto & Ottawa. For further details by asset class, refer to the “Summary of Dream’s Assets & Holdings” section of this MD&A.

In the fourth quarter of 2019, we recorded fair value gains on our investment properties of $28.7 million, an increase of $21.1 million relative to the comparative period, primarily driven by capitalization rate compression and increases in net operating income at the Distillery District, as supported by a third party appraisal. The Distillery District (owned 50% by Dream) comprises 395,000 sf of commercial/retail GLA, is 99.3% occupied as at December 31, 2019 and is carried at $144.5 million on the Company’s balance sheet at year end. Dream initially purchased the Distillery District in 2004 for $7.75 million for our 50% ownership.

In the year ended December 31, 2019, we achieved 375 condominium unit occupancies (122 units at Dream's share) at Phase 1 of Riverside Square, our 5-acre, two-phase, mixed-use development located in the east end of downtown Toronto. Phase 1 of the project comprises 688 condominium units, which are 99% pre-sold as at February 21, 2020 and are expected to occupy through 2020, a state-of-the-art multi-level auto-plex, and 20,000 sf of retail GLA.

In the three months ended December 31, 2019, we commenced first occupancies at Canary Block, our first substantially complete building in Stage 2 of the Canary District. We achieved 54 condominium unit occupancies in 2019 (27 units at Dream's share), with the remaining units expected to occupy in the first quarter of 2020. In total on the 37-acre site, we expect to develop over 1,480 residential units and 58,000 sf of retail on the Stage 2 lands, which is in addition to the completed 810 condominium units and 30,000 sf of retail in Stage 1, which initially served as the Pan Am Athletes' Village in 2015. In addition to retail amenities, the Canary District includes the 18-acre Corktown Common Park and the 82,000 sf Cooper-Koo YMCA.

During the year ended December 31, 2019, Dream through CMHC's Rental Construction Financing initiative, closed on $357 million of financing (at the project level) on Block 8 of its purpose-built rental community in Toronto's West Don Lands neighbourhood. Construction on Block 8 commenced in the fourth quarter of 2019 and will comprise 770 rental units, of which 30% are affordable. As a result of progress achieved to date on Block 8, a fair value gain of $21.3 million (at the project level) was recognized in the fourth quarter of 2019, as supported by a third-party appraisal. Dream, along with Dream Alternatives has a 33% interest in the development.

Including the West Don Lands, Canary District and Distillery District, Dream owns approximately 62 acres alongside its development partners in the downtown Toronto pocket, which will comprise 3,100 condominium units, 2,600 purpose-built rental units and 1.1 million sf of retail and commercial GLA upon completion.

In the year ended December 31, 2019, construction continued to progress on our Zibi development. The project is a multi-phase development that includes over 4 million sf of density consisting of over 1,800 residential units and over 2 million sf of commercial space. Land servicing on both the Ontario and Quebec lands continues and construction is underway on the project's next residential building, Kanaal, a 71-unit condominium building in Ottawa expected to occupy in 2020. In total, there is over 630,000 sf of residential rental, retail and commercial space in various planning/development stages at Zibi, of which 78% of the retail and commercial space has been pre-leased as of December 31, 2019. Dream, along with Dream Alternatives, has an 80% interest in the development.

14,000 units
&
11.3 million sf
of commercial/retail GLA across the Dream Group portfolio

$4 billion
of fee-earning assets under management and
$9 billion
of total assets under management

21% CAGR
in book value per share on a Dream standalone basis since our first reporting period as a public company in 2013

Our Operating Segments and Strategy

As an asset manager, owner and developer of real estate, our objectives are to:

- Develop best-in-class properties and communities that attract exceptional businesses, residents and visitors;
- Own our newly developed income producing assets for the long term;
- Maintain a conservative balance sheet and liquidity position;
- Work with exceptional partners and stakeholders to maximize the value of our assets and developments;
- Manage our asset mix and profile to maximize long term value to shareholders; and
- Generate solid returns for our shareholders over the long term.

We have achieved our goals in the past as a result of our expertise and high quality asset base, combined with a track record in our ability to source, structure and execute on compelling investment opportunities while maintaining conservative debt levels. Over the last few years, we have actively focused on differentiating our asset base by growing assets that contribute to recurring income and investing in development assets and real estate in Toronto, with a goal of improving the safety, value and earnings quality of our business. Inclusive of assets held by Dream Alternatives and Dream Office REIT, our portfolio totals nearly 14,000 residential units and 11.6 million sf of commercial/retail GLA as at December 31, 2019 at 100% project level.

Recurring income is important to our business as it provides stable returns in order to fund our ongoing interest, fixed operating costs and dividends. This provides enhanced stability and financial flexibility as we continue to execute on our development pipeline. Assets that contribute to recurring income include our asset management contracts, our 27% equity ownership in Dream Office REIT and our stabilized income generating assets, such as the Distillery District in Toronto and our ski hill in Colorado, Arapahoe Basin. Our future recurring income properties will include those that are currently being developed within our mixed-use developments in Toronto and Ottawa and our master-planned communities in Western Canada.

Our development assets, comprised of residential, commercial, retail and raw land, are located across Toronto, Ottawa and Western Canada. We believe our development pipeline includes exceptional assets that will contribute to income and cash flow over time as they are developed and completed. Income and cash flow generated from these assets can vary from period to period, due to a variety of factors including the timing of construction, availability of inventory, timing of completion and end customer occupancy. As we execute on completing our development properties, we anticipate our recurring income assets will increase over time.

The Company's operating segments are as follows:

- Recurring income segments:
    - *Asset management and investments in the Dream Publicly Listed Funds ("asset management")* includes various agreements with the Dream Publicly Listed Funds, and various development partnerships, in addition to a 27% equity interest in Dream Office REIT.
    - *Stabilized income generating assets* includes Arapahoe Basin, a ski hill in Colorado, income producing assets in Western Canada and Toronto, and the ownership of a renewable power portfolio.
- Development segments:
    - *Urban development - Toronto & Ottawa ("urban development")* includes condominium, purpose-built rental and mixed-use development in the Greater Toronto Area ("GTA") and Ottawa/Gatineau regions.
    - *Western Canada community development* includes land, housing and retail/commercial/multi-family development in Saskatchewan and Alberta.
    - As income properties are built and completed within our developments, they will transfer to our recurring income segments.
- *Dream Alternatives* includes the operating activity of Dream Alternatives' portfolio of real estate development opportunities and recurring income assets.

Commencing in the first quarter of 2019, we redefined our segment information to better reflect how we manage our business. Comparative information has been reclassified in accordance with our new segment presentation.

Selected Key Operating Metrics by Segment[1]

(in thousands of dollars, except outstanding share amounts)	Asset management	Stabilized income generating assets	Urban development - Toronto and Ottawa	Western Canada community development	Corporate and other	Total Dream standalone
						For the three months ended December 31, 2019
Revenue	**$ 288,214**	**$ 13,703**	**$ 30,124**	**$ 43,959**	**$ —**	**$ 376,000**
% of total revenue	**76.7%**	**3.6%**	**8.0%**	**11.7%**	**—%**	**100.0%**
Net margin	**$ 285,618**	**$ 35**	**$ 2,772**	**$ (15,607)**	**$ —**	**$ 272,818**
Net margin (%)[2]	**99.1%**	**0.3%**	**9.2%**	**n/a**	**n/a**	**72.6%**
						For the year ended December 31, 2019
Revenue	**$ 319,741**	**$ 67,530**	**$ 53,553**	**$ 95,735**	**$ —**	**$ 536,559**
% of total revenue	**59.6%**	**12.6%**	**10.0%**	**17.8%**	**—%**	**100.0%**
Net margin	**$ 306,389**	**$ 14,638**	**$ 257**	**$ (20,437)**	**$ —**	**$ 300,847**
Net margin (%)[2]	**95.8%**	**21.7%**	**0.5%**	**n/a**	**n/a**	**56.1%**
						As at December 31, 2019
Segment assets	**$ 593,154**	**$ 378,310**	**$ 529,920**	**$ 736,044**	**$ 241,307**	**$ 2,478,735**
Segment liabilities	**$ 20,002**	**$ 133,766**	**$ 306,231**	**$ 103,119**	**$ 468,761**	**$ 1,031,879**
Segment shareholders' equity	**$ 573,152**	**$ 244,544**	**$ 158,743**	**$ 632,925**	**$ (227,454)**	**$ 1,381,910**
Total issued and outstanding shares						**105,318,501**

(in thousands of dollars, except outstanding share amounts)	Asset management	Stabilized income generating assets	Urban development - Toronto and Ottawa	Western Canada community development	Corporate and other	Total Dream standalone
						For the three months ended December 31, 2018
Revenue	$ 13,587	$ 16,420	$ 19,742	$ 94,007	$ —	$ 143,756
% of total revenue	9.5%	11.4%	13.7%	65.3%	—%	100.0%
Net margin	$ 10,856	$ 2,724	$ 1,040	$ 28,039	$ —	$ 42,659
Net margin (%)[2]	79.9%	16.6%	5.3%	29.8%	n/a	29.7%
						For the year ended December 31, 2018
Revenue	$ 44,034	$ 66,429	$ 23,567	$ 160,041	$ —	$ 294,071
% of total revenue	15.0%	22.6%	8.0%	54.4%	—%	100.0%
Net margin	$ 33,313	$ 15,861	$ (3,971)	$ 20,696	$ —	$ 65,899
Net margin (%)[2]	75.7%	23.9%	n/a	12.9%	n/a	22.4%
						As at December 31, 2018
Segment assets	$ 549,910	$ 351,890	$ 352,216	$ 788,392	$ 13,620	$ 2,056,028
Segment liabilities	$ 113,662	$ 124,705	$ 199,846	$ 173,590	$ 398,973	$ 1,010,776
Segment shareholders' equity	$ 436,248	$ 227,185	$ 108,435	$ 614,802	$ (385,353)	$ 1,001,317
Total issued and outstanding shares						107,331,005

(1) All metrics are calculated on a Dream standalone basis. Refer to the “Non-IFRS Measures” section of this MD&A for further details.
(2) Net margin (%) is a non-IFRS measure. Refer to the "Non-IFRS Measures" section of this MD&A for further details.

Asset Management and Investments in Dream Publicly Listed Funds

We provide asset management and development management services to the Dream Publicly Listed Funds and on behalf of various institutional partnerships/third-party real estate and development assets. As of December 31, 2019, we held an aggregate of $642.5 million of units in Dream Office REIT and Dream Alternatives at fair value, which generate monthly distributions for Dream. In the year ended December 31, 2019, the Company closed on the sale of Dream Global REIT to Blackstone.

It is important to note that fees earned on transactional activity in a period are not recurring in nature and accordingly will impact related margins. Fees related to development activities and partnerships included within this segment can fluctuate depending on the number of active projects and on Dream meeting certain milestones as the development manager. We expect that development and other management fees will continue to increase in future years as our existing developments progress through construction milestones.

In addition, we expect that distributions received from Dream Office REIT and Dream Alternatives will increase over time as we intend to further invest in both companies on an opportunistic basis as both companies focus on core Toronto assets.

Stabilized Income Generating Assets

Dream owns a number of income generating assets which are key contributors to our sources of recurring income. These assets include Arapahoe Basin, our ski hill in Colorado, income producing assets in Toronto and Western Canada, the largest being the Distillery District, and a 20% investment in a renewable power portfolio. We expect assets in this segment to grow over time, as we intend to hold stabilized investment properties that are developed by Dream in the core markets in which we operate.

Urban Development - Toronto & Ottawa

Our core development business consists of predominantly large scale developments in Toronto and Ottawa, with nearly 14,000 condominium and purpose-built rental units and 3.7 million sf of retail and commercial density in our pipeline (at 100% project level interest). Significant projects in this segment include the West Don Lands, Canary District, Distillery District and Riverside Square in Toronto's east end, as well as Zibi in Ottawa/Gatineau. We expect our profitability to increase as we develop and complete these sites in phases, with certain income properties expected to contribute to recurring income while other developments will contribute to our results upon occupancy.

Western Canada Community Development

Dream actively develops and services land in the cities of Saskatoon, Regina, Calgary and Edmonton, converting unentitled raw land to the stage where homes and commercial properties can ultimately be constructed on the land by Dream and other third parties as part of master-planned communities. With our land bank, comprising over 9,600 acres, market share, liquidity position and extensive experience as a developer, we are able to closely monitor and have the flexibility to increase or decrease our inventory levels to adjust to market conditions in any year. We also construct houses, multi-family, retail and commercial properties to maximize returns from building on our own lands.

Dream Alternatives

Dream Alternatives provides investors with access to an exceptional portfolio of real estate development opportunities and recurring income assets that would not otherwise be available in a public and fully transparent vehicle, managed by an experienced team with a successful track record in these areas with net asset value ("NAV") of $601.6 million. For additional details on NAV, a non-IFRS measure, refer to the "Non-IFRS Measures" section of this MD&A. Dream Alternatives' objectives are to build and maintain a growth-oriented portfolio, provide predictable cash distributions to unitholders on a tax efficient basis, and grow and reposition its portfolio to increase cash flow, unitholders' equity and net asset value per unit over time. As of December 31, 2019, Dream owns 23% of Dream Alternatives' outstanding trust units or $121.8 million at fair value and is Dream Alternatives' largest unitholder. We fully consolidate Dream Alternatives within our financial results.

Timing of Income Recognition and Impact of Seasonality

The Company’s housing and condominium operations recognize revenue at the time of occupancy and, as a result, revenue and direct costs vary depending on the number of units occupied in a particular reporting period. The Company’s land operations recognize revenue generally when a 15% deposit has been received from the third-party purchaser, ultimate collection of the full purchase price is reasonably assured and certain other development milestones are substantially met. Revenue from land is deferred until occupancy by a third-party customer, when the land is sold as part of a home constructed by our housing division. Certain marketing expenses for condominiums and homes are incurred prior to the occupancy of these units and accordingly are not tied to the number of units occupied in a particular period as they are expensed as incurred. Commissions are capitalized as contract assets, and expensed when condominium and housing revenue is recognized.

Based on our geographic location, most of our development activity in Western Canada takes place between April and October due to weather constraints, while sales orders vary depending on the rate at which builders work through inventory, which is affected by weather and market conditions. Traditionally, our highest sales volume quarter for our land and housing divisions has been the fourth quarter, while our lowest has been the first quarter.

As a result of the above, the Company’s results can vary significantly from quarter to quarter. Due to the seasonal nature of wind and solar renewable power assets, we expect higher returns on our renewable power portfolio in the spring and summer months, compared to the fall and winter, although the annual income level is recurring in nature.

Key Financial Information and Performance Indicators

Selected Financial Information – Consolidated Dream

(in thousands of dollars, except per share and outstanding share amounts)	For the three months ended December 31, 2019	2018	For the year ended December 31, 2019	2018
Revenue	**$ 383,360**	$ 153,955	**$ 580,430**	$ 339,873
Gross margin	**$ 288,124**	$ 57,905	**$ 370,038**	$ 134,782
Gross margin (%)[1]	**75.2%**	37.6%	**63.8%**	39.7%
Net margin	**$ 275,793**	$ 46,414	**$ 324,996**	$ 87,668
Net margin (%)[2]	**71.9%**	30.1%	**56.0%**	25.8%
Earnings before income taxes	**$ 458,329**	$ 70,660	**$ 440,426**	$ 213,492
Earnings for the period	**$ 349,191**	$ 56,622	**$ 331,745**	$ 192,053
Basic earnings per share[3]	**$ 3.32**	$ 0.52	**$ 3.13**	$ 1.76
Diluted earnings per share[3]	**$ 3.21**	$ 0.50	**$ 3.05**	$ 1.71
Weighted average number of shares outstanding, basic	**105,352,030**	107,679,021	**106,287,834**	108,450,962
Total issued and outstanding shares	**105,318,501**	107,331,005	**105,318,501**	107,331,005
Total earnings for the period attributable to:				
Shareholders[4]	**$ 350,106**	$ 55,742	**$ 332,246**	$ 190,948

	December 31, 2019	December 31, 2018
Total assets	**$ 3,034,033**	$ 2,751,566
Total liabilities	**$ 1,601,424**	$ 1,631,986
Total equity	**$ 1,432,609**	$ 1,119,580

(1) Gross margin % (a non-IFRS measure) represents gross margin as a percentage of revenue. For additional details, refer to the "Non-IFRS Measures" section of this MD&A.
(2) Net margin % (a non-IFRS measure) represents net margin as a percentage of revenue. For additional details, refer to the "Non-IFRS Measures" section of this MD&A.
(3) See Note 35 of the Company's consolidated financial statements for the year ended December 31, 2019 for further details on the calculation of basic and diluted earnings per share.
(4) Total earnings attributable to shareholders excludes the portion allocated to non-controlling interests.

The Company evaluates its Western Canada community development, urban development and asset management segments using net margin. The Company's stabilized income generating assets are evaluated using net operating income. Stated as a percentage to evaluate operational efficiency, these metrics are used as fundamental business considerations for updating budgets, forecasts and strategic planning.

Overview of Consolidated Results

In the year ended December 31, 2019, on a consolidated basis, the Company recognized earnings before income taxes of $440.4 million, compared to $213.5 million in the prior year, due to the Dream Global REIT transaction, which generated $446.5 million of income, increased earnings from equity accounted investments of $56.3 million as a result of higher condominium occupancies and increased fair value gains on projects under development. This was partially offset by reduced margin contribution from our Western Canada land and housing business of $18.0 million, a $23.2 million write-down on land held for development in Regina and a higher fair value change relating to the unit appreciation of Dream Alternatives trust units of $93.8 million. Results in the comparative period included a one-time net gain on acquisition of Dream Alternatives of $130.0 million. Dream Alternatives trust units held by other unitholders are treated as a liability on the consolidated statements of financial position of Dream and are fair valued each period under IFRS, generating losses (gains) as Dream Alternatives' unit price increases (decreases). Fair value losses on the Dream Alternatives trust units were $113.5 million in the current year (as a result of the impact of the unit price increasing to $7.75 at December 31, 2019 from $6.24 at December 31, 2018), compared to losses of $19.7 million in the prior year.

For similar reasons, in the three months ended December 31, 2019, earnings before income taxes increased by $387.7 million over the comparative period.

Selected Financial Information – Dream Standalone[1]

Based on how we operate our business and evaluate our economic ownership of Dream Alternatives, we believe reviewing Dream's standalone results excluding the impact of consolidating Dream Alternatives provides relevant information for a user to understand the value and performance of Dream's assets. Accordingly, unless otherwise noted, all segment discussions hereafter are presented on this basis. Refer to the "Segmented Assets and Liabilities" and "Segmented Statement of Earnings" sections in this MD&A for a reconciliation of Dream standalone to the consolidated financial statements as at December 31, 2019.

	For the three months ended December 31,		For the year ended December 31,	
(in thousands of dollars, except per share and outstanding share amounts)	**2019**	2018	**2019**	2018
Revenue	**$ 376,000**	$ 143,756	**$ 536,559**	$ 294,071
Gross margin	**$ 285,149**	$ 54,150	**$ 345,889**	$ 113,013
Gross margin (%)[2]	**75.8%**	37.7%	**64.5%**	38.4%
Net margin	**$ 272,818**	$ 42,659	**$ 300,847**	$ 65,899
Net margin (%)[2]	**72.6%**	29.7%	**56.1%**	22.4%
Earnings before income taxes	**$ 456,241**	$ 40,881	**$ 518,630**	$ 109,334
Earnings for the period	**$ 350,823**	$ 29,908	**$ 402,492**	$ 83,093
Basic earnings per share[3]	**$ 3.35**	$ 0.26	**$ 3.81**	$ 0.76
Diluted earnings per share	**$ 3.24**	$ 0.25	**$ 3.71**	$ 0.75
Weighted average number of shares outstanding	**105,352,030**	107,679,021	**106,287,834**	109,230,724
Total issued and outstanding shares	**105,318,501**	107,331,005	**105,318,501**	107,331,005
Total earnings for the period attributable to:				
Shareholders	**$ 353,017**	$ 28,043	**$ 404,559**	$ 82,048

	December 31, 2019	December 31, 2018
Total assets	**$ 2,478,735**	$ 2,056,028
Total liabilities	**$ 1,031,879**	$ 1,010,776
Total shareholders' equity (excluding non-controlling interest)[4]	**$ 1,381,910**	$ 1,001,317

(1) Dream standalone represents the standalone results of Dream, excluding the segment impact of Dream Alternatives' consolidated results. Refer to the "Non-IFRS Measures" section of this MD&A for further details. Total assets as of December 31, 2019 includes the Company's investment in Dream Alternatives of 15,721,604 units at $5.97 per unit totalling $93.8 million (December 31, 2018 - 12,138,723 units at $5.99 per unit totalling $72.7 million). The Company's investment in Dream Alternatives is recorded at cost less return of capital.

(2) Gross margin (%) and net margin (%) are non-IFRS measures. Refer to the "Non-IFRS Measures" section of this MD&A for further details.

(3) Basic earnings per share is computed by dividing Dream's earnings attributable to owners of the parent by the weighted average number of Dream Subordinate Voting Shares and Class B Shares outstanding during the period.

(4) Total shareholders' equity (excluding non-controlling interest) excludes $64.9 million of non-controlling interest as at December 31, 2019 ($43.9 million as at December 31, 2018) and includes the Company's investment in Dream Alternatives as at December 31, 2019 of $93.8 million ($72.7 million as at December 31, 2018). For further details refer to the "Segmented Assets and Liabilities" section of this MD&A.

Summary of Dream's Assets & Holdings

The following table includes supplementary information on our portfolio as at December 31, 2019.

Project/Property	Entity	Dream Ownership (1)	Status	Total residential units at completion (2)	Total commercial and retail GLA (2)	In-place and committed occupancy	Occupancy/ stabilization date
RECURRING INCOME SEGMENTS							
Downtown Toronto & GTA							
Commercial:							
Adelaide Place	Dream Office REIT	27.2%	Income property	—	658,000	98.4%	
50 & 90 Burnhamthorpe Road West (Sussex Centre)	Dream Office REIT/DAT	63.7%	Income property	—	652,000	90.0%	
2200-2206 Eglinton Avenue East & 1020 Birchmount Road	Dream Office REIT	27.2%	Income property	—	442,000	60.4%	
State Street Financial Centre	Dream Office REIT	27.2%	Income property	—	414,000	100.0%	
438 University Avenue	Dream Office REIT	27.2%	Income property	—	323,000	100.0%	
655 Bay Street	Dream Office REIT	27.2%	Income property	—	301,000	98.4%	
74 Victoria Street/137 Yonge Street	Dream Office REIT	27.2%	Income property	—	266,000	98.9%	
720 Bay Street	Dream Office REIT	27.2%	Income property	—	248,000	100.0%	
36 Toronto Street	Dream Office REIT	27.2%	Income property	—	214,000	99.2%	
330 Bay Street	Dream Office REIT	27.2%	Income property	—	165,000	90.5%	
20 Toronto Street/33 Victoria Street	Dream Office REIT	27.2%	Income property	—	158,000	99.5%	
250 Dundas Street West	Dream Office REIT	27.2%	Income property	—	122,000	98.9%	
Distillery District	Dream	50.0%	Income property	—	395,000	99.3%	
Victory Building	Dream Office REIT	27.2%	Income property	—	101,000	79.7%	
49 Ontario	DAT	100.0%	Income property	—	87,000	91.5%	
425 Bloor Street East	Dream Office REIT	27.2%	Income property	—	83,000	100.0%	
Queen and Mutual	DAT	9.0%	Income property	—	24,000	84.4%	
212 King Street West	Dream Office REIT	27.2%	Income property	—	73,000	98.6%	
10 Lower Spadina	DAT	100.0%	Income property	—	60,000	100.0%	
100 Steeles Avenue West	Dream/DAT	50.0%	Redevelopment	—	59,000	97.1%	TBD
360 Bay Street	Dream Office REIT	27.2%	Income property	—	58,000	100.0%	
67 & 69 Richmond Street West	Dream Office REIT	27.2%	Income property	—	54,000	93.3%	
6 Adelaide Street East	Dream Office REIT	27.2%	Income property	—	53,000	96.7%	
350 Bay Street	Dream Office REIT	27.2%	Income property	—	53,000	97.4%	
366 Bay Street	Dream Office REIT	27.2%	Income property	—	36,000	54.3%	
349 Carlaw	DAT	100.0%	Income property	—	33,000	100.0%	
56 Temperance Street	Dream Office REIT	27.2%	Income property	—	32,000	100.0%	
Canary District - Stage 1 retail	Dream	50.0%	Income property	—	32,000	97.0%	
Plaza Imperial	DAT	40.0%	Income property	—	34,000	100.0%	
Plaza Bathurst	DAT	40.0%	Income property	—	25,000	100.0%	
220 King Street West	Dream Office REIT	13.6%	Income property	—	22,000	83.4%	
Other GTA retail	Dream	18.0-50.0%	Income property	—	105,000	79.0%	
Other:							
The Broadview Hotel	Dream	50.0%	Income property	—	—		
Total Downtown Toronto & GTA				**—**	**5,382,000**	**93.2%**	
U.S.							
Arapahoe Basin ski hill, Colorado	Dream	100.0%	Income property	—	n/a		
12800 Foster Street, Kansas	Dream Office REIT	27.2%	Income property	—	185,000	100.0%	
Total U.S.				**—**	**185,000**	**100.0%**	
Western Canada							
Residential and Mixed-Use:							
Kensington, Saskatoon	Dream	100.0%	Income property	48	—		
Commercial:							
444 - 7th Building, Calgary	Dream Office REIT	27.2%	Income property	—	261,000	85.7%	
Saskatoon Square, Saskatoon	Dream Office REIT	27.2%	Income property	—	228,000	74.2%	
Princeton Tower, Saskatoon	Dream Office REIT	27.2%	Income property	—	134,000	49.8%	
606 - 4th Building & Barclay Parkade, Calgary	Dream Office REIT	27.2%	Income property	—	126,000	85.5%	
Kensington House, Calgary	Dream Office REIT	27.2%	Income property	—	78,000	95.7%	
Shops of South Kensington, Saskatoon	Dream	100.0%	Income property	—	72,000	92.0%	
Preston Centre, Saskatoon	Dream Office REIT	27.2%	Income property	—	62,000	100.0%	
234 - 1st Avenue South, Saskatoon	Dream Office REIT	27.2%	Income property	—	10,000	66.8%	
Other:							
Willows, Saskatoon	Dream	100.0%	Income property	—	n/a		
Total Western Canada				**48**	**971,000**	**80.0%**	
Total Recurring Income				**48**	**6,538,000**	**91.4%**	

Project/Property	Type	Entity	Dream Ownership[1]	Status	Total residential units at completion[2]	Total commercial and retail GLA[2]	In-place and committed occupancy	Occupancy/ stabilization date
DEVELOPMENT SEGMENTS								
Downtown Toronto & GTA								
Residential and Mixed-Use:								
Riverside Square	Build to sell	Dream	32.5%	In occupancy	540	210,000	49.5%	Q2 2019
Canary Block (Block 16)	Build to sell	Dream	50.0%	In occupancy	133	7,000	91.8%	Q4 2019
Canary Commons (Block 12)	Build to sell	Dream	50.0%	Under construction	401	15,000	100.0%	2021
Canary Block 13	Build to hold	Dream	50.0%	Planning	470	8,000		TBD
Canary Block 10	Various	Dream/DAT	33.0-50.0%	Planning	425	28,000		TBD
WDL Block 8	Build to hold	Dream/DAT	33.0%	Under construction	770	4,000		2022
WDL Block 3/4/7	Build to hold	Dream/DAT	33.0%	Planning	827	37,000		2025
WDL Block 20	Build to hold	Dream/DAT	33.0%	Planning	272	280,000		TBD
Distillery District - 31A Parliament	Build to hold	Dream	50.0%	Planning	500	340,000	29.4%	TBD
Lakeshore East	TBD	Dream/DAT	50.0%	Planning	1,100	32,000		TBD
Frank Gehry	Build to sell	Dream/DAT	25.0%	Planning	1,500	260,000		TBD
Empire Lakeshore	Build to sell	DAT	80.0%	In occupancy	1,280	55,000	28.0%	2020
Brightwater	Build to sell	Dream/DAT	31.0%	Planning	3,000	400,000		2023-2032
Seaton	Build to sell	DAT	7.0%	Planning	TBD	TBD		TBD
Other	Build to sell	Various	Various	Planning	752	26,000		TBD
Commercial:								
357 Bay Street	Build to hold	Dream Office REIT	27.2%	Redevelopment	—	65,000	100.0%	2020
Total Downtown Toronto & GTA					11,970	1,767,000	44.2%	
Zibi (Ottawa/Gatineau):								
Kanaal	Build to sell	Dream/DAT	80.0%	In occupancy	71	8,500		Q1 2020
Block 2-3	Build to hold	Dream/DAT	80.0%	Under construction	—	55,000	53.8%	Q1 2020
Block 208	Build to hold	Dream/DAT	80.0%	Under construction	—	34,000	75.8%	2020
Block 10	Build to hold	Dream/DAT	80.0%	Under construction	162	1,500		2021
Block 211	Build to hold	Dream/DAT	80.0%	Under construction	—	185,000	85.4%	2021
Future blocks	Various	Dream/DAT	80.0%	Planning	1,617	1,716,000		TBD
Total Zibi (Ottawa/Gatineau)					1,850	2,000,000	77.9%	
U.S.								
Las Vegas industrial site	Build to hold	Dream	10.0%	Planning	—	438,000		TBD
Hard Rock/Virgin Hotel, Las Vegas	Build to sell	DAT	10.0%	Redevelopment	—	TBD		2023
Total U.S.					—	438,000		
Western Canada								
Residential and Mixed-Use:								
Brighton Village Centre, Saskatoon	Build to hold	Dream	100.0%	Under construction	121	—		2022
Commercial:								
Brighton Marketplace, Saskatoon	Build to hold	Dream	50.0%	Under construction	—	223,500	80.1%	2021
1900 Sherwood Place, Regina	Build to hold	Dream Office REIT	27.2%	Redevelopment	—	210,000	100.0%	2021
Harbour Landing, Regina	Build to hold	Dream	100.0%	Under construction	—	41,000	57.4%	2021
Hampton Heights, Saskatoon	Build to hold	Dream	100.0%	Under construction	—	27,500	72.4%	2020
Montrose, Calgary	Build to hold	Dream	100.0%	Under construction	—	24,500	78.7%	2020
Total Western Canada					121	526,500	85.8%	
Total Development					**13,941**	**4,731,500**	**65.1%**	
Total Dream platform					**13,989**	**11,269,500**	**86.5%**	

(1) Dream and DAT holdings at fully consolidated ownership. Dream Office REIT at 27.2% ownership as of December 31, 2019.

(2) Residential units and GLA are at 100% project level and include planned units and GLA which are subject to change pending various development approvals. Planned residential units may be developed as condominium units or purpose-built rentals as supported by market demand, targeted studies and return objectives. For projects currently in occupancy, residential units reflect remaining units in inventory to be occupied in future periods.

Western Canada Land Holdings

City	Acre Equivalents
Calgary	2,368
Edmonton	857
Saskatoon	3,149
Regina	3,303
Total	**9,677**

Summary by Geography

Location	Current GLA	Future GLA under development[2]	In-place and committed occupancy	Residential units at completion[2]
Downtown Toronto & GTA	5,447,000	1,702,000	87.6%	11,970
Ottawa/Gatineau	—	2,000,000	77.9%	1,850
U.S.	185,000	438,000	100.0%	—
Western Canada[3]	1,181,000	316,500	82.0%	169
Total	**6,813,000**	**4,456,500**	**86.5%**	**13,989**

(3) Dream's acre equivalents in Western Canada represent an estimated 15,000 residential units that we plan to build out over time.

Recurring Income Sources

Asset Management and Investments in Dream Publicly Listed Funds

As the asset manager or service provider to the Dream Publicly Listed Funds (inclusive of Dream Office REIT, Dream Alternatives and Dream Industrial REIT) and numerous development partnerships, we are well-positioned to observe, in real time, the impact of economic trends on the drivers of demand for real property, such as demand for space, urbanization trends and employment levels in each of the markets in which we operate. We also provide asset management services to various institutional partnerships. The majority of our asset management fees in 2019 were derived from our agreements with the Dream Publicly Listed Funds and the Dream Global REIT transaction. Management expects development and other asset management arrangements to become more significant in the future.

Our asset management and management services team consists of real estate and energy/infrastructure professionals with backgrounds in architecture, urban planning, engineering, development and redevelopment, construction, finance, accounting and law. The team brings experience from a range of major organizations in Canada; is actively involved with internal training opportunities; and has expertise in capital markets, structured finance, real estate investments and management across a broad spectrum of property types in diverse geographic markets. We carry out our own research and analysis, financial modelling, due diligence, and financial planning, and have completed approximately $35 billion of commercial real estate and renewable power transactions. We also act as lead or co-lead developer on behalf of Dream Office REIT, Dream Alternatives and our third-party partnerships.

We made a strategic decision to increase our ownership position in both Dream Office REIT and Dream Alternatives commencing in 2017, as their businesses were transformed and are focused on owning core assets primarily in downtown Toronto and the GTA, both through dispositions of assets outside of these markets and new investments. As of December 31, 2019, we own approximately $642.5 million of equity at fair value across the Dream Publicly Listed Funds, and anticipate that, over time, our ownership interests will continue to increase on an opportunistic basis.

As at December 31, 2019, Dream managed assets with a total value of approximately $9 billion (December 31, 2018 – $15 billion), including fee earning assets under management of approximately $4.0 billion (December 31, 2018 - $8.4 billion). The decrease from the comparative period is primarily driven by the Dream Global REIT transaction.

Selected Segment Key Operating Metrics

	For the three months ended December 31,		For the year ended December 31,	
(in thousands of dollars, unless otherwise noted)	**2019**	2018	**2019**	2018
Fees earned on Dream Publicly Listed Funds	**$ 6,979**	$ 10,614	**$ 33,687**	$ 37,683
Fees earned on dispostion of Dream Global REIT	**280,156**	—	**280,156**	—
Development and other asset management fees	**1,079**	2,973	**5,898**	6,351
Total asset management revenue	**288,214**	13,587	**319,741**	44,034
Net margin	**285,618**	10,856	**306,389**	33,313
Net margin (%)[1]	**99.1%**	79.9%	**95.8%**	75.7%
Net gain on disposition of Dream Global REIT	**$ 135,474**	$ —	**$ 135,474**	$ —
Distributions received from Dream Publicly Listed Funds - Dream Global REIT, Dream Office REIT, Dream Alternatives[2]	**5,491**	5,487	**22,471**	20,424
Share of earnings from equity accounted investments - Dream Office REIT	**22,231**	11,690	**44,819**	32,402

(in thousands of dollars)	**December 31, 2019**	December 31, 2018
Total fee-earning assets under management[1]	**$ 4,210,000**	$ 8,356,000
Fair value of units held in Dream Publicly Listed Funds	**642,476**	457,492

(1) Net margin (%) and fee-earning assets under management are non-IFRS measures. Refer to the "Non-IFRS Measures" section of this MD&A for further details.
(2) Distributions received from the Dream Publicly Listed Funds include cash distributions and incremental units earned through distribution reinvestment plans where applicable.

Sale of Dream Global REIT to Blackstone

On December 10, 2019, Blackstone acquired all of Dream Global REIT's subsidiaries and assets. Simultaneously, DAM executed a separation agreement with Blackstone with respect to its asset management agreement. Upon transaction close, Dream received aggregate net proceeds of approximately $500.0 million both in respect of its asset management agreement and units owned directly in Dream Global REIT. Proceeds included $275.2 million in satisfaction of the obligation to pay the incentive fee provided for in the asset management agreement, which was recognized within asset management revenue, $120.0 million to purchase the asset management agreement, which was recognized within the net gain on disposition of Dream Global REIT, $86.1 million in respect of units and deferred trust units owned and $26.4 million for expenses to be incurred as part of the separation of Dream Global REIT from the Dream platform, some of which were incurred in the fourth quarter of 2019 and some of which will occur in future periods.

Results of Operations – Asset Management

In the three and twelve months ended December 31, 2019, revenue from asset management arrangements increased by $274.6 million and $275.7 million, respectively, from the prior year primarily due to the aforementioned incentive fee earned on the Dream Global REIT transaction in 2019.

Effective April 1, 2019, the Company agreed that fees payable by Dream Alternatives pursuant to the management agreement would be satisfied by the delivery of units of Dream Alternatives converted at $8.74 per unit, which are subsequently measured at the unit trading price for accounting purposes, resulting in a decrease in asset management revenue of $0.3 million and $1.0 million for the three and twelve months ended December 31, 2019, respectively.

Net margin for the three and twelve months ended December 31, 2019 increased by $274.8 million and $273.1 million, respectively, relative to the comparative periods due to the aforementioned incentive fee revenue earned on the Dream Global REIT transaction, partially offset by increased costs.

In the year ended December 31, 2019, Dream and Dream Office REIT entered into a shared services agreement pursuant to which Dream will act as the development manager for Dream Office REIT's future development projects for fees equal to 3.75% of the net revenue of the development or, for rental properties, 3.75% of the IFRS value upon completion, without any promote or other incentive fees. In the three and twelve months ended December 31, 2019, Dream recognized development management fees of $0.6 million and $1.5 million, respectively, under this shared services agreement.

Investments in Dream Publicly Listed Funds

As at December 31, 2019, the Company held $642.5 million in the Dream Publicly Listed Funds, up from $457.5 million at December 31, 2018. Although for accounting purposes the treatment of these investments differ, management believes the fair value and distributions generated from holding these investments are important measures to include herein.

Dream Office REIT is an unincorporated, open-ended real estate investment trust. It is focused on owning, leasing and managing well-located, high-quality central business district and suburban office properties. The Company's investment in Dream Office REIT is recorded in equity accounted investments.

Details of the Company’s investments in the Dream Publicly Listed Funds at fair value are presented below.

							As at December 31, 2019
(in thousands of dollars, except unit and per unit amounts)	Dream Office REIT		Dream Alternatives		Dream Global REIT[1]		
	Units	Value	Units	Value	Units	Value	Total Value
Opening, January 1, 2019	14,518,761	$ 323,623	12,138,723	$ 75,746	5,214,244	$ 58,123	$ 457,492
Acquisitions/(dispositions)	2,205,764	64,056	3,582,881	26,661	(5,214,244)	(87,749)	2,968
Unit price appreciation	—	132,955	—	19,435	—	29,626	182,016
Closing, December 31, 2019[2]	16,724,525	$ 520,634	15,721,604	$ 121,842	—	$ —	$ 642,476
Market price		$ 31.13		$ 7.75		n/a	
Ownership %		27%		23%		n/a	
Annual distribution per unit		$ 1.00		$ 0.40		n/a	
Annualized distributions per year[3]		$ 16,725		$ 6,289		n/a	
Total distributions received in 2019[4]		$ 14,998		$ 5,801		$ 1,672	$ 22,471

(1) Dream Global REIT holdings include nil deferred trust units as of December 31, 2019 (January 1, 2019 - 2,081,517). As announced on September 15, 2019, Dream Global REIT suspended its monthly distribution effective for the September 2019 distribution.
(2) Dream's investment in Dream Alternatives is included in other financial assets on a Dream standalone basis at $93.8 million, which is eliminated on a consolidated basis, and our investment in Dream Office REIT is included in equity accounted investments on a Dream standalone basis at $433.4 million (January 1, 2019 - $72.7 million and $340.3 million, respectively).
(3) Annualized pre-tax cash flows are based on the respective distribution rates and units held as at December 31, 2019.
(4) Distributions on the deferred trust units were received in the form of additional income deferred trust units and are not included above. The fair value of additional deferred trust units received in the year ended December 31, 2019 was $1.1 million.

Included in this segment for the three and twelve months ended December 31, 2019 is a gain of $5.8 million and $30.9 million, respectively, relating to fair value changes in financial instruments, primarily due to the appreciation of Dream Global REIT's unit price.

Share of Earnings from Equity Accounted Investment - Dream Office REIT

As at December 31, 2019, Dream held approximately $520.6 million or 16.7 million units in Dream Office REIT (approximately 27% of units outstanding of Dream Office REIT).

A summary of Dream Office REIT's results is presented below.

	For the three months ended December 31,		For the year ended December 31,	
(at 100%, unless otherwise noted)	**2019**	2018	**2019**	2018
Operating results				
Net income	**$ 63,193**	$ 58,489	**$ 117,320**	$ 157,778
Net rental income	**31,083**	31,115	**127,575**	131,832
Fair value adjustments to investment properties	**33,707**	24,568	**68,201**	53,486
Comparative properties NOI[1]	**$ 31,438**	$ 29,072	**$ 124,191**	$ 110,679
Dream's share of Dream Office REIT's net income[2]	**$ 22,231**	$ 11,690	**$ 44,819**	$ 32,402
Cash distributions received from Dream Office REIT	**3,920**	3,621	**14,998**	13,347

(1) Comparative properties NOI is a non-IFRS measure. Refer to the "Non-IFRS Measures" section of this MD&A for further details.
(2) Dream's share of Dream Office REIT's net income is adjusted for fair value changes and distributions on the Dream Office REIT LP B units.

In the three and twelve months ended December 31, 2019, Dream's share of equity income from its 27% investment in Dream Office REIT was $22.2 million and $44.8 million, compared to $11.7 million and $32.4 million in the comparative period, respectively. For the three and twelve months ended December 31, 2019, comparative properties NOI increased by $2.4 million and $13.5 million from the comparative period, respectively, driven by higher occupancy across the portfolio and higher rents in downtown Toronto, partially offset by lower rents in Dream Office REIT's "Other markets" segment.

In the year ended December 31, 2019, we became the development manager for Dream Office REIT, leading the rezoning and intensification process for the REIT's redevelopment assets. On January 29, 2020, we received council zoning approval for the existing 122,000 sf office building at 250 Dundas St. W., which permits the REIT to convert the property to a multi-use development comprising commercial office, multi-residential rental and retail components totalling over 456,000 sf of GLA (inclusive of the residential component).

Stabilized Income Generating Assets

Our stabilized income generating assets include Arapahoe Basin, a ski hill in Colorado, income producing assets in Toronto and Western Canada, and a 20% investment in Firelight Infrastructure, a renewable power portfolio. Included within income producing assets in Toronto and Western Canada are certain recreational assets held at depreciated cost.

Selected Segment Key Operating Metrics

	For the three months ended December 31,		For the year ended December 31,	
(in thousands of dollars, unless otherwise noted)	**2019**	2018	**2019**	2018
ARAPAHOE BASIN				
Revenue	**$ 7,442**	$ 9,490	**$ 39,332**	$ 34,470
Net operating income[1]	**(70)**	1,517	**10,552**	8,459
Net margin[2]	**(1,263)**	528	**6,083**	4,941
Net margin (%)[1]	**n/a**	5.6%	**15.5%**	14.3%
INCOME PROPERTIES - URBAN DEVELOPMENT				
Revenue	**$ 4,348**	$ 4,541	**$ 16,638**	$ 19,410
Net operating income[1]	**2,187**	1,976	**7,878**	8,710
Net margin[3]	**1,186**	1,484	**5,099**	6,704
Net margin (%)[1]	**27.3%**	32.7%	**30.6%**	34.5%
Fair value gains on investment properties	**$ 28,107**	$ 11,994	**$ 27,863**	$ 19,271
INCOME PROPERTIES - WESTERN CANADA				
Revenue	**$ 1,913**	$ 2,389	**$ 11,560**	$ 12,549
Net operating income[1]	**602**	980	**4,890**	5,453
Net margin[4]	**112**	712	**3,456**	4,216
Net margin (%)[1]	**5.9%**	29.8%	**29.9%**	33.6%
Fair value gains (losses) on investment properties	**$ 545**	$ (4,403)	**$ (2,218)**	$ (2,961)
RENEWABLES				
Share of earnings (losses) from equity accounted investments - Firelight	**$ (814)**	$ (875)	**$ 5,479**	$ 5,212

(1) Net margin (%) and net operating income are non-IFRS measures. Refer to the "Non-IFRS Measures" section of this MD&A for further details.
(2) Included in net margin for Arapahoe Basin for the three and twelve months ended December 31, 2019 is depreciation of $1.0 million and $3.9 million (three and twelve months ended December 31, 2018 - $0.9 million and $3.0 million).
(3) Included in net margin for Income Properties - Urban Development for the three and twelve months ended December 31, 2019 is depreciation of $0.2 million and $0.6 million (three and twelve months ended December 31, 2018 - $0.2 million and $0.6 million).
(4) Included in net margin for Income Properties - Western Canada for the three and twelve months ended December 31, 2019 is depreciation of $0.1 million and $0.4 million (three and twelve months ended December 31, 2018 - $0.1 million and $0.3 million).

Arapahoe Basin

Arapahoe Basin comprises over 1,400 acres of skiable terrain, inclusive of the Beavers expansion completed in 2018. In the year ended December 31, 2019, we announced that Arapahoe Basin entered into a restricted pass arrangement with the Ikon pass. The Ikon pass was introduced in 2018 and provides unlimited or restricted access to 40 ski areas including Aspen, Deer Valley, Copper Mountain and many more. With the change from an unlimited pass to a restricted pass, we expect more one-time skiers to ski on Arapahoe Basin tickets and pass products and we expect our skier yields to increase over time.

In the three months ended December 31, 2019, revenue and net operating income from Arapahoe Basin decreased from the prior year, by $2.0 million and $1.6 million, respectively, due to lower skier volumes. In the year ended December 31, 2019, revenue and net operating income increased by $4.9 million and $2.1 million, respectively, due to growth in skier visits in the first half of the year, which was partially offset by incremental operational costs associated with our expanded operations.

Income Properties - Urban Development

Our urban development income properties include interests in commercial and retail properties comprising over 535,000 sf of GLA, inclusive of 390,000 sf in the Distillery District and the Broadview Hotel in downtown Toronto.

In the three months ended December 31, 2019, both revenue and net operating income were relatively consistent with the comparative period. In the year ended December 31, 2019, revenue and net operating income decreased by $2.8 million and $0.8 million, respectively, primarily due to the expropriation of a commercial site in Toronto in the third quarter of 2018 (the "Obico property").

In the year ended December 31, 2018, the Company received an offer of compensation from the City of Toronto upon expropriation of the Obico property in the amount of $48.0 million, pursuant to Section 25 of the *Expropriations Act* (Ontario). The Company intends to pursue a higher amount of compensation under the *Expropriations Act* (Ontario) in respect of the expropriation of the Obico property.

Results for the three and twelve months ended December 31, 2019 included a $28.3 million fair value gain on our 50% investment in Downtown Toronto's Distillery District. The fair value increase was primarily driven by capitalization rate compression and increases in net operating income as supported by an external appraisal at year-end. The Distillery District comprises 395,000 sf of commercial/retail GLA and is 99.3% occupied as at December 31, 2019. Fair value gains in the year ended December 31, 2018 included a $12.0 million increase on the Distillery District and an $8.0 million increase on the Obico property upon expropriation.

Income Properties - Western Canada

Our Western Canada income properties include interests in stabilized properties comprising over 185,000 sf of GLA, including assets held for sale.

In the three months ended December 31, 2019, both revenue and net operating income remained relatively consistent with the comparative period. In the year ended December 31, 2019, revenue and net operating income decreased by $1.0 million and $0.6 million, respectively, primarily due to the sale of a retail property, which closed in the third quarter of 2018. Fair value losses on investment properties of $2.2 million in the year ended December 31, 2019 were driven by losses on certain properties classified as held for sale.

Renewables - Firelight

For the three and twelve months ended December 31, 2019, Firelight generated losses of $0.8 million and earnings of $5.5 million (three and twelve months ended December 31, 2018 – losses of $0.9 million and earnings of $5.2 million, respectively). Earnings were relatively consistent with the comparative periods as current year power production was relatively consistent with 2018. Typically, earnings for Firelight are higher in the second and third quarters of a fiscal year due to the seasonal nature of wind and solar renewable power assets.

Development Assets

Urban Development - Toronto & Ottawa

Our urban development segment is comprised of exceptional development opportunities in various planning and construction phases across Toronto and Ottawa. A large proportion of assets carried within this segment are held at cost and will contribute meaningfully to the Company's earnings in future periods as properties are developed and completed. Development margin from these assets is earned in periods where we have inventory available for occupancy or have investment properties in occupancy. The developments are financed primarily through project-specific loans and include both land loans and construction financing. In cases where we are developing investment properties for hold, fair value gains are recognized as key milestones are achieved through the development period over the time frame to stabilization and/or completion.

We have expanded our investment in this segment in recent years and have a number of projects in early stages of development. Some of our significant investments were acquired on a 25/75% basis with Dream Alternatives including Brightwater, West Don Lands, the Frank Gehry development and the Lakeshore East development, in which Dream is the co-developer alongside its partners for each of these sites. Please refer to the "Summary of Dream's Assets & Holdings" section of this MD&A for a comprehensive overview of our Urban Development holdings. The following discussion excludes Dream Alternatives' investment in the aforementioned developments.

Selected Segment Key Operating Metrics

	For the three months ended December 31,		For the year ended December 31,	
(in thousands of dollars, except unit amounts)	**2019**	2018	**2019**	2018
DIRECTLY OWNED				
Revenue	**$ 30,124**	$ 19,742	**$ 53,553**	$ 23,567
Gross margin	**6,661**	3,688	**12,101**	5,219
Net margin	**2,772**	1,040	**257**	(3,971)
Condominium occupancy units (project level)	**229**	52	**395**	60
Condominium occupancy units (Dream's share)	**77**	52	**136**	56
EQUITY ACCOUNTED INVESTMENTS				
Share of earnings (losses) from equity accounted investments	**$ 4,194**	$ 35	**$ 4,334**	$ (616)
Condominium occupancy units (project level)	**54**	—	**54**	—
Condominium occupancy units (Dream's share)	**27**	—	**27**	—

A summary of our major active projects and their development status is described below.

Zibi

Zibi is a 34-acre mixed-use waterfront development along the Ottawa River in Gatineau, Quebec and Ottawa, Ontario. The project is a multi-phase development that includes over 4 million sf of density consisting of over 1,800 residential units (inclusive of purpose-built rental units) and over 2 million sf of commercial space. Land servicing on both the Ontario and Quebec lands continues and construction is underway on the project's next residential building, Kanaal, a 71-unit condominium building in Ottawa, which is 90% pre-sold as of December 31, 2019 with occupancies commencing subsequent to year-end. Construction has also commenced on the site's first commercial and residential rental buildings. In total, there is over 630,000 sf of residential rental, retail and commercial space in various planning/development stages at Zibi, of which 78% of the retail and commercial space has been pre-leased as of December 31, 2019.

Riverside Square

Riverside Square is a 5-acre, two-phase, mixed-use development located in Toronto’s downtown east end on the south side of Queen Street East and immediately east of the Don Valley Parkway. Dream has a 32.5% interest in the project alongside its partners. The first phase of the project consists of 688 residential condominium units, a state-of-the-art multi-level auto-plex and approximately 20,000 sf of retail GLA. The second phase is planned to consist of approximately 36,000 sf of multi-tenant commercial space with a proposed grocery-anchored component together with 227 condominium units. In the year ended December 31, 2019, 375 units (at the project level) occupied in Phase 1, with the remaining units expected to occupy through 2020.

Canary District Stage 2

Our Stage 2 lands in the Canary District, first developed in 50/50 partnership with Kilmer Van Nostrand Co. Ltd., comprise Canary Block (Block 16), Canary Commons (Block 12), a future residential block currently referred to as “Block 13" and Block 10, a mixed-use site comprised of several components, including a condominium building, heritage retail, a residential rental building, along with a community health centre and a training, education and employment centre. Dream and Kilmer Van Nostrand Co. Ltd. will develop the condominium and retail components of Block 10 in a 50/50 partnership, as well as act as the development manager for the training, education and employment centre. Dream and Dream Alternatives, together, have a 33.3% interest in the residential rental component of Block 10, with the remainder owned by Kilmer Van Nostrand Co. Ltd. and Tricon Capital Group.

In total on the 37 acre site, we expect to develop over 1,480 residential units and 58,000 sf of retail on the Stage 2 lands, which is in addition to the completed 810 condominium units and 30,000 sf of retail in Stage 1, which initially served as the Pan Am Athletes’ Village in 2015. In addition to retail amenities, the Canary District includes the 18-acre Corktown Common Park and the 82,000 sf Cooper-Koo YMCA. Canary Block comprises 187 units, with 54 units occupied in the fourth quarter of 2019 (at the project level). Canary Commons comprises 401 units and is currently under construction with initial occupancies expected to commence in 2021.

We develop or co-develop all of the projects below with exceptional partners:

Project	Partners	Partner since
Distillery District	Cityscape	2004
Riverside Square, BT Towns and other mixed-use developments	Streetcar, other private investors	2007
Canary District - Blocks 12, 13, 16	Kilmer Van Nostrand Co. Ltd.	2011
Canary District - Block 10	Dream Alternatives, Kilmer Van Nostrand Co. Ltd., Tricon Capital Group	2019
Zibi	Dream Alternatives, Theia Partners	2014
Lakeshore East	Dream Alternatives, Great Gulf Residential	2016
Brightwater	Dream Alternatives, Kilmer Van Nostrand Co. Ltd., Diamond Corp., FRAM + Slokker	2017
Frank Gehry development	Dream Alternatives, Great Gulf Residential, other private investors	2017
West Don Lands	Dream Alternatives, Kilmer Van Nostrand Co. Ltd., Tricon Capital Group	2018
100 Steeles Avenue West	Dream Alternatives, Westdale Construction Co. Ltd.	2018

A comprehensive overview of our holdings is included in the "Summary of Dream's Assets & Holdings" section of this MD&A.

Results of Operations – Condominium and Mixed-Use

In the year ended December 31, 2019, condominium inventory increased by $36.6 million, due to development costs incurred primarily related to spend at Riverside Square and Zibi, in addition to investments in a land assembly in downtown Toronto expected to total 2.6 acres, partially offset by occupancies in the period. Development spend was primarily funded through project-level debt facilities.

In the three months ended December 31, 2019, we generated net margin and earnings from equity accounted investments of $2.8 million and $4.2 million, respectively, primarily driven by unit occupancies at Riverside Square and Canary Block in the period. For similar reasons in the year ended December 31, 2019, the division generated net margin and earnings from equity accounted investments of $0.3 million and $4.3 million, respectively. The increase in both the three and twelve months ended December 31, 2019 relative to the comparative period is a result of minimal product available for occupancy in 2018, partially offset by the fixed and other operating costs of the division.

The division is focused on the planning, development and execution of upcoming projects, including 2020 occupancies at Phase 1 of Riverside Square, Canary Block, BT Towns and Kanaal at Zibi comprising 540 units at the project level (240 units at Dream's share).

Western Canada Community Development

Dream's Western Canada community development team focuses on land development, housing and multi-family construction and the development of income producing retail and commercial properties within our master-planned communities.

We currently own 9,677 acres of land in Western Canada, of which nearly 9,100 acres are in nine large master-planned communities at various stages of approval.

Dream actively develops land in Alberta (Calgary and Edmonton) and Saskatchewan (Saskatoon and Regina). Land development involves the conversion of raw land to the stage where homes and commercial buildings may be constructed on the land. This process begins with the purchase or control of raw land, generally known as land held for development, and is followed by the entitlement and development of the land. Once the process of converting raw or undeveloped land for end use has begun, that portion of the land that we conduct activity on is generally known as land under development. We also have housing operations in Alberta (Calgary) and Saskatchewan (Saskatoon and Regina) which we consider complementary to our land development business, in addition to our retail and commercial assets across our communities.

Building on our owned land delays the recognition of revenue, as the land sale is not recognized until the property is occupied by a third-party purchaser or tenant. In comparison, when selling land to a third party, revenue is generally recognized on receipt of a 15% deposit from the land buyer and when there is substantial completion of the underground servicing work. Due to the economic conditions in Western Canada, we may not make new investments in undeveloped land at the same rate as in past years unless management considers the lands to be strategic to existing land positions already owned by the Company. Nevertheless, we expect that we will generate profits from building on our owned land in the future. Land development is financed through our operating line, which is secured by our lands in Western Canada and associated trade receivables. Housing, retail, commercial and purpose-built rental development is financed through project-specific construction financing.

With continued challenging market conditions in Western Canada and increased pressures from government policies, we are closely monitoring customer demand, pricing trends and inventory supply across the division. We believe the proportion of income driven by Western Canada will continue to decline. We expect the majority of our income over the next few years will be derived from Providence in Calgary, Brighton (Holmwood) in Saskatoon and the Meadows in Edmonton. We are seeing ongoing slowdowns in the Regina market and accordingly recorded a write-down in the three months ended December 31, 2019.

Selected Segment Key Operating Metrics

	For the three months ended December 31,		For the year ended December 31,	
(in thousands of dollars, except for average selling prices and acre, lot and unit statistics)	**2019**	2018	**2019**	2018
LAND & HOUSING				
Revenue	**$ 43,649**	$ 93,758	**$ 94,440**	$ 159,356
Net margin	**(14,637)**	28,679	**(17,773)**	23,776
Lots sold	**264**	561	**472**	767
Average selling price per lot	**$ 117,000**	$ 123,000	**$ 113,000**	$ 121,000
Acres sold	**10.7**	17.7	**16.3**	20.1
Average selling price per acre	**$ 610,000**	$ 739,000	**$ 571,000**	$ 729,000
Housing units sold	**25**	47	**132**	215
Average selling price per housing unit	**$ 344,000**	$ 333,000	**$ 328,000**	$ 329,000
DEVELOPMENT PROPERTIES				
Revenue	**$ 310**	$ 249	**$ 1,295**	$ 685
Net operating income[1]	**(82)**	129	**376**	437
Net margin	**(970)**	(640)	**(2,664)**	(3,080)
Fair value gains (losses) on investment properties	**(160)**	1,194	**2,836**	1,194
Share of earnings (losses) from equity accounted investments	**617**	92	**4,628**	(484)

[1] Net operating income is a non-IFRS measure. Refer to the "Non-IFRS Measures" section of this MD&A for a reconciliation between net operating income and net margin.

Land & Housing Development

In the three and twelve months ended December 31, 2019, negative net margin of $14.6 million and $17.8 million was incurred, compared to net margin of $28.7 million and $23.8 million generated in the comparative periods, respectively. Negative net margins were driven by lower sales volumes and $23.2 million relating to a write-down of land held for development in Regina, reflective of updated assumptions on absorptions and deferred development start dates on our new phases/communities.

Development Properties

Included in Dream's share of earnings from equity accounted investments for the year ended December 31, 2019 was a $3.9 million fair value gain on Brighton Marketplace (at Dream's 50% equity interest). Brighton Marketplace is a 223,500 sf retail development located in our Holmwood master-planned community in Saskatoon and is 80% leased as at December 31, 2019, to tenants such as Landmark Cinemas, Save-on Foods and Motion Fitness, with stabilization expected in mid-2021.

Dream Alternatives

Dream owned 15.7 million units of Dream Alternatives as at December 31, 2019 (23% of units outstanding), which were acquired primarily through purchases on the open market. Dream is the asset manager of Dream Alternatives and also has several co-owned development investments with Dream Alternatives, which are described in the "Urban Development Inventory and Pipeline" section of this MD&A.

Selected Segment Key Operating Metrics

	For the three months ended December 31,		For the year ended December 31,	
(in thousands of dollars, except for per unit amounts)	**2019**	2018	**2019**	2018
Revenue	**$ 9,383**	$ 13,194	**$ 52,229**	$ 57,596
Net margin	**5,319**	7,192	**34,071**	34,924
Net margin (%)[1]	**56.7%**	54.5%	**65.2%**	60.6%
Net income	**$ 19,923**	$ 6,995	**$ 32,331**	$ 13,902
			December 31, 2019	December 31, 2018
Net asset value per unit - Dream Alternatives[1]			**$ 8.75**	$ 8.74

[1] Net margin % and net asset value per unit - Dream Alternatives are non-IFRS measures. Refer to the "Non-IFRS Measures" section of this MD&A for further details.

Financial Overview

For the three months ended December 31, 2019, Dream Alternatives reported net income of $19.9 million up significantly from $7.0 million in the comparative period. The increase of $12.9 million was attributable to an increase in net fair value gains of $20.6 million in the period, primarily due to an increase in value of 49 Ontario Street, due to the asset's redevelopment potential. Additionally, during the three months ended December 31, 2019, Dream Alternatives recognized an increase of $7.4 million of income from equity accounted investments which was primarily driven by net fair value gains recorded at the investment level, as supported by third-party appraisals. Partially offsetting the above-noted net fair value gains were $5.9 million of losses related to non-core asset dispositions, a $2.4 million provision on the lending portfolio, an increase in foreign exchange losses of $3.0 million and an increase of $4.3 million of deferred income taxes related to fair value gains in the period.

For the year ended December 31, 2019, Dream Alternatives recognized net income of $32.3 million, an increase of $18.4 million from the prior year due to an increase in net fair value gains of $17.3 million on income properties, increased income of $22.1 million from equity accounted investments driven by income contribution from Axis Condominiums which occupied during the year and the aforementioned fair value gains at the investment level, partially offset by $5.9 million of losses related to non-core asset dispositions, a $2.4 million provision on the lending portfolio, an increase in foreign exchange losses of $4.2 million and an increase of $7.4 million of deferred income taxes in the year.

As announced in February 2019, management of Dream Alternatives committed to a strategic plan to narrow the gap between the trading price of Dream Alternatives' units and net asset value, while continuing to build the underlying value of the business. In the year ended December 31, 2019, Dream Alternatives successfully disposed of all its non-core assets, including its entire renewable power portfolio and certain non-core income properties comprising over 380,000 sf of GLA. Aggregate cash proceeds of $111.5 million were generated from these asset sales.

During the year ended December 31, 2019, Dream Alternatives successfully completed its first SIB, which was the first tranche of its commitment to repurchase up to $100 million of Dream Alternatives units. Pursuant to the SIB, Dream Alternatives purchased for cancellation 4.0 million units for an aggregate purchase price of $32.0 million. Subsequent to December 31, 2019, Dream Alternatives announced its intention to commence its second SIB, pursuant to which Dream Alternatives has offered to purchase from unitholders up to 4.0 million units at a price of $8.25 per unit for an aggregate purchase price of $33.0 million. The offer commenced on February 7, 2020 and will expire on March 16, 2020.

During the three and twelve months ended December 31, 2019, Dream Alternatives invested $20.5 million and $47.4 million, respectively, including transaction costs, into its existing development opportunities which have continued to progress towards key milestones and/or completion.

During the three and twelve months ended December 31, 2019, Dream Alternatives' equity investment in Axis Condominiums in downtown Toronto generated earnings of $1.4 million and $16.3 million, respectively, as the project completed unit occupancies.

During the three and twelve months ended December 31, 2019, Dream Alternatives invested an additional $10.8 million in its Hard Rock/Virgin Hotels Las Vegas ("Hard Rock") investment. As at December 31, 2019, Dream Alternatives' 10% investment in Hard Rock had a fair value of $48.6 million. Subsequent to December 31, 2019, Hard Rock closed to the public and construction began on the redevelopment/conversion of the property. The grand re-opening as The Virgin Hotels Las Vegas is slated for late 2020.

For further details on Dream Alternatives, refer to the Dream Alternatives consolidated financial statements and Management's Discussion & Analysis for the year ended December 31, 2019 filed on SEDAR.

Corporate and Other Items

Interest Expense

In the three months ended December 31, 2019, interest expense was $9.9 million, an increase of $1.9 million over the comparative period as a result of a one-time break fee incurred on the extinguishment of an interest rate swap. Interest expense for the year ended December 31, 2019 increased $4.5 million from the prior year, primarily due to the impact of higher drawings on corporate debt facilities with fixed interest rates, as well as the aforementioned one-time fee.

Investment and Other Income

During the year ended December 31, 2019, the Company earned investment income of $7.0 million, a decrease of $2.3 million from the prior year, primarily due to lower distributions received from Dream Global REIT with the suspension of distributions effective September 2019 and income earned on an expropriated property included in prior year results.

Income Tax Expense

The Company's effective income tax rate was 23.1% and 22.4% for the three and twelve months ended December 31, 2019 (three and twelve months ended December 31, 2018 – 26.8% and 24.0%). The effective income tax rate for the year ended December 31, 2019 is lower than the statutory combined federal and provincial tax rate of 26.6% mainly due to the non-taxable portion of capital gains, partially offset by a combination of non-deductible expenses and other items.

We are subject to income taxes in Canada, both federally and provincially, and the United States. Significant judgments and estimates are required in the determination of the Company's tax balances. Our income tax expense and deferred tax liabilities reflect management's best estimate of current and future taxes to be paid. The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the interpretation and application of tax laws taken by the Company in its tax filings.

Liquidity and Capital Resources

Our capital consists of debt facilities and shareholders' equity. Our objective in managing capital is to ensure adequate operating funds are available to fund development costs; to cover leasing costs, overhead and capital expenditures for income generating assets; to provide for resources needed to fund capital calls for existing developments; to generate a target rate of return on investments; and to cover dividend payments. In the three months ended December 31, 2019, the Company repaid $218.7 million of corporate debt and redeemed all of the outstanding Preference shares, series 1. There have been no material changes in future contractual obligations since December 31, 2019.

A summary of selected information as at December 31, 2019 and December 31, 2018 is presented below on a Dream standalone basis.

	December 31, 2019				December 31, 2018			
	Less than 12 months	Greater than 12 months	Non-determinable	**Total**	Less than 12 months	Greater than 12 months	Non-determinable	Total
Cash and cash equivalents	$ 269,490	$ —	$ —	**$ 269,490**	$ 17,444	$ —	$ —	$ 17,444
Accounts receivable	162,166	38,053	—	**200,219**	145,353	32,581	—	177,934
Other financial assets	11,365	92,453	—	**103,818**	8,111	153,031	—	161,142
Investment in Dream Office REIT	—	—	433,774	**433,774**	—	—	341,516	341,516
Subtotal assets	443,021	130,506	433,774	**1,007,301**	170,908	185,612	341,516	698,036
Accounts payable and accrued liabilities	92,790	23,145	32,332	**148,267**	85,380	13,637	34,110	133,127
Provision for real estate development costs	36,853	—	—	**36,853**	33,853	—	—	33,853
Corporate debt facilities	—	224,105	—	**224,105**	100,000	224,083	—	324,083
Preference shares, series 1	—	—	—	**—**	—	—	28,672	28,672
Subtotal liabilities	129,643	247,250	32,332	**409,225**	219,233	237,720	62,782	519,735
Net excess (deficiency)	$ 313,378	$ (116,744)	$ 401,442	**$ 598,076**	$ (48,325)	$ (52,108)	$ 278,734	$ 178,301
Debt to total assets ratio[1]				**24.6%**				34.9%

[1] Debt to total assets ratio is calculated as debt (inclusive of Preference shares, series 1) as a percentage of total assets on a Dream standalone basis.

As at December 31, 2019, there were adequate resources to address the Company's short-term liquidity requirements. Certain financial instruments that are callable or due on demand are presented as due within 12 months, which is inconsistent with the repayment timing expected by management. Due to the nature of our development business, in addition to the above resources, the Company expects to fund a portion of our current liabilities through sales of housing, condominium and land inventories, which cannot be classified and accordingly are not presented above. Management continuously reviews the timing of expected debt repayments and actively pursues refinancing opportunities as they arise. In addition, as at December 31, 2019, we had up to $322.8 million of undrawn credit availability on Dream's Western Canada operating line and margin facility. Refer to the "Investments in Dream Publicly Listed Funds" section of this MD&A for further details on marketable securities held by the Company.

Cash Requirements

The nature of the real estate business is such that we require capital to fund non-discretionary expenditures with respect to existing assets, as well as to fund growth through acquisitions and developments. As at December 31, 2019, we had $269.5 million in cash and cash equivalents (December 31, 2018 – $17.4 million). Our intention is to meet short-term liquidity requirements through cash on hand, cash from operating activities, working capital reserves and operating debt facilities. In addition, we anticipate that cash from operations and recurring income will continue to provide the cash necessary to fund operating expenses and debt service requirements.

Debt and Preference Shares

As at December 31, 2019, total debt was $609.9 million (December 31, 2018 – $738.6 million). A breakdown of project-specific debt and corporate debt facilities is detailed in the table below.

		Balance		Weighted average interest rate	
(in thousands of Canadian dollars)		**December 31, 2019**	December 31, 2018	**December 31, 2019**	December 31, 2018
Construction loans and mortgages and term debt	**$**	**385,838**	$ 315,200	**4.68%**	4.47%
Operating line - Western Canada		**—**	48,943	**4.64%**	4.48%
Total project-specific debt	**$**	**385,838**	$ 385,838	**4.68%**	4.47%
Non-revolving term facility		**224,105**	224,083	**5.08%**	4.36%
Margin facility		**—**	100,000	**4.56%**	4.35%
Preference shares, series 1		**—**	28,672	**n/a**	7.00%
Total corporate debt facilities	**$**	**224,105**	$ 352,755	**5.08%**	4.57%
Total debt and Preference shares, series 1	**$**	**609,943**	$ 738,593	**4.83%**	4.52%

As at December 31, 2019, $106.8 million (December 31, 2018 – $104.2 million) of aggregate development loans and term debt were subject to a fixed, weighted average interest rate of 4.47% (December 31, 2018 – 4.53%) and will mature between 2020 and 2025. A further $503.1 million (December 31, 2018 – $584.0 million) of real estate debt was subject to a weighted average variable interest rate of 4.91% (December 31, 2018 – 4.39%) and will mature between 2020 and 2023. Included within total debt is $5.4 million of variable debt that the Company has hedged through fixed interest rate swaps.

Preference Shares, Series 1

In the year ended December 31, 2019, the Company redeemed all of its outstanding Preference Shares, series 1, in accordance with their terms. The cash redemption price for the Preference shares, series 1 was $7.16 per share, plus all accrued and unpaid dividends from September 30, 2019 up to and including the redemption date of December 20, 2019, for aggregate proceeds of $29.1 million. The Preference Shares, series 1 were delisted from the TSX on the redemption date.

Contractual Obligations

Our liquidity is impacted by contractual debt and lease commitments as follows:

	2020	2021	2022	2023	2024	2025 and thereafter	Total
Project-specific debt[1]	$ 197,834	$ 121,154	$ 6,679	$ 2,216	$ 9,064	$ 48,891	$ 385,838
Corporate debt facilities[1]	—	—	224,105	—	—	—	224,105
Lease commitments	1,354	1,185	797	767	716	3,567	8,386
	$ 199,188	$ 122,339	$ 231,581	$ 2,983	$ 9,780	$ 52,458	$ 618,329

(1) The amounts presented are shown consistent with the contractual terms of repayment, which may be due on demand.

In addition to the commitments above, we may be required to fund capital to our development projects as part of the Company's normal course operations.

Shareholders' Equity

Dream is authorized to issue an unlimited number of Subordinate Voting Shares and an unlimited number of Class B Shares. As at December 31, 2019, there were 102,203,590 Subordinate Voting Shares and 3,114,911 Class B Shares outstanding (December 31, 2018 - 104,215,841 Subordinate Voting Shares and 3,115,164 Class B Shares).

In the three and twelve months ended December 31, 2019, the Company declared dividends of $2.6 million and $10.6 million, respectively, on its Subordinate Voting Shares and Class B Shares (three and twelve months ended December 31, 2018 - $nil).

Share Repurchases

In the three and twelve months ended December 31, 2019, 0.3 million and 2.0 million Subordinate Voting Shares were purchased for cancellation by the Company for $2.5 million and $16.5 million at an average price of $9.87 and $8.07, respectively, under the Company's NCIB (year ended December 31, 2018 – 1.9 million Subordinate Voting Shares for $16.0 million at an average price of $8.31).

On November 12, 2019, the Company announced its intention to purchase for cancellation up to 10.0 million Subordinate Voting Shares at a price of $11.75 per share (the "purchase price"), for an aggregate purchase price not to exceed $117.5 million (the "offer").

Subsequent to the year ended December 31, 2019, the Company announced the final results of its offer, which expired on January 22, 2020. In accordance with the terms and conditions of the offer, the Company took up and paid for 10.0 million shares at the purchase price, for an aggregate cost of approximately $117.5 million, excluding expenses relating to the offer. Immediately after giving effect to the offer, 92,203,590 Subordinate Voting Shares remained outstanding.

Including the Subordinate Voting Shares of Dream and Class B Shares held or controlled directly or indirectly, the President and CRO owned an approximate 40% economic interest and 85% voting interest in the Company as at February 21, 2020.

Off Balance Sheet Arrangements, Commitments and Contingencies

We conduct our real estate activities from time to time through joint arrangements with third-party partners. A discussion of our off balance sheet arrangements, commitments and contingencies is included in Note 37 of the consolidated financial statements for the year ended December 31, 2019.

Transactions with Related Parties

The Company has agreements for services and transactions with related parties, which are outlined in Note 38 of our consolidated financial statements for the year ended December 31, 2019.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the related disclosure of contingent assets and liabilities. Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. We evaluate our estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that we believe are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenue and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A detailed summary of the significant judgments and estimates made by management in the preparation and analysis of our financial results is included in Note 4 of our consolidated financial statements for the year ended December 31, 2019.

Internal Control over Financial Reporting

As at the December 31, 2019 financial year-end, the President and Chief Responsible Officer and the Chief Financial Officer (the "Certifying Officers"), along with the assistance of senior management, have evaluated the design and effectiveness of the Company's disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109"). Based on that evaluation, the Certifying Officers have concluded that, as at December 31, 2019, the DC&P are adequate and effective in order to provide reasonable assurance that material information has been accumulated and communicated to management, to allow timely decisions of required disclosures by the Company and its consolidated subsidiary entities, within the required time periods.

The Company's internal control over financial reporting ("ICFR") (as defined by NI 52-109) is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Using the framework established in "2013 Committee of Sponsoring Organizations (COSO) Internal Control Framework", published by the Committee of Sponsoring Organizations of the Treadway Commission, the Certifying Officers, together with other members of management, have evaluated the design and operation of the Company's ICFR. Based on that evaluation, the Certifying Officers have concluded that the Company's ICFR was effective as at December 31, 2019.

There were no changes in the Company's internal control over financial reporting in the year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Accounting Standards Adopted During the Period and Future Accounting Standards

Refer to Note 3 of the consolidated financial statements for the year ended December 31, 2019 for information pertaining to accounting pronouncements that will be effective in future years. The Company has adopted the following new or revised standards, including any consequential amendments thereto, for the period effective January 1, 2019. Changes in accounting policies adopted by the Company were made in accordance with the applicable transitional provisions as provided in those standards and amendments. As required by IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the nature and the effect of these changes are disclosed below and in Note 43 of the consolidated financial statements for the year ended December 31, 2019.

IFRS 16, "Leases" ("IFRS 16")

IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for most lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. The Company has adopted IFRS 16 effective January 1, 2019. Expanded disclosures required by IFRS 16 are included in Notes 16 and 18 and the impact of changes due to the adoption of IFRS 16 is included in Note 43 of the consolidated financial statements for the year ended December 31, 2019.

Risk Factors

We are exposed to various risks and uncertainties, many of which are beyond our control and could have an impact on our business, financial condition, operating results and prospects. Shareholders should consider those risks and uncertainties when assessing our outlook in terms of investment potential. For a discussion of the risks and uncertainties identified by the Company, please refer to our Annual Report for the year ended December 31, 2019 and our most recent Annual Information Form filed on SEDAR (www.sedar.com). For a discussion of the risks and uncertainties identified specific to the Dream Alternatives segment, please refer to the Dream Alternatives Annual Report for the year ended December 31, 2019 and the most recent Annual Information Form filed by Dream Alternatives on SEDAR.

Ownership of Real Estate

Development Risk

The development industry is cyclical in nature and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for homebuyers, government regulations, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends, housing demand and competition from other real estate companies.

An oversupply of alternatives to new homes and condominium units, such as resale properties, including properties held for sale by investors and speculators, foreclosed homes and rental properties, may reduce the Company's ability to sell new homes and condominium units and may depress prices and reduce margins from the sale of new homes and condominium units. Depending on market conditions, the Company may not be able, or may not wish, to develop its land holdings. Development of land holdings and properties that are to be constructed are subject to a variety of risks, not all of which are within the Company's control. Such risks include lack of funding, variability in development costs and unforeseeable delays.

Real estate assets, particularly raw land, are relatively illiquid in down markets. Such illiquidity tends to limit the Company's ability to vary its real estate portfolio promptly in response to changing economic or investment conditions. If there are significant adverse changes in economic or real estate market conditions, the Company may have to sell properties at a loss or hold undeveloped land or developed properties in inventory longer than planned. Inventory carrying costs can be significant and may result in losses in a poorly performing project or market.

Delays and Cost Over-Runs

Delays and cost over-runs may occur in completing the construction of development projects, prospective projects and future projects that may be undertaken. A number of factors that could cause such delays or cost over-runs include, but are not limited to, permitting delays, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions and the availability of financing.

Supply of Materials and Services

The construction industry has from time to time experienced significant difficulties in the supply of materials and services, including with respect to shortages of skilled and experienced contractors and tradespeople, labour disputes, shortages of building materials, unforeseen environmental and engineering problems, and increases in the cost of certain materials. If any of these difficulties should occur, we may experience delays and increased costs in the construction of homes and condominiums.

Competition

The residential home and condominium building industry is highly competitive. Residential home and condominium builders compete for buyers, desirable properties, building materials, labour and capital. We compete with other local, regional and national homebuilders. Any improvement in the cost structure or service of these competitors will increase the competition we face. We also compete with sellers of existing homes, housing speculators and investors in rental housing. Competitive conditions in the homebuilding industry could result in: difficulty in acquiring desirable land at acceptable prices, increased selling incentives, lower sales volumes and prices, lower profit margins, impairments in the value of our inventory and other assets, increased construction costs and delays in construction.

Our ability to successfully expand asset management activities in the future is dependent on our reputation with clients. We believe that our track record, the expertise of our asset management team and the performance of the assets currently under management will enable us to continue to develop productive relationships with these companies and to grow the assets under management. However, if we are not successful in doing so, our business and results of operations may be adversely affected.

Joint Venture Risks

Real estate investments are often made as joint ventures or partnerships with third parties. These structures involve certain additional risks, including the possibility that the co-venturers/partners may, at any time, have economic or business interests inconsistent with ours, the risk that such co-venturers/ partners could experience financial difficulties that could result in additional financial demands on us to maintain and operate such properties or repay debt in respect of such properties, and the need to obtain the co-venturers'/partners' consents with respect to certain major decisions in respect of such properties.

In addition, our co-venturers/partners may, at any time, have economic or business interests inconsistent with ours and we may be required to take actions that are in the interest of the partners collectively, but not in Company's sole best interests. Accordingly, we may not be able to favourably resolve issues with respect to such decisions or we could become engaged in a dispute with any of them that might affect our ability to develop or operate the business or assets in question efficiently. Any failure of the Company or our co-venturers and partners to meet their obligations, or disagreements with respect to strategic decision making, could have an adverse effect on the joint ventures or partnerships, which may have an adverse effect on the Company.

We attempt to mitigate these risks by performing due diligence procedures on potential partners and contractual arrangements, and by closely monitoring and supervising the joint venture or partnership.

Geographic Concentration

Our land development and housing operations are concentrated in Saskatchewan and Alberta. Some or both of these regions could be affected by severe weather; natural disasters; shortages in the availability or increased costs of obtaining land, equipment, labour or building supplies; changes to the population growth rates and therefore the demand for homes in these regions; and changes in the regulatory and fiscal environment. Due to the concentrated nature of our expected land development and housing operations, negative factors affecting one or a number of these geographic regions at the same time could result in a greater impact on our financial condition or results of operations than they might have on other companies that have a more diversified portfolio of operations.

Given the prominence of the oil and gas industry in Alberta and Saskatchewan, the economies of these provinces can be significantly impacted by the price of oil. Similarly, because of our substantial land and housing development operations in Alberta and Saskatchewan, any substantial decline in the price of oil could also adversely affect the Company's operating results. We continuously evaluate the economic health of the markets in which we operate through various means to ensure that we have identified and, where possible, mitigated risks to the Company, including the potential impacts of changes in the price of oil. Additionally, the land development process is longer term in nature, which, to some extent, mitigates the impacts of short-term fluctuations in the health of the economies in which we operate. As of December 31, 2019, the Company had not identified any material adverse effect on our business as a result of the current softening of oil prices.

Our Saskatchewan and Alberta operations have historically focused on the Company's land and housing businesses, as well as a golf course reported under our recreational properties. The Company has also recognized the potential of our substantial land holdings in these markets for retail and multi-family residential development opportunities, and we expect to continue to increase the activity for these types of developments in the future. Our retail developments utilize the Company’s existing land inventory to develop assets that will derive cash flows over a longer term.

Similarly, a substantial portion of the projects in our Urban Development segment are located in and around the GTA and we have invested significantly in this region through both our Urban Development segment and our investment in Dream Office REIT and Dream Alternatives, whose portfolios are concentrated in Toronto. Accordingly, any negative fluctuation in Toronto market fundamentals could result in a greater impact on our financial condition or results of operations than they might have on other companies that have a more diversified portfolio of operations.

Risks Related to Acquisitions

Our external growth prospects depend in large part on our ability to identify suitable investment opportunities, pursue such opportunities and consummate acquisitions, including direct or indirect acquisitions of real estate.

Risks Related to Master-Planned Communities

Before a master-planned community generates any revenues, material expenditures are incurred to acquire land, obtain development approvals and construct significant portions of project infrastructure, amenities, model homes and sales facilities. It generally takes several periods for a master-planned community development to achieve cumulative positive cash flow. If we are unable to develop and market our master-planned communities successfully and generate positive cash flows from these operations in a timely manner, this may have a material adverse effect on our business and results of operations.

Real Estate Ownership

An investment in real estate is relatively illiquid. Such illiquidity tends to limit our ability to vary our commercial property portfolio promptly in response to changing economic or investment conditions. In recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable, and during an economic recession we may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary to dispose of properties at lower prices in order to generate sufficient cash for operations.

Certain significant expenditures (e.g., property taxes, maintenance costs, mortgage payments, insurance costs and related charges) must be made regardless of whether or not a property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long term, properties must be maintained or, in some cases, improved to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which may not be able to be passed on to tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction, or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization. Any failure by us to ensure appropriate maintenance and refurbishment work is undertaken could materially adversely affect the rental income that we earn from such properties; for example, such a failure could entitle tenants to withhold or reduce rental payments or even terminate existing leases. Any such event could have an adverse effect on our cash flows, financial condition and results of operations.

Rollover of Leases

Revenue properties generate income through rent received from tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than those of the existing lease. Our cash flows and financial position could be adversely affected if tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our revenue properties could not be leased on economically favourable lease terms. In the event of default by a tenant, we may experience delays or limitations in enforcing our rights as lessor and incur substantial costs in protecting our investment. In addition, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to us.

Market Conditions

Revenue properties are subject to economic and other factors affecting the real estate markets in the geographic areas where we own and manage properties. These factors include government policies, demographics and employment patterns, the affordability of rental properties, competitive leasing rates and long term interest and inflation rates. These factors may differ from those affecting the real estate markets in other regions. If real estate conditions in areas where these properties are located decline relative to real estate conditions in other regions, our cash flows and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

Residential Rental Business Risk

The Company expects to be increasingly involved in mixed-use development projects that include residential rentals. Purchaser demand for residential rentals is cyclical and is affected by changes in general market and economic conditions, such as consumer confidence, employment levels, availability of financing for home buyers, interest rates, demographic trends, housing supply and housing demand. As a landlord in its properties that include rental apartments, the Company is subject to the risks inherent in the multi-unit residential rental business, including, but not limited to, fluctuations in occupancy levels, individual credit risk, heightened reputation risk, tenant privacy concerns, potential changes to rent control regulations, increases in operating costs including the costs of utilities and the imposition of new taxes or increased property taxes.

Regulatory Risks

The real estate development process is subject to a variety of laws and regulations. In particular, governmental authorities regulate such matters as zoning and permitted land uses, levels of density and building standards. We will have to continue to obtain approvals from various governmental authorities and comply with local, provincial and federal laws, including laws and regulations concerning the protection of the environment in connection with such development projects. Obtaining such approvals and complying with such laws and regulations may result in delays which may cause us to incur additional costs that impact the profitability of a development project, or may restrict development activity altogether with respect to a particular project.

Environmental and Climate Change Risks

As an owner of real estate property, we are subject to various federal, provincial and state laws relating to environmental matters. Such laws provide that we could be liable for the costs of removal and remediation of certain hazardous, toxic substances released on or in our properties or disposed of at other locations, as well as potentially significant penalties. We have insurance and other policies and procedures in place to review and monitor environmental exposure, which we believe mitigates these risks to an acceptable level. Some of the properties in which we have an interest currently have or have had occupants that use hazardous substances or create waste. Such uses can potentially create environmental liabilities. A few issues have been identified through site assessments, including the need to remediate or otherwise address certain contaminations. These issues are being carefully managed with the involvement of professional consultants. Where circumstances warrant, designated substance surveys and/or environmental assessments are conducted. Although environmental assessments provide some assurance, we may become liable for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we may elect not to insure where premium costs are disproportionate to our perception of relative risk. We do not currently anticipate material expenditures in respect of any required remediation.

Climate change continues to attract the focus of governments and the general public as an important threat, given the emission of greenhouse gases and other activities continue to negatively impact the planet. We face the risk that our properties will be subject to government initiatives aimed at countering climate change, such as reduction of greenhouse gas emissions, which could impose constraints on our operational flexibility or cause us to incur financial costs to comply with various reforms. Any failure to adhere and adapt to climate change reform could result in fines or adversely affect our reputation, operations or financial performance. Furthermore, our properties may be exposed to the impact of events caused by climate change, such as natural disasters and increasingly frequent and severe weather conditions. Such events could interrupt our operations and activities, damage our properties and may potentially decrease our property values or require us to incur additional expenses including an increase in insurance costs to insure our properties against natural disasters and severe weather.

Home Warranty and Construction Defect Claims

As a homebuilder, we are subject to construction defect and home warranty claims arising in the ordinary course of our business. These claims are common in the homebuilding industry and can be costly. Where we act as the general contractor, we will be responsible for the performance of the entire contract, including work assigned to subcontractors. Claims may be asserted against us for construction defects, personal injury or property damage caused by the subcontractors, and if successful these claims give rise to liability. Where we hire a general contractor, if there are unforeseen events such as the bankruptcy of, or an uninsured or under-insured loss claimed against our general contractor, we will sometimes become responsible for the losses or other obligations of the general contractor. The costs of insuring against construction defect and product liability claims are high, and the amount of coverage offered by insurance companies may be limited. There can be no assurance that this coverage will not be further restricted and become more costly. If we are not able to obtain adequate insurance against these claims in the future, our business and results of operations may be adversely affected.

Seasonality

The nature of our land development and housing business is inherently seasonal as it depends on sales of specific projects dictated by the marketplace and the availability of buyers as well as weather-related delays. We have historically experienced, and we expect that we will continue to experience, variability in our results on a quarterly basis. We generally have more homes under construction, close more home sales and have greater revenues and operating income from our housing business in the fourth quarter of our fiscal period. Therefore, although new home contracts are obtained throughout the period, a significant portion of our home closings occur in the second fiscal quarter. Our revenues from our land and housing development business therefore may fluctuate significantly on a quarterly basis, and we must maintain sufficient liquidity to meet short-term operating requirements.

Asset Management Risks

Our ability to successfully expand our asset management activities is dependent on a number of factors, including certain factors that are outside our control. In the event that the asset base of our funds were to decline, our management fees could decline as well. In addition, we could experience losses on our investments of our own capital in our funds as a result of poor performance by our funds. Termination of an asset management agreement in accordance with its terms by any of our funds would also result in a decline in our management fees.

Our revenues from the asset management segment are dependent on agreements with a few key clients. Although we have long term, stable management contracts with clients that may only be terminated in limited circumstances, any such termination could have a material adverse effect on our revenue from management fees.

Lending Portfolio and Investment Holdings

Default Risk

If a borrower under a loan defaults under any terms of the loan, we may have the ability to exercise our enforcement remedies in respect of the loan. Exercising enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact our cash flow. In addition, as a result of potential declines in real estate values, there is no assurance that we will be able to recover all or substantially all of the outstanding principal and interest owed to us in respect of such loans by exercising our enforcement remedies. Our inability to recover all or substantially all of the principal and interest owed to us in respect of such loans could materially adversely affect us.

There can be no assurance that any of the loans comprising our borrowers' portfolio can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. The lenders, the borrowers or both may elect to not renew any loan. If loans are renewed, the principal balance, the interest rates and the other terms and conditions will be subject to negotiation between the lenders and the borrowers at the time of renewal.

In addition, the composition of our lending portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in it being less diversified at some times than at other times. A lack of diversification may result in exposure to economic downturns or other events that have an adverse and disproportionate effect on particular types of securities, industries or geographies.

Credit Risk and Concentration Risk

There is a risk that a borrower or issuer of an investment security will not make a payment on debt or that an originating lender will not make its payment on a loan participation interest purchased by us or that an issuer or an investment security or an originating lender retaining the original loan in which it grants participations may suffer adverse changes in financial condition, lowering the credit quality of its security or participation and increasing the volatility of the security or participation price. Such changes in the credit quality of a security or participation can affect its liquidity and make it more difficult to sell if we wish to do so. In addition, with respect to loans made or held by us, a change in the financial condition of a borrower could have a negative financial impact on us.

While we intend to diversify our investments to ensure that we do not have excessive concentration in any single borrower or counterparty, or related group of borrowers or counterparties, the Company currently holds various lending instruments and investments with the same counterparty or related counterparties within its lending portfolio and development and investment holdings portfolio. A change in the financial condition of a single borrower or counterparty or related group of borrowers or counterparties to which the Company has concentrated exposure could significantly and adversely affect the overall performance of the Company.

Financial and Liquidity Risk

Financing Risk

We will require access to capital to ensure properties are maintained, as well as to fund our growth strategy and significant capital expenditures. There is no assurance that capital will be available when needed or on favourable terms. Our access to third-party financing will be subject to a number of factors, including general market conditions, the market’s perception of our growth potential, our then current and expected future earnings and our cash flows. Upon the expiry of the term of the financing of any particular property, refinancing may not be available or may not be available on reasonable terms.

Ability to Obtain Performance, Payment, Completion and Surety Bonds and Letters of Credit

We may often be required to provide performance, payment, completion and surety bonds or letters of credit to secure the completion of our construction contracts, development agreements and other arrangements. We have obtained facilities to provide the required volume of performance, payment, completion and surety bonds and letters of credit for our expected growth in the medium term; however, unexpected growth may require additional facilities. Our ability to obtain further performance, payment, completion and surety bonds and letters of credit primarily depends on our perceived creditworthiness, capitalization, working capital, past performance and claims record, management expertise and certain external factors, including the capacity of the performance bond markets. If our future claims record or our providers’ requirements or policies are different, if we cannot obtain the necessary consent from lenders to renew or amend our existing facilities, or if the market’s capacity to provide performance and completion bonds is not sufficient, we could be unable to obtain further performance, payment, completion and surety bonds or letters of credit when required, which could have a material adverse effect on our business, financial condition and results of operations.

Other Applicable Risks

Cyber Security Risk

Cyber security has become an increasing area of focus for issuers and businesses in Canada and globally, as reliance on digital technologies to conduct business operations has grown significantly. As we continue to increase our dependence on information technologies to conduct our operations, the risks associated with cyber security also increase. We rely on management information systems and computer control systems. Business disruptions, utility outages and information technology system and network disruptions due to cyber-attacks could seriously harm our operations and materially adversely affect our operating results. Cyber attacks against organizations are increasing in sophistication and can include but are not limited to intrusions into operating systems, theft of personal or other sensitive data and/or cause disruptions to business operations. Such cyber attacks could compromise the Company’s confidential information as well as that of the Company’s employees, customers and third parties with whom the Company interacts and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage.

Our exposure to cyber security risks includes exposure through third parties on whose systems we place significant reliance for the conduct of our business. We have implemented security procedures and measures in order to protect our systems and information from being vulnerable to cyber-attacks. However, we may not have the resources or technical sophistication to anticipate, prevent, or recover from rapidly evolving types of cyber-attacks. Compromises to our information and control systems could have severe financial and other business implications.

Tax Risk

We are subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the interpretation and application of Canadian tax laws taken by the Company in its tax filings, which could lead to reassessments. These reassessments could have a material impact on the Company in future periods.

Adverse Weather Conditions and Natural Disasters

Adverse weather conditions and natural disasters such as hurricanes, tornadoes, earthquakes, droughts, floods, fires, extreme cold, snow and other natural occurrences could have a significant effect on our ability to develop land. These adverse weather conditions and natural disasters could cause delays and increase costs in the construction of new homes and the development of new communities. If insurance is unavailable to us or is unavailable on acceptable terms, or if the insurance is not adequate to cover business interruption or losses resulting from adverse weather or natural disasters, our business and results of operations could be adversely affected. In addition, damage to new homes caused by adverse weather or a natural disaster could cause our insurance costs to increase.

Adverse weather conditions and natural disasters could also limit the ability to generate or sell power. In certain cases, some events may not excuse us from performing obligations pursuant to agreements with third parties, and we may be liable for damages or suffer further losses as a result. In addition, many of our power generation assets are located in remote areas, which makes access for repair of damage difficult.

Uninsured Losses

The Company carries comprehensive general liability, environmental, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (including, but not limited to, environmental contamination or catastrophic events such as war or acts of terrorism) which are either uninsurable, in whole or in part, or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, the Company could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and the Company would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

Key Personnel

The Company's executive and other senior officers have a significant role in our success and oversee the execution of our strategy. Our ability to retain our management team or attract suitable replacements should any members of the management group leave is dependent on, among other things, the competitive nature of the employment market. The Company has experienced departures of key professionals in the past and may do so in the future, and we cannot predict the impact that any such departures will have on its ability to achieve its objectives. The loss of services from key members of the management team or a limitation in their availability could adversely impact our financial condition and cash flow. We rely on the services of key personnel on our executive team, including our President and CRO, Executive Vice President and Chief Financial Officer, Chief Development Officer, Chief Investment Officer, President of Asset Management, and the Company's directors. The loss of their services could have an adverse effect on the Company. We mitigate key personnel risk through succession planning, but do not maintain key personnel insurance.

Changes in Law

We are subject to laws and regulations governing the ownership and leasing of real property (including the expropriation thereof), employment standards, environmental matters, taxes and other matters. It is possible that future changes in such laws or regulations or changes in their application, enforcement or regulatory interpretation could result in changes in the legal requirements affecting commercial properties (including with retroactive effect). Any changes in the laws to which we are subject or in the political environment in the jurisdictions where the commercial properties in which we have an interest are operated could adversely affect us and the revenues we are able to generate from our investments.

Renewable Power

Contract Performance

The renewable power operations are highly dependent upon parties to certain agreements fulfilling their contractual obligations, including counterparties to power purchase agreements ("PPAs") or Feed in Tariff contracts and other key suppliers. An inability or failure of any such party to meet its contractual commitments may adversely affect our financial condition, results of operations and cash flow, as it may not be possible to replace the agreement with an agreement on equivalent terms and conditions. The ability of our facilities to generate the maximum amount of power that can be sold to purchasers of electricity under PPAs is an important determinant of the revenues of our renewable power business. If one of these facilities delivers less than the required quantity of electricity in a given contract period, penalty payments may be payable to the relevant purchaser. The payment of any such penalties could adversely affect the revenues and profitability of our renewable power business.

Changes in Technology

There are other alternative technologies that can produce renewable power, such as fuel cells and micro-turbines. Research and development activities are ongoing to seek improvements in such alternative technologies, and their cost of producing electricity is gradually declining. It is possible that advances will further reduce the cost of alternative methods of power generation. If this were to happen, the competitive advantage of our projects may be impaired and our business, financial condition, results of operations and cash flow could be materially adversely affected.

Assessment of Wind Resource and Associated Wind Energy
The strength and consistency of the wind resource at any project site may vary from the anticipated wind resource. Weather patterns could change, or the historical data could prove to be an inaccurate reflection of the strength and consistency of the wind in the future. The conclusions of wind studies and energy production estimates are based on a particular methodology and a set of assumptions about the existence of certain conditions, and the assumption that these conditions will continue in the future. The assumptions and factors are inherently uncertain and may result in actual energy production being different from estimates. A decline in wind conditions at our wind energy facilities could materially adversely affect revenues and cash flows from such facilities.

Transmission Capacity and Curtailment
Electrical distribution grid systems have finite capacity to accommodate additional electricity that is supplied to the system. In order for projects to be developed, they need to be connected to the distribution grid system in a location where there is sufficient capacity to handle the additional electricity produced by the project. In most cases, the distribution grid system can be upgraded in order to accommodate such increased capacity; however, we are generally required to cover all or a portion of costs and expenses in connection with any construction and/or upgrades that are required, which impacts the financial viability of such projects. There is also a potential risk associated with transmission curtailment measures being contemplated by the Ontario transmission system operator. These measures could be imposed in the future on renewable energy generators in Ontario. The curtailments may reduce the amount of annual revenue generated by our projects below the forecasted financial models, thus reducing the expected investment return from these projects.

Regulatory Regime, Political Environment and Permits
The development and operation of renewable power projects is subject to extensive regulation by various government agencies at the municipal, provincial and federal levels. As legal requirements frequently change and are subject to interpretation and discretion, we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. Any new law or regulation could require additional expenditure to achieve or maintain compliance or could adversely affect the ability to generate and deliver energy. In addition, delays may occur in obtaining necessary government approvals required for future power projects. We hold permits and licences from various regulatory authorities for the construction and operation of our renewable power facilities. These licences and permits are critical to the operation of the renewable power business. It may not be possible to renew, maintain or obtain all necessary licences, permits and governmental approvals required for the continued operation or further development of projects, which could adversely impact our business, results of operations and cash flow. The profitability of any wind project will be in part dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations, future growth and development of the independent power industry. Government regulations and incentives currently have a favourable impact on the building of wind power facilities. Should the current governmental regulations or incentive programs be modified, our business, operating results, financial condition or prospects may be adversely affected.

Forward-Looking Information

Certain information herein contains or incorporates statements that constitute forward-looking information within the meaning of applicable securities legislation, including, but not limited to, statements regarding our objectives and strategies to achieve those objectives; our beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth, expected net proceeds from sales or transactions, results of operations, performance, business prospects and opportunities, acquisitions or divestitures, tenant base, future maintenance and development plans and costs, capital investments, financing, the availability of financing sources, income taxes, vacancy and leasing assumptions, litigation and the real estate industry in general; as well as specific statements in respect of our development plans, proposals and development timelines for future retail and condominium and mixed-use projects and future stages of current retail and condominium and mixed-use projects, including projected sizes, density, uses and tenants; anticipated current and future unit sales and occupancies of our condominium and mixed-use projects; our anticipated ownership levels of proposed investments, including investments in units of Dream Office REIT and Dream Alternatives and other Dream Publicly Listed Funds; anticipated levels of development, asset management and other management fees in future periods; expectations that recurring income assets will increase over time; expectations that distributions from Dream Office REIT and Dream Alternatives may increase over time; and our overall financial performance, profitability and liquidity for future periods and years.

Forward-looking statements generally can be identified by words such as "objective", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "could", "likely", "plan", "project", "continue" or similar expressions suggesting future outcomes or events. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Company’s control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. The assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein as well as assumptions relating to: that no unforeseen changes in the legislative and operating framework for the respective businesses will occur; that we will meet our future objectives, priorities and growth targets; that we receive the licenses, permits or approvals in necessary connection with our projects; that we will have access to adequate capital to fund our future projects, plans and any potential future acquisitions; that our future projects and plans will proceed as anticipated; that we are able to identify high quality investment opportunities; that we find suitable partners with which to enter into joint ventures or partnerships; that we do not incur any material environmental liabilities and that future market, demographic and economic conditions will occur as expected; the nature of development lands held and the development potential of such lands, our ability to bring new developments to market, anticipated positive general economic and business conditions, including low unemployment and interest rates, positive net migration, oil and gas commodity prices, our business strategy, including geographic focus, anticipated sales volumes, performance of our underlying business segments and conditions in the Western Canada land and housing markets.

All the forward-looking statements contained in this MD&A are based on what we believe are reasonable assumptions; there can be no assurance that actual results will be consistent with these forward-looking statements. Factors or risks that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, adverse changes in general and local economic and business conditions, employment levels, regulatory risks, mortgage rates and regulations, environmental risks, consumer confidence, seasonality, adverse weather conditions, reliance on key clients and personnel and competition and other risks and factors described from time to time in the documents filed by the Company with the securities regulators.

All forward-looking information is as of February 25, 2020. Dream does not undertake to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators. Certain filings are also available on our website at www.dream.ca.

Additional Information - Consolidated Dream

Segmented Assets and Liabilities

									December 31, 2019
	Recurring income		***Development***						
	Asset management	Stabilized income generating assets	Urban development - Toronto & Ottawa	Western Canada community development	Corporate and other	**Dream standalone**	Dream Alternatives	Consolidation and fair value adjustments[1]	**Consolidated Dream**
Assets									
Cash and cash equivalents	$ —	$ 5,767	$ 28,016	$ 2,303	$ 233,404	**$ 269,490**	$ 117,787	$ 1,244	**$ 388,521**
Accounts receivable	4,495	7,859	87,476	97,725	2,664	**200,219**	4,179	(2,240)	**202,158**
Other financial assets	93,849	12	9,957	—	—	**103,818**	119,887	(94,249)	**129,456**
Lending portfolio	—	—	—	—	—	**—**	64,705	—	**64,705**
Housing inventory	—	—	—	38,607	—	**38,607**	—	—	**38,607**
Condominium inventory	—	—	270,528	5,647	—	**276,175**	—	15,129	**291,304**
Land inventory	—	786	2,131	535,654	—	**538,571**	—	—	**538,571**
Investment properties	—	202,581	59,710	38,723	—	**301,014**	201,624	15,786	**518,424**
Recreational properties	—	48,779	—	—	—	**48,779**	—	—	**48,779**
Equity accounted investments	451,810	56,635	44,175	11,158	—	**563,778**	186,713	(41,651)	**708,840**
Capital and other operating assets	—	6,802	27,927	6,227	5,239	**46,195**	1,188	8,196	**55,579**
Intangible asset	43,000	—	—	—	—	**43,000**	—	(43,000)	**—**
Assets held for sale[2]	—	49,089	—	—	—	**49,089**	—	—	**49,089**
Total assets	$ 593,154	$ 378,310	$ 529,920	$ 736,044	$ 241,307	**$ 2,478,735**	$ 696,083	$ (140,785)	**$ 3,034,033**
Liabilities									
Accounts payable and other liabilities	$ 20,002	$ 19,328	$ 82,803	$ 18,294	$ 7,840	**$ 148,267**	$ 35,087	$ 22,926	**$ 206,280**
Income and other taxes payable	—	—	—	—	154,419	**154,419**	(58)	—	**154,361**
Provision for real estate development costs	—	—	8,748	28,105	—	**36,853**	—	—	**36,853**
Debt[2]	—	114,438	214,680	56,720	224,105	**609,943**	88,988	24	**698,955**
Dream Alternatives trust units	—	—	—	—	—	**—**	—	411,078	**411,078**
Deferred income taxes	—	—	—	—	82,397	**82,397**	4,515	6,985	**93,897**
Total liabilities	$ 20,002	$ 133,766	$ 306,231	$ 103,119	$ 468,761	**$ 1,031,879**	$ 128,532	$ 441,013	**$ 1,601,424**
Non-controlling interest	—	—	64,946	—	—	**64,946**	—	(43,297)	**21,649**
Total shareholders' equity	$ 573,152	$ 244,544	$ 158,743	$ 632,925	$ (227,454)	**$ 1,381,910**	$ 567,551	$ (538,501)	**$ 1,410,960**

(1) Refer to the "Non-IFRS Measures" section of this MD&A for the definition of consolidation and fair value adjustments.
(2) Debt associated with assets held for sale totalling $30.1 million is classified as current within debt as at December 31, 2019.

December 31, 2018

	Recurring income		*Development*						
	Asset management	Stabilized income generating assets	Urban development - Toronto & Ottawa	Western Canada community development	Corporate and other	Dream standalone	Dream Alternatives	Consolidation and fair value adjustments[1]	Consolidated Dream
Assets									
Cash and cash equivalents	$ —	$ 7,897	$ 6,255	$ 1,606	$ 1,686	$ 17,444	$ 46,730	$ 119	$ 64,293
Accounts receivable	8,329	8,101	34,492	121,400	5,612	177,934	2,821	(3,341)	177,414
Other financial assets	149,854	610	10,650	—	28	161,142	122,908	(71,699)	212,351
Lending portfolio	—	—	—	—	—	—	144,095	—	144,095
Housing inventory	—	—	—	56,605	—	56,605	—	—	56,605
Condominium inventory	—	—	233,974	5,647	—	239,621	—	—	239,621
Land inventory	—	843	1,742	573,311	—	575,896	—	—	575,896
Investment properties	—	159,784	—	18,171	—	177,955	224,921	9,895	412,771
Recreational properties	—	49,241	—	—	—	49,241	—	—	49,241
Renewable power assets	—	—	—	—	—	—	132,251	11,037	143,288
Equity accounted investments	348,727	47,067	33,657	6,534	—	435,985	132,528	(18,753)	549,760
Capital and other operating assets	—	5,760	31,446	5,118	6,294	48,618	5,023	3	53,644
Intangible asset	43,000	—	—	—	—	43,000	—	(43,000)	—
Assets held for sale[2]	—	72,587	—	—	—	72,587	—	—	72,587
Total assets	$ 549,910	$ 351,890	$ 352,216	$ 788,392	$ 13,620	$ 2,056,028	$ 811,277	$ (115,739)	$ 2,751,566
Liabilities									
Accounts payable and other liabilities	$ 13,662	$ 12,852	$ 55,452	$ 31,841	$ 19,320	$ 133,127	$ 25,888	$ 1,938	$ 160,953
Income and other taxes payable	—	—	—	—	51,236	51,236	(1,707)	—	49,529
Provision for real estate development costs	—	—	3,338	30,515	—	33,853	—	—	33,853
Debt[2]	100,000	111,853	141,056	111,234	224,083	688,226	195,492	3,888	887,606
Preference shares, series 1	—	—	—	—	28,672	28,672	—	—	28,672
Dream Alternatives trust units	—	—	—	—	—	—	—	377,234	377,234
Deferred income taxes	—	—	—	—	75,662	75,662	(323)	18,800	94,139
Total liabilities	$ 113,662	$ 124,705	$ 199,846	$ 173,590	$ 398,973	$ 1,010,776	$ 219,350	$ 401,860	$ 1,631,986
Non-controlling interest	—	—	43,935	—	—	43,935	1,669	(29,275)	16,329
Total shareholders' equity	$ 436,248	$ 227,185	$ 108,435	$ 614,802	$ (385,353)	$ 1,001,317	$ 590,258	$ (488,324)	$ 1,103,251

(1) Refer to the "Non-IFRS Measures" section of this MD&A for the definition of consolidation and fair value adjustments.
(2) Debt associated with assets held for sale totalling $35.4 million is classified as current within debt as at December 31, 2018.

Segmented Statement of Earnings

For the three months ended December 31, 2019

	Recurring income		*Development*						
	Asset management	Stabilized income generating assets	Urban development - Toronto & Ottawa	Western Canada community development	Corporate and other	**Dream standalone[1]**	Dream Alternatives	Consolidation adjustments[2]	**Consolidated Dream**
Revenue	$ 288,214	$ 13,703	$ 30,124	$ 43,959	$ —	**$ 376,000**	$ 9,383	$ (2,023)	**$ 383,360**
Direct operating costs	(2,596)	(10,984)	(23,463)	(53,808)	—	**(90,851)**	(4,064)	(321)	**(95,236)**
Gross margin	285,618	2,719	6,661	(9,849)	—	**285,149**	5,319	(2,344)	**288,124**
Selling, marketing, depreciation and other operating costs	—	(2,684)	(3,889)	(5,758)	—	**(12,331)**	—	—	**(12,331)**
Net margin	285,618	35	2,772	(15,607)	—	**272,818**	5,319	(2,344)	**275,793**
Fair value changes in investment properties	—	28,652	(2,114)	(160)	—	**26,378**	21,119	(60)	**47,437**
Share of earnings from equity accounted investments	22,055	4,116	4,194	617	—	**30,982**	8,685	1,498	**41,165**
Investment and other income	(91)	55	230	(27)	(151)	**16**	830	(19)	**827**
Loss on disposition of assets held for sale	—	—	—	—	—	**—**	(5,945)	(2,570)	**(8,515)**
Interest expense	(1,286)	(1,074)	55	(1,808)	(5,832)	**(9,945)**	(1,331)	24	**(11,252)**
Net gain on disposition of Dream Global REIT	135,474	—	—	—	—	**135,474**	—	—	**135,474**
Fair value changes in financial instruments	5,818	—	—	—	125	**5,943**	(3,404)	—	**2,539**
Net segment earnings (loss)	447,588	31,784	5,137	(16,985)	(5,858)	**461,666**	25,273	(3,471)	**483,468**
General and administrative expenses					(5,425)	**(5,425)**	(3,550)	2,402	**(6,573)**
Adjustments related to Dream Alternatives trust units					—	**—**	—	(18,566)	**(18,566)**
Income tax recovery (expense)					(105,418)	**(105,418)**	(1,800)	(1,920)	**(109,138)**
Net earnings (loss)[3]	$ 447,588	$ 31,784	$ 5,137	$ (16,985)	$ (116,701)	**$ 350,823**	$ 19,923	$ (21,555)	**$ 349,191**

For the three months ended December 31, 2018

	Recurring income		*Development*						
	Asset management	Stabilized income generating assets	Urban development - Toronto & Ottawa	Western Canada community development	Corporate and other	Dream standalone[1]	Dream Alternatives	Consolidation adjustments[2]	Consolidated Dream
Revenue	$ 13,587	$ 16,420	$ 19,742	$ 94,007	$ —	$ 143,756	$ 13,194	$ (2,995)	$ 153,955
Direct operating costs	(2,731)	(11,947)	(16,054)	(58,874)	—	(89,606)	(6,002)	(442)	(96,050)
Gross margin	10,856	4,473	3,688	35,133	—	54,150	7,192	(3,437)	57,905
Selling, marketing, depreciation and other operating costs	—	(1,749)	(2,648)	(7,094)	—	(11,491)	—	—	(11,491)
Net margin	10,856	2,724	1,040	28,039	—	42,659	7,192	(3,437)	46,414
Fair value changes in investment properties	—	7,591	—	1,194	—	8,785	505	(47)	9,243
Investment and other income	960	836	1,123	649	(797)	2,771	610	25	3,406
Interest expense	(1,489)	(1,328)	(11)	(1,489)	(3,713)	(8,030)	(2,190)	52	(10,168)
Fair value changes in financial instruments	(11,030)	(79)	—	—	(128)	(11,237)	2,208	—	(9,029)
Share of earnings from equity accounted investments	9,890	(852)	35	92	—	9,165	1,315	(1,138)	9,342
Net segment earnings (loss)	9,187	8,892	2,187	28,485	(4,638)	44,113	9,640	(4,545)	49,208
General and administrative expenses					(3,232)	(3,232)	(3,962)	2,728	(4,466)
Adjustments related to Dream Alternatives trust units					—	—	—	25,918	25,918
Income tax recovery (expense)					(10,973)	(10,973)	1,317	(4,382)	(14,038)
Net earnings (loss)[3]	$ 9,187	$ 8,892	$ 2,187	$ 28,485	$ (18,843)	$ 29,908	$ 6,995	$ 19,719	$ 56,622

(1) Dream standalone does not include any net earnings impact relating to the Company's investment in Dream Alternatives. Refer to the "Dream Alternatives" section of this MD&A for further details.
(2) Refer to the "Non-IFRS Measures" section of this MD&A for the definition of consolidation and fair value adjustments.
(3) Includes earnings attributable to non-controlling interest.

For the year ended December 31, 2019

	Recurring income		*Development*						
	Asset management	Stabilized income generating assets	Urban development - Toronto & Ottawa	Western Canada community development	Corporate and other	**Dream standalone[1]**	Dream Alternatives	Consolidation adjustments[2]	**Consolidated Dream**
Revenue	$ 319,741	$ 67,530	$ 53,553	$ 95,735	$ —	**$ 536,559**	$ 52,229	$ (8,358)	**$ 580,430**
Direct operating costs	(13,352)	(44,210)	(41,452)	(91,656)	—	**(190,670)**	(18,158)	(1,564)	**(210,392)**
Gross margin	306,389	23,320	12,101	4,079	—	**345,889**	34,071	(9,922)	**370,038**
Selling, marketing, depreciation and other operating costs	—	(8,682)	(11,844)	(24,516)	—	**(45,042)**	—	—	**(45,042)**
Net margin	306,389	14,638	257	(20,437)	—	**300,847**	34,071	(9,922)	**324,996**
Fair value changes in investment properties	—	25,645	(2,114)	2,836	—	**26,367**	15,064	(470)	**40,961**
Share of earnings from equity	48,326	11,257	4,334	4,628	—	**68,545**	22,922	1,884	**93,351**
Investment and other income	2,479	621	2,641	958	330	**7,029**	2,696	440	**10,165**
(Loss) gain on disposition of assets held for sale	—	—	—	—	—	**—**	(5,945)	(2,570)	**(8,515)**
Interest expense	(5,053)	(4,697)	31	(7,057)	(16,907)	**(33,683)**	(8,470)	250	**(41,903)**
Net gain on disposition of Dream Global REIT	135,474	—	—	—	—	**135,474**	—	—	**135,474**
Fair value changes in financial instruments	30,896	(146)	—	—	201	**30,951**	(7,194)	—	**23,757**
Net segment earnings (loss)	518,511	47,318	5,149	(19,072)	(16,376)	**535,530**	53,144	(10,388)	**578,286**
General and administrative expenses					(16,900)	**(16,900)**	(16,455)	9,007	**(24,348)**
Adjustments related to Dream Alternatives trust units					—	**—**	—	(113,512)	**(113,512)**
Income tax recovery (expense)					(116,138)	**(116,138)**	(4,358)	11,815	**(108,681)**
Net earnings (loss)[3]	$ 518,511	$ 47,318	$ 5,149	$ (19,072)	$ (149,414)	**$ 402,492**	$ 32,331	$ (103,078)	**$ 331,745**

For the year ended December 31, 2018

	Recurring income		*Development*						
	Asset management	Stabilized income generating assets	Urban development - Toronto & Ottawa	Western Canada community development	Corporate and other	Dream standalone[1]	Dream Alternatives	Consolidation adjustments[2]	Consolidated Dream
Revenue	$ 44,034	$ 66,429	$ 23,567	$ 160,041	$ —	$ 294,071	$ 57,596	$ (11,794)	$ 339,873
Direct operating costs	(10,721)	(43,807)	(18,348)	(108,182)	—	(181,058)	(22,672)	(1,361)	(205,091)
Gross margin	33,313	22,622	5,219	51,859	—	113,013	34,924	(13,155)	134,782
Selling, marketing, depreciation and other operating costs	—	(6,761)	(9,190)	(31,163)	—	(47,114)	—	—	(47,114)
Net margin	33,313	15,861	(3,971)	20,696	—	65,899	34,924	(13,155)	87,668
Fair value changes in investment properties	—	16,310	—	1,194	—	17,504	(2,195)	(47)	15,262
Investment and other income	3,389	1,170	2,737	1,773	252	9,321	3,313	68	12,702
Interest expense	(3,906)	(5,889)	(126)	(6,094)	(13,186)	(29,201)	(8,964)	234	(37,931)
Fair value changes in financial instruments	4,958	13	—	—	(485)	4,486	2,106	(7,169)	(577)
Net gain on acquisition of Dream Alternatives	12,555	—	—	—	—	12,555	—	117,437	129,992
Gains from disposition of assets held for sale	—	—	9,422	—	—	9,422	—	—	9,422
Share of earnings from equity accounted investments	31,393	4,332	(616)	(484)	—	34,625	813	1,591	37,029
Net segment earnings (loss)	81,702	31,797	7,446	17,085	(13,419)	124,611	29,997	98,959	253,567
General and administrative expenses					(15,277)	(15,277)	(15,411)	10,293	(20,395)
Adjustments related to Dream Alternatives trust units					—	—	—	(19,680)	(19,680)
Income tax recovery (expense)					(26,241)	(26,241)	(684)	5,486	(21,439)
Net earnings (loss)[3]	$ 81,702	$ 31,797	$ 7,446	$ 17,085	$ (54,937)	$ 83,093	$ 13,902	$ 95,058	$ 192,053

(1) Dream standalone does not include any net earnings impact relating to the Company's investment in Dream Alternatives. Refer to the "Dream Alternatives" section of this MD&A for further details.
(2) Refer to the "Non-IFRS Measures" section of this MD&A for the definition of consolidation and fair value adjustments.
(3) Includes earnings attributable to non-controlling interest.

Segmented Statement of Cash Flows

	For the three months ended December 31, 2019			For the three months ended December 31, 2018		
	Dream standalone	Dream Alternatives and consolidation adjustments	Consolidated Dream	Dream standalone	Dream Alternatives and consolidation adjustments	Consolidated Dream
Operating activities						
Earnings for the period	$ 350,823	$ (1,632)	**$ 349,191**	$ 29,909	$ 26,713	$ 56,622
Adjustments for non-cash items:						
Depreciation and amortization	1,974	—	**1,974**	2,180	1,686	3,866
Fair value changes in investment properties	(26,378)	(21,059)	**(47,437)**	(8,785)	(458)	(9,243)
Share of earnings from equity accounted investments	(30,982)	(10,183)	**(41,165)**	(9,165)	(177)	(9,342)
Deferred income tax expense	1,857	5,196	**7,053**	2,647	3,080	5,727
Other adjustments	13,165	7,975	**21,140**	12,056	(6,066)	5,990
Loss on disposition of assets	—	8,515	**8,515**	—	—	—
Net gain on disposition of Dream Global REIT	(135,474)	—	**(135,474)**	—	—	—
Changes in non-cash working capital	68,740	(6,496)	**62,244**	(84,758)	(6,305)	(91,063)
Acquisition of condominium inventory, net of acquired cash and working capital	—	—	**—**	(324)	—	(324)
Sale of housing inventory, net of development	4,495	—	**4,495**	4,833	—	4,833
Development of condominium inventory, net of sales	20,224	(224)	**20,000**	(6,281)	—	(6,281)
Advances for construction loan, net of repayments	24,673	—	**24,673**	20,572	—	20,572
Fair value adjustment on Dream Alternatives trust units	—	13,260	**13,260**	—	(32,020)	(32,020)
Development of land inventory, net of sales	13,237	—	**13,237**	29,821	—	29,821
Net cash flows provided by (used in) operating activities	306,354	(4,648)	**301,706**	(7,295)	(13,547)	(20,842)
Investing activities						
Acquisitions and additions to investment properties and assets held for sale, net of disposals	(24,251)	(2,915)	**(27,166)**	(2,185)	32,510	30,325
Additions to recreational properties and renewable power assets, net	(2,947)	—	**(2,947)**	(4,111)	32	(4,079)
Investments in equity accounted investments	(52,752)	—	**(52,752)**	(1,199)	—	(1,199)
Contributions to equity accounted investments	(8,485)	(1,308)	**(9,793)**	(3,887)	(2,278)	(6,165)
Distributions from equity accounted investments	4,107	—	**4,107**	6,758	—	6,758
Distributions from and disposals of financial assets and other assets, net of acquisitions	91,580	(11,923)	**79,657**	(6,186)	(24,368)	(30,554)
Additions to assets held for sale	—	—	**—**	923	—	923
Proceeds on disposition of assets, net	—	98,595	**98,595**	48,000	—	48,000
Proceeds on disposition of asset management agreement and other transaction costs, net	133,127	—	**133,127**	—	—	—
Loans receivable repayments	127	—	**127**	459	(1,379)	(920)
Lending portfolio repayments, net of advances	—	71,822	**71,822**	—	15,185	15,185
Net cash flows provided by investing activities	140,506	154,271	**294,777**	38,572	19,702	58,274
Financing activities						
Borrowings from mortgage and term debt facilities	(27)	—	**(27)**	60	—	60
Repayments of mortgage and term debt facilities	(4,494)	(27,228)	**(31,722)**	(23,390)	(1,841)	(25,231)
Repayments of operating lines, net of advances	(90,000)	(6,500)	**(96,500)**	(7,000)	—	(7,000)
Repayments of margin loan facility, net of advances	(100,000)	—	**(100,000)**	—	—	—
Advances from equity accounted investments	2,900	699	**3,599**	—	—	—
Contributions from non-controlling interest, net of distributions	9,885	(7,366)	**2,519**	4,800	(3,303)	1,497
Dividends paid	(2,635)	—	**(2,635)**	—	—	—
Redemption of Preference shares, series 1	(28,675)	—	**(28,675)**	—	—	—
Shares repurchased under normal course issuer bid	(2,527)	—	**(2,527)**	(5,560)	(918)	(6,478)
Net cash flows used in financing activities	(215,573)	(40,395)	**(255,968)**	(31,090)	(6,062)	(37,152)
Increase in cash and cash equivalents	231,287	109,228	**340,515**	187	93	280
Cash and cash equivalents, beginning of period	38,203	9,803	**48,006**	17,257	46,756	64,013
Cash and cash equivalents, end of period	$ 269,490	$ 119,031	**$ 388,521**	$ 17,444	$ 46,849	$ 64,293

	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Dream standalone	Dream Alternatives and consolidation adjustments	Consolidated Dream	Dream standalone	Dream Alternatives and consolidation adjustments	Consolidated Dream
Operating activities						
Earnings (losses) for the year	$ 402,492	$ (70,747)	$ 331,745	$ 83,093	$ 108,960	$ 192,053
Adjustments for non-cash items:						
Depreciation and amortization	6,846	2,610	9,456	6,340	6,717	13,057
Fair value changes in investment properties	(26,367)	(14,594)	(40,961)	(17,504)	2,242	(15,262)
Share of earnings from equity accounted investments	(68,545)	(24,806)	(93,351)	(34,625)	(2,404)	(37,029)
Deferred income tax expense (recovery)	6,519	(7,457)	(938)	13,925	(4,793)	9,132
Other adjustments	(10,182)	7,534	(2,648)	(4,918)	(3,348)	(8,266)
Loss (gain) on disposition of assets	—	8,515	8,515	(9,422)	—	(9,422)
Net gain on disposition of Dream Global REIT	(135,474)	—	(135,474)	—	—	—
Net gain on acquisition of Dream Alternatives	—	—	—	—	(129,992)	(129,992)
Changes in non-cash working capital	95,362	(13,190)	82,172	(37,502)	(11,120)	(48,622)
Acquisition of condominium inventory, net of acquired cash and working capital	(18,009)	(24)	(18,033)	(694)	—	(694)
Sale of housing inventory, net of development	21,558	—	21,558	20,541	—	20,541
Development of condominium inventory, net of sales	(43,354)	(362)	(43,716)	(67,414)	—	(67,414)
Advances for construction loan, net of repayments	39,305	—	39,305	14,545	—	14,545
Acquisition of land inventory	(3,244)	—	(3,244)	(960)	—	(960)
Fair value adjustment on Dream Alternatives trust units	—	90,931	90,931	(12,555)	7,552	(5,003)
Development of land inventory, net of sales	7,059	—	7,059	(23,806)	—	(23,806)
Net cash flows provided by (used in) operating activities	273,966	(21,590)	252,376	(70,956)	(26,186)	(97,142)
Investing activities						
Acquisitions and additions to investment properties and assets held for sale, net of disposals	(40,133)	(11,138)	(51,271)	(10,359)	(12,578)	(22,937)
Additions to recreational properties and renewable power assets, net	(5,683)	41	(5,642)	(9,557)	(571)	(10,128)
Investments in equity accounted investments	(64,054)	—	(64,054)	(76,509)	59,504	(17,005)
Contributions to equity accounted investments	(17,864)	(9,578)	(27,442)	(9,078)	(16,516)	(25,594)
Distributions from equity accounted investments	21,912	—	21,912	40,768	1,960	42,728
Distributions from and disposals of financial assets and other assets, net of acquisitions	72,808	19,711	92,519	(19,180)	(12,581)	(31,761)
Proceeds on disposition of assets, net	15,323	101,236	116,559	71,508	—	71,508
Proceeds on disposition of asset management agreement and other transaction costs, net	133,127	—	133,127	—	—	—
Cash acquired in business combination	—	—	—	—	60,927	60,927
Loans receivable repayments	3,097	—	3,097	3,514	(1,379)	2,135
Lending portfolio repayments, net of advances	—	82,755	82,755	—	23,830	23,830
Net cash flows provided by (used in) investing activities	118,533	183,027	301,560	(8,893)	102,596	93,703
Financing activities						
Borrowings from mortgage and term debt facilities	48,492	—	48,492	69,489	—	69,489
Repayments of mortgage and term debt facilities	(21,662)	(30,104)	(51,766)	(51,378)	(4,664)	(56,042)
Repayments of operating lines, net of advances	(49,000)	—	(49,000)	(45,000)	—	(45,000)
Repayments of margin loan facility, net of advances	(100,000)	—	(100,000)	60,000	—	60,000
Borrowings pursuant to non-revolving term facility	—	—	—	50,000	—	50,000
Advances from equity accounted investments	14,400	17,215	31,615	—	—	—
Contributions from non-controlling interest, net of distributions	23,085	(17,264)	5,821	4,800	(4,221)	579
Dream Alternatives trust units repurchased from other unitholders	—	(59,102)	(59,102)	—	(12,221)	(12,221)
Dividends paid	(10,615)	—	(10,615)	—	—	—
Redemption of Preference shares, series 1	(28,675)	—	(28,675)	—	—	—
Shares repurchased under normal course issuer bid	(16,478)	—	(16,478)	(16,026)	(8,455)	(24,481)
Net cash flows provided by (used in) financing activities	(140,453)	(89,255)	(229,708)	71,885	(29,561)	42,324
Increase (decrease) in cash and cash equivalents	252,046	72,182	324,228	(7,964)	46,849	38,885
Cash and cash equivalents, beginning of year	17,444	46,849	64,293	25,408	—	25,408
Cash and cash equivalents, end of year	$ 269,490	$ 119,031	$ 388,521	$ 17,444	$ 46,849	$ 64,293

Revenue by Geographic Region

The Company's revenue segmented by geographic region, net of eliminations, is as follows:

	For the three months ended December 31,				For the year ended December 31,			
	2019		2018		**2019**		2018	
Western Canada								
Alberta	**$ 18,163**	**4.7%**	$ 21,714	14.1%	**$ 39,337**	**6.8%**	$ 44,788	13.2%
British Columbia	**911**	**0.2%**	964	0.6%	**3,742**	**0.6%**	4,021	1.2%
Saskatchewan	**27,709**	**7.2%**	74,877	48.6%	**68,532**	**11.8%**	128,666	37.9%
	$ 46,783	**12.1%**	$ 97,555	63.3%	**$ 111,611**	**19.2%**	$ 177,475	52.3%
Ontario	**42,186**	**11.0%**	32,872	21.4%	**111,675**	**19.2%**	86,255	25.4%
Quebec	**—**	**—%**	1,234	0.8%	**—**	**—%**	1,234	0.3%
Eastern Canada	**347**	**0.1%**	1,565	1.0%	**4,456**	**0.8%**	5,943	1.7%
Canada	**89,316**	**23.2%**	133,226	86.5%	**227,742**	**39.2%**	270,907	79.7%
United Kingdom	**667**	**0.2%**	798	0.5%	**2,857**	**0.5%**	2,696	0.8%
United States	**7,442**	**1.9%**	9,490	6.2%	**39,332**	**6.8%**	34,469	10.1%
Non-segmented (asset management)	**285,935**	**74.7%**	10,441	6.8%	**310,499**	**53.5%**	31,801	9.4%
Total	**$ 383,360**	**100.0%**	$ 153,955	100.0%	**$ 580,430**	**100.0%**	$ 339,873	100.0%

Net Margin by Geographic Region

The Company's net margin segmented by geographic region is as follows:

	For the three months ended December 31,				For the year ended December 31,			
	2019		2018		**2019**		2018	
Western Canada								
Alberta	**$ 2,249**	**0.8%**	$ 6,801	14.6%	**$ 2,919**	**0.9%**	$ 5,332	6.1%
British Columbia	**911**	**0.3%**	964	2.1%	**3,742**	**1.2%**	4,021	4.6%
Saskatchewan	**(17,745)**	**(6.4%)**	22,040	47.5%	**(19,478)**	**(6.0%)**	20,176	23.0%
	$ (14,585)	**(5.3%)**	$ 29,805	64.2%	**$ (12,817)**	**(3.9%)**	$ 29,529	33.7%
Ontario	**7,883**	**2.9%**	2,392	5.1%	**30,544**	**9.4%**	27,918	31.8%
Quebec	**—**	**—%**	1,234	2.7%	**—**	**—%**	1,234	1.4%
Eastern Canada	**283**	**0.1%**	3,434	7.4%	**3,133**	**1.0%**	3,491	4.0%
Canada	**(6,419)**	**(2.3%)**	36,865	79.4%	**20,860**	**6.5%**	62,172	70.9%
United Kingdom	**228**	**0.1%**	(2,441)	(5.3%)	**1,274**	**0.4%**	(81)	(0.1%)
United States	**(1,263)**	**(0.5%)**	581	1.3%	**6,083**	**1.9%**	4,941	5.7%
Non-segmented (asset management)	**283,247**	**102.7%**	11,409	24.6%	**296,779**	**91.2%**	20,636	23.5%
Total	**$ 275,793**	**100.0%**	$ 46,414	100.0%	**$ 324,996**	**100.0%**	$ 87,668	100.0%

Quarterly Business Trends

A summary of revenue, earnings (loss), and basic and diluted earnings (loss) per share for the previous eight quarters is presented below.

(in thousands of dollars, except per share amounts)	**Dec 31, 2019**	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Revenue	**$ 383,360**	$ 64,069	$ 76,044	$ 56,957	$ 153,955	$ 64,497	$ 61,600	$ 59,821
Earnings (loss) for the period	**349,191**	27,167	(11,089)	(33,524)	56,622	15,279	(26,906)	147,058
Basic earnings (loss) per share	**3.32**	0.26	(0.11)	(0.31)	0.52	0.14	(0.25)	1.35
Diluted earnings (loss) per share	**3.21**	0.25	(0.11)	(0.31)	0.50	0.14	(0.25)	1.30

Selected Annual Information

(in thousands of dollars, except per share amounts)	Year ended December 31, 2019	2018	2017
Revenue	**$ 580,430**	$ 339,873	$ 356,964
Earnings before income taxes	**440,426**	213,492	115,576
Earnings for the year	**331,745**	192,053	82,839
Earnings for the year attributable to shareholders	**332,246**	190,948	79,645
Basic earnings per share	**3.13**	1.76	0.81
Diluted earnings per share	**3.05**	1.71	0.79
Total assets	**3,034,033**	2,751,566	1,904,007
Total liabilities	**1,601,424**	1,631,986	946,523
Total equity	**1,432,609**	1,119,580	957,484

Non-IFRS Measures

In addition to using financial measures determined in accordance with IFRS, we believe that important measures of operating performance include certain financial measures that are not defined under IFRS and, as such, may not be comparable to similar measures used by other companies. Throughout this MD&A, there are references to certain non-IFRS measures, including those described below, which management believes are relevant in assessing the economics of the business of Dream. While these performance measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other companies, we believe that they are informative and provide further insight as supplementary measures of earnings for the period and cash flows.

"Assets under management ("AUM")" is the respective carrying value of total assets managed by the Company on behalf of its clients, investors or partners under asset management agreements and/or management services agreements. Assets under management is a measure of success against the competition and consists of growth or decline due to asset appreciation, changes in fair market value, acquisitions and dispositions, operations gains and losses, and inflows and outflows of capital.

"Comparative properties NOI" includes the net rental income of the same properties owned by Dream Office REIT in the current and prior year comparative periods and excludes: property management and lease termination fees; one-time property adjustments, if any; bad debt expenses; NOI of sold properties, properties held for sale and properties held for future development; straight-line rent; amortization of lease incentives; and property management and other service fees. The metric is used by management to evaluate the performance of investment properties held by Dream Office REIT.

"Consolidation and fair value adjustments" represents certain IFRS adjustments required to reconcile Dream standalone and Dream Alternatives results to the consolidated results as at and for the three and twelve months ended December 31, 2019 and 2018. Consolidation and fair value adjustments relate to business combination adjustments on acquisition of Dream Alternatives on January 1, 2018 and related amortization, elimination of intercompany balances including the investment in Dream Alternatives units, adjustments for co-owned projects, fair value adjustments to the Dream Alternatives units held by other unitholders, and deferred income taxes.

"Dream standalone" represents the results of Dream, excluding the impact of Dream Alternatives' consolidated results. Metrics calculated on a Dream standalone basis are used by management in evaluating the overall performance and managing risk of the Company. Refer to the "Dream standalone basic earnings per share" definition below, and the "Segmented Assets and Liabilities" and "Segmented Statement of Earnings" sections of this MD&A for a reconciliation of Dream excluding Dream Alternatives results to the consolidated financial statements.

"Dream standalone basic earnings per share" represents earnings per share on a standalone basis, a metric used by management in evaluating the overall performance of the Company. A reconciliation of this non-IFRS measure to basic earnings (loss) per share is presented below.

	For the three months ended December 31, 2019				For the year ended December 31, 2019		
(in thousands of dollars, except per share amounts)		**Per share**		**Total**		**Per share**		**Total**
Dream (consolidated) basic earnings per share	$	3.32	$	350,106	$	3.13	**$**	**332,246**
Dream Alternatives income attributable to shareholders		(0.19)		(20,101)		(0.30)		**(32,121)**
Adjustments related to Dream Alternatives trust units[(2)]		0.18		18,566		1.07		**113,512**
Other consolidation adjustments		0.04		4,446		(0.09)		**(9,078)**
Dream standalone basic earnings per share[(1)]	**$**	**3.35**	**$**	**353,017**	**$**	**3.81**	**$**	**404,559**

		For the three months ended December 31, 2018				For the year ended December 31, 2018	
		Per share		Total		Per share		Total
Dream (consolidated) basic earnings per share	$	0.52	$	55,742	$	1.76	$	190,948
Dream Alternatives income attributable to shareholders		(0.07)		(6,753)		(0.12)		(13,160)
Gain on acquisition of Dream Alternatives		—		—		(1.08)		(117,437)
Adjustments related to Dream Alternatives trust units[(2)]		(0.24)		(25,918)		0.18		19,680
Other consolidation adjustments		0.05		4,972		0.02		2,017
Dream standalone basic earnings per share[(1)]	$	0.26	$	28,043	$	0.76	$	82,048

(1) Dream standalone represents the standalone results of Dream, excluding the impact of Dream Alternatives' consolidated results. For a further description of the Dream standalone results, refer above under "Dream standalone".

(2) In accordance with the Company's accounting policy described in Note 3 of our consolidated financial statements for the year ended December 31, 2019, Dream accounted for the 77% interest in Dream Alternatives trust units held by other unitholders as a financial liability measured at fair value through profit and loss. Accordingly, we expect adjustments related to Dream Alternatives trust units to vary period to period, based on fluctuations in the listed market price and changes in the outstanding number of trust units at period-end. Refer to Note 22 of our consolidated financial statements for the year ended December 31, 2019 for a continuity of the liability related to the Dream Alternatives trust units.

"Fee-earning assets under management" represents assets under management that are managed under contractual arrangements that entitle the Company to earn asset management revenue.

"Gross margin %" is an important measure of operating earnings in each business segment of Dream and represents gross margin as a percentage of revenue. Gross margin represents revenue, less direct operating costs, excluding selling, marketing, depreciation and other operating costs.

"Market value" represents Dream Alternatives' carrying value as per Dream Alternatives' consolidated statements of financial position adjusted for external appraisal values or a discounted cash flow methodology, incorporating expected future cash flows, discount rates, other applicable market information and the reduction in the risk profile of the renewable power projects and equity accounted investments as they are developed or achieve completion milestones by Dream Alternatives. Dream Alternatives believes that incorporating this adjustment in determining the market value of the asset is a more useful measure to value the renewable power portfolio and equity investments that would not ordinarily be captured within IFRS and Dream Alternatives' consolidated financial statements.

"Net asset value ("NAV") of Dream Alternatives", a non-IFRS measure, represents total unitholders' equity per the Dream Alternatives segment, adjusted for market value adjustments for both renewable power projects and equity accounted investments (including applicable deferred income tax adjustment) and the unamortized balance of the mortgages payable premiums. A market value adjustment for renewable power projects developed by Dream Alternatives is reflected once they become operational and long-term financing is arranged as well as reflecting recent market information that would indicate a change in the renewable power portfolio market value (subject to appraisals). A market value adjustment for equity accounted investments is included to address the reduction in risk profile as each project progresses toward completion and/or reflect information from recent market transactions that indicate a change in the equity investment market value (subject to appraisals). The mortgages payable premiums represent current unamortized balance of fair value adjustments recorded for these instruments at Dream Alternatives' listing date. Since Dream Alternatives intends to repay the mortgages at maturity, this historical fair value adjustment is removed for the calculation of the NAV. Dream Alternatives believes that incorporating a market value adjustment is a more useful measure to value both the renewable power portfolio and equity accounted investments that would not ordinarily be captured within IFRS and Dream Alternatives' consolidated financial statements. The market value adjustments account for the applicable deferred income tax estimates considering the timing of their realization and, if appropriate, will be incorporated into the determination of the NAV. The applicable deferred income tax estimates related to the market value adjustments is calculated either based on income or capital gain rates or a combination thereof. The income tax rates used to determine NAV are dependent on various factors such as anticipated development plans, stage of development, and current market trends applicable to the future development plans and will be reviewed on a regular basis and are subject to change. Excluded from the NAV of Dream Alternatives calculation are any market value adjustment with respect to liabilities as well as commitments/contracts that are not otherwise recorded as liabilities on Dream Alternatives' balance sheet. Dream Alternatives has not appraised the lending portfolio, as Dream Alternatives intends to hold the investments in the lending portfolio until maturity and its term to maturity is within one year; as such, this portfolio is considered fairly liquid and fair value approximates amortized cost. This non-IFRS measure is an important measure used by the Company in evaluating Dream Alternatives' performance as it is an indicator of the intrinsic value of Dream Alternatives; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A reconciliation of NAV to total unitholders' equity can be found below.

"Net asset value ("NAV") per unit - Dream Alternatives" represents the net asset value attributable to unitholders of Dream Alternatives divided by the number of units outstanding at the end of the period. This non-IFRS measure is an important measure used by the Company in evaluating Dream Alternatives' performance as it is an indicator of the intrinsic value of Dream Alternatives. A reconciliation of NAV to total unitholders' equity can be found below.

		December 31, 2019		December 31, 2018
Total unitholders' equity[1]	**$**	**567,551**	$	590,258
Market value adjustment to equity accounted investments		**40,406**		39,870
Market value adjustment to renewable power assets		**—**		10,527
Deferred income taxes adjustment		**(6,365)**		(6,005)
NAV of Dream Alternatives	**$**	**601,592**	$	634,650
NAV per unit - Dream Alternatives	**$**	**8.75**	$	8.74

(1) Dream Alternatives' unitholders' equity is eliminated upon consolidation.

"Net margin %" is an important measure of operating earnings in each business segment of Dream and represents net margin as a percentage of revenue. This non-IFRS measure is an important measure in evaluating the Company's performance; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers.

"Net operating income" represents revenue less direct operating costs. Net operating income less general, administrative and overhead expenses, and amortization, is equal to net margin as per Note 40 of the consolidated financial statements. Net operating income for the income generating assets, including stabilized assets and properties under development for the three and twelve months ended December 31, 2019 and 2018, is calculated as follows:

								For the three months ended December 31, 2019
		Stabilized income generating assets - Urban Development		Stabilized income generating assets - Western Canada		Stabilized income generating assets - Arapahoe Basin		Development properties - Western Canada
Revenue	$	4,348	$	1,913	$	7,442	$	310
Less: Direct operating costs		(2,161)		(1,311)		(7,512)		(392)
Less: Selling, marketing, depreciation and other indirect costs		(1,001)		(490)		(1,193)		(888)
Net margin	$	1,186	$	112	$	(1,263)	$	(970)
Add: Depreciation		153		85		1,019		3
Add: General and administrative expenses		848		405		174		885
Net operating income	**$**	**2,187**	**$**	**602**	**$**	**(70)**	**$**	**(82)**

								For the three months ended December 31, 2018
		Stabilized income generating assets - Urban Development		Stabilized income generating assets - Western Canada		Stabilized income generating assets - Arapahoe Basin		Development properties - Western Canada
Revenue	$	4,541	$	2,389	$	9,490	$	249
Less: Direct operating costs		(2,565)		(1,409)		(7,973)		(120)
Less: Selling, marketing, depreciation and other indirect costs		(492)		(268)		(989)		(769)
Net margin	$	1,484	$	712	$	528	$	(640)
Add: Depreciation		153		76		874		45
Add: General and administrative expenses		339		192		115		724
Net operating income	$	1,976	$	980	$	1,517	$	129

								For the year ended December 31, 2019
		Stabilized income generating assets - Urban Development		Stabilized income generating assets - Western Canada		Stabilized income generating assets - Arapahoe Basin		Development properties - Western Canada
Revenue	$	16,638	$	11,560	$	39,332	$	1,295
Less: Direct operating costs		(8,760)		(6,670)		(28,780)		(919)
Less: Selling, marketing, depreciation and other indirect costs		(2,779)		(1,434)		(4,469)		(3,040)
Net margin	$	5,099	$	3,456	$	6,083	$	(2,664)
Add: Depreciation		612		434		3,947		51
Add: General and administrative expenses		2,167		1,000		522		2,989
Net operating income	**$**	**7,878**	**$**	**4,890**	**$**	**10,552**	**$**	**376**

	For the year ended December 31, 2018			
	Stabilized income generating assets - Urban Development	Stabilized income generating assets - Western Canada	Stabilized income generating assets - Arapahoe Basin	Development properties - Western Canada
Revenue	$ 19,410	$ 12,549	$ 34,470	$ 685
Less: Direct operating costs	(10,700)	(7,096)	(26,011)	(248)
Less: Selling, marketing, depreciation and other indirect costs	(2,006)	(1,237)	(3,518)	(3,517)
Net margin	$ 6,704	$ 4,216	$ 4,941	$ (3,080)
Add: Depreciation	605	257	3,041	121
Add: General and administrative expenses	1,401	980	477	3,396
Net operating income	$ 8,710	$ 5,453	$ 8,459	$ 437

Additional Information

Additional information relating to Dream, including the Company's annual information form and consolidated financial statements and accompanying notes, are available on SEDAR at www.sedar.com. The Subordinate Voting Shares trade on the TSX under the symbol **"DRM"**.

Management's responsibility for consolidated financial statements

The accompanying consolidated financial statements, the notes thereto and management's discussion and analysis contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dream Unlimited Corp. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments when appropriate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Board of Directors carries out these responsibilities primarily through an Audit Committee, which is composed entirely of independent directors. The Audit Committee meets with management as well as the external auditor to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditor. The Audit Committee reports its findings to the Board of Directors, which approves the consolidated financial statements.

PricewaterhouseCoopers LLP, the independent auditor, has audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditor has full and unrestricted access to the Audit Committee, with or without management present.

"Michael J. Cooper"
Michael J. Cooper
President and Chief Responsible Officer

"Pauline Alimchandani"
Pauline Alimchandani
EVP and Chief Financial Officer

Toronto, Ontario
February 25, 2020

Independent auditor's report

To the Shareholders of Dream Unlimited Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dream Unlimited Corp. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Frank Magliocco.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 25, 2020

Consolidated Statements of Financial Position

As at December 31, 2019 and 2018

(in thousands of Canadian dollars)	Note		2019		2018
Assets					
Cash and cash equivalents	39	**$**	**388,521**	$	64,293
Accounts receivable	6		**202,158**		177,414
Other financial assets	7		**129,456**		212,351
Lending portfolio	8		**64,705**		144,095
Housing inventory	9		**38,607**		56,605
Condominium inventory	10		**291,304**		239,621
Land inventory	11		**538,571**		575,896
Investment properties	12		**518,424**		412,771
Recreational properties	13		**48,779**		49,241
Renewable power assets	14		**—**		143,288
Equity accounted investments	15		**708,840**		549,760
Capital and other operating assets	16		**55,579**		53,644
Assets held for sale	17		**49,089**		72,587
Total assets		**$**	**3,034,033**	$	2,751,566
Liabilities					
Accounts payable and other liabilities	18	**$**	**206,280**	$	160,953
Income and other taxes payable			**154,361**		49,529
Provision for real estate development costs	19		**36,853**		33,853
Debt	20		**698,955**		887,606
Preference shares, series 1	21		**—**		28,672
Dream Alternatives trust units	22		**411,078**		377,234
Deferred income taxes	23		**93,897**		94,139
Total liabilities			**1,601,424**		1,631,986
Shareholders' equity					
Share capital	24		**1,193,562**		1,209,819
Reorganization adjustment			**(944,577)**		(944,577)
Contributed surplus	34		**11,410**		8,049
Retained earnings			**1,140,179**		818,581
Accumulated other comprehensive income	25		**10,386**		11,379
Total shareholders' equity			**1,410,960**		1,103,251
Non-controlling interest	26		**21,649**		16,329
Total equity			**1,432,609**		1,119,580
Total liabilities and equity		**$**	**3,034,033**	$	2,751,566

See accompanying notes to the consolidated financial statements.

Commitments and contingencies (Note 37)
Subsequent events (Note 44)

On behalf of the Board of Directors of Dream Unlimited Corp.:

"Michael J. Cooper"
Michael J. Cooper
Director

"Joanne Ferstman"
Joanne Ferstman
Chair

Consolidated Statements of Earnings

For the years ended December 31, 2019 and 2018

(in thousands of Canadian dollars, except for per share amounts)	Note		**2019**		2018
Revenue	27	**$**	**580,430**	$	339,873
Direct operating costs	28		**(210,392)**		(205,091)
Gross margin			**370,038**		134,782
Selling, marketing, depreciation and other operating costs	29		**(45,042)**		(47,114)
Net margin			**324,996**		87,668
Other income (expenses):					
General and administrative expenses	30		**(24,348)**		(20,395)
Fair value changes in investment properties	12, 17		**40,961**		15,262
Share of earnings from equity accounted investments	15		**93,351**		37,029
Investment and other income	31		**10,165**		12,702
(Loss) gain on disposition of assets held for sale	17		**(8,515)**		9,422
Interest expense	32		**(41,903)**		(37,931)
Net gain on acquisition of Dream Alternatives	5		**—**		129,992
Net gain on disposition of Dream Global REIT	38		**135,474**		—
Adjustments related to Dream Alternatives trust units	22		**(113,512)**		(19,680)
Fair value changes in financial instruments			**23,757**		(577)
Earnings before income taxes			**440,426**		213,492
Income tax expense	23		**(108,681)**		(21,439)
Earnings for the year		**$**	**331,745**	$	192,053
Total earnings (loss) for the year attributable to:					
Shareholders		**$**	**332,246**	$	190,948
Non-controlling interest	26		**(501)**		1,105
Earnings for the year		**$**	**331,745**	$	192,053
Basic earnings per share	35	**$**	**3.13**	$	1.76
Diluted earnings per share	35	**$**	**3.05**	$	1.71

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(in thousands of Canadian dollars)	Note	2019	2018
Earnings for the year		**$ 331,745**	$ 192,053
Other comprehensive income (loss)			
Reversal of gains reclassified to net income on disposition of assets held for sale		**(274)**	—
Reversal of losses on interest rate hedge reclassified to net income, net of tax		**1,906**	99
Unrealized loss on interest rate hedge, net of tax		**(1,425)**	(983)
Unrealized gain (loss) from foreign currency translation (reclassified to earnings on partial or full disposal of foreign operation)		**(577)**	3,210
Reversal of losses reclassified to net income upon consolidation of Dream Alternatives		**—**	68
Share of other comprehensive income (loss) from equity accounted investments		**(623)**	802
Total other comprehensive income (loss)	25	**(993)**	3,196
Total comprehensive income		**$ 330,752**	$ 195,249
Total comprehensive income for the year attributable to:			
Shareholders		**$ 331,253**	$ 194,144
Non-controlling interest	26	**(501)**	1,105
Total comprehensive income		**$ 330,752**	$ 195,249

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(in thousands of Canadian dollars)	Dream share capital (Note 24)	Contributed surplus	Reorganization adjustment	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2019	**$ 1,209,819**	**$ 8,049**	**$ (944,577)**	**$ 818,581**	**$ 11,379**	**$ 1,103,251**	**$ 16,329**	**$ 1,119,580**
Earnings for the year	**—**	**—**	**—**	**332,246**	**—**	**332,246**	**(501)**	**331,745**
Other comprehensive loss for the year	**—**	**—**	**—**	**—**	**(993)**	**(993)**	**—**	**(993)**
Shares repurchased under normal course issuer bid (Note 24)	**(16,478)**	**—**	**—**	**—**	**—**	**(16,478)**	**—**	**(16,478)**
Dividends paid (Note 24)	**—**	**—**	**—**	**(10,615)**	**—**	**(10,615)**	**—**	**(10,615)**
Share-based compensation (Note 34)	**221**	**3,361**	**—**	**(33)**	**—**	**3,549**	**—**	**3,549**
Distributions to non-controlling interests (Note 26)	**—**	**—**	**—**	**—**	**—**	**—**	**(1,879)**	**(1,879)**
Contributions from non-controlling interests (Note 26)	**—**	**—**	**—**	**—**	**—**	**—**	**7,700**	**7,700**
Balance, December 31, 2019	**$ 1,193,562**	**$ 11,410**	**$ (944,577)**	**$ 1,140,179**	**$ 10,386**	**$ 1,410,960**	**$ 21,649**	**$ 1,432,609**

(in thousands of Canadian dollars)	Dream share capital	Contributed surplus	Reorganization adjustment	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2018	$ 1,225,651	$ 5,341	$ (944,577)	$ 601,098	$ 31,881	$ 919,394	$ 38,090	$ 957,484
Impact of changes in accounting policies	—	—	—	34,144	(23,698)	10,446	—	10,446
Adjusted balance, January 1, 2018	1,225,651	5,341	(944,577)	635,242	8,183	929,840	38,090	967,930
Earnings for the year	—	—	—	190,948	—	190,948	1,105	192,053
Other comprehensive income for the year	—	—	—	—	3,196	3,196	—	3,196
Shares repurchased under normal course issuer bid	(16,026)	—	—	—	—	(16,026)	—	(16,026)
Share-based compensation	194	2,708	—	—	—	2,902	—	2,902
Distributions to non-controlling interests	—	—	—	—	—	—	(1,021)	(1,021)
Contributions from non-controlling interests	—	—	—	—	—	—	1,600	1,600
Non-controlling interest related to business combination	—	—	—	—	—	—	1,948	1,948
Change in interest in subsidiary	—	—	—	(7,609)	—	(7,609)	(25,393)	(33,002)
Balance, December 31, 2018	$ 1,209,819	$ 8,049	$ (944,577)	$ 818,581	$ 11,379	$ 1,103,251	$ 16,329	$ 1,119,580

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(in thousands of Canadian dollars)	Note		2019		2018
Operating activities					
Earnings for the year		$	**331,745**	$	192,053
Adjustments for non-cash items:					
Depreciation and amortization			**9,456**		13,057
Fair value changes in investment properties	12, 17		**(40,961)**		(15,262)
Share of earnings from equity accounted investments	15		**(93,351)**		(37,029)
Deferred income tax recovery	23		**(938)**		9,132
Other adjustments	39		**(2,648)**		(8,266)
Loss (gain) on disposition of assets			**8,515**		(9,422)
Net gain on disposition of Dream Global REIT			**(135,474)**		—
Net gain on acquisition of Dream Alternatives			**—**		(129,992)
Changes in non-cash working capital	39		**82,172**		(48,622)
Acquisition of condominium inventory, net of acquired cash and working capital	10		**(18,033)**		(694)
Sale of housing inventory, net of development	9		**21,558**		20,541
Development of condominium inventory, net of sales	10		**(43,716)**		(67,414)
Advances for construction loan, net of repayments	20		**39,305**		14,545
Acquisition of land inventory	11		**(3,244)**		(960)
Fair value adjustment on Dream Alternatives trust units	22		**90,931**		(5,003)
Development of land inventory, net of sales	11		**7,059**		(23,806)
Net cash flows provided by (used in) operating activities			**252,376**		(97,142)
Investing activities					
Acquisitions and additions to investment properties and assets held for sale	12, 17		**(51,271)**		(22,937)
Additions to recreational properties and renewable power assets, net			**(5,642)**		(10,128)
Investments in equity accounted investments			**(64,054)**		(17,005)
Contributions to equity accounted investments			**(27,442)**		(25,594)
Distributions from equity accounted investments			**21,912**		42,728
Distributions from and disposals of financial assets and other assets, net of acquisitions			**92,519**		(31,761)
Proceeds on disposition of assets, net	12, 17		**116,559**		71,508
Proceeds on disposition of asset management agreement and other transaction costs, net			**133,127**		—
Cash acquired in business combination			**—**		60,927
Loans receivable repayments			**3,097**		2,135
Lending portfolio repayments, net of advances and lender fees			**82,755**		23,830
Net cash flows provided by investing activities			**301,560**		93,703
Financing activities					
Borrowings from mortgages and term debt facilities	20		**48,492**		69,489
Repayments of mortgages and term debt facilities	20		**(51,766)**		(56,042)
Repayments of operating lines, net of advances	20		**(49,000)**		(45,000)
Repayments of margin facility, net of advances	20		**(100,000)**		60,000
Borrowings pursuant to non-revolving term facility			**—**		50,000
Advances from equity accounted investments			**31,615**		—
Contributions to non-controlling interest, net of distributions	26		**5,821**		579
Dream Alternatives trust units repurchased from other unitholders	22		**(59,102)**		(12,221)
Dividends paid	24		**(10,615)**		—
Redemption of Preference shares, series 1			**(28,675)**		—
Shares repurchased under normal course issuer bid	24		**(16,478)**		(24,481)
Net cash flows provided by (used in) financing activities			**(229,708)**		42,324
Change in cash and cash equivalents			**324,228**		38,885
Cash and cash equivalents, beginning of year			**64,293**		25,408
Cash and cash equivalents, end of year	39	$	**388,521**	$	64,293

See accompanying notes to the consolidated financial statements.

1. Business and structure

Dream Unlimited Corp. ("Dream" or "the Company"), through its wholly owned subsidiary, Dream Asset Management Corporation (“DAM”), is a leading developer of exceptional office and residential assets in Toronto, owns stabilized income generating assets in both Canada and the U.S., and has an established and successful asset management business, inclusive of assets under management across three Toronto Stock Exchange ("TSX") listed trusts and numerous partnerships. The Company also develops land and residential assets in Western Canada for immediate sale.

The principal office and centre of administration of the Company is 30 Adelaide Street East, Suite 301, State Street Financial Centre, Toronto, Ontario, M5C 3H1. The Company is listed on the TSX and is domiciled in Canada.

2. Basis of preparation

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

All dollar amounts discussed herein are in thousands of Canadian dollars, unless otherwise stated.

The consolidated financial statements for the year ended December 31, 2019 were approved by the Board of Directors for issue on February 25, 2020, after which date they may be amended only with the Board of Directors’ approval.

3. Summary of significant accounting policies

The significant accounting policies adopted by the Company in the preparation of its consolidated financial statements are set out below. The Company has consistently applied these accounting policies throughout all years presented in the consolidated financial statements, except for new standards adopted during the year ended December 31, 2019 and related accounting policies as described below.

Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties, other financial assets and financial instruments classified as fair value through profit or loss, which are measured at fair value as determined at each reporting date.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions have been eliminated in the consolidated financial statements.

Subsidiaries are those entities the Company controls through the power to govern the financial and operating policies of the entity and by having exposure or rights to variable returns from its involvement with the entity. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are subsequently deconsolidated on the date control ceases.

Goodwill

Goodwill arises on the acquisition of businesses and represents the excess of the consideration transferred over and above the Company's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the measurement of the non-controlling interest in the acquiree.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. Goodwill is monitored by the Company at an operating segment level. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount of the CGU, which is the higher of value-in-use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Segmented Reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the President and Chief Responsible Officer of the Company.

Joint Arrangements and Associates

Investments in Joint Arrangements

A joint arrangement is a contractual arrangement, pursuant to which the Company and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. Joint arrangements are of two types: joint ventures and joint operations.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Investments in Joint Ventures

Joint ventures involve the establishment of a separate entity in which each co-venturer has an interest in the net assets of the arrangement and are accounted for using the equity method of accounting, whereby the Company recognizes its share of earnings or losses and of other comprehensive income ("OCI") of the equity accounted investment in its own earnings or OCI, as applicable. Dilution gains and losses arising from changes in the Company's interest in equity accounted investments are recognized in earnings. If the Company's investment is reduced to zero, additional losses are not provided for, and a liability is not recognized, unless the Company has incurred legal or constructive obligations or made payments on behalf of the equity accounted investment.

The Company's investments in joint ventures are as follows:

		Ownership interest	
Name of joint venture and location	Nature of business	**2019**	2018
Bear Valley Mountain Resort LLC, California	Ski facilities	**50%**	50%
Corktown Commercial Inc., Toronto	Investment properties	**50%**	50%
Distillery Restaurants LP, Toronto	Restaurant	**50%**	50%
Dream CMCC Funds I and II, Toronto	Mixed-use development	**9% - 40%**	9% - 40%
Dundee Kilmer Developments Limited, Toronto	Condominiums	**50%**	50%
Dundee Kilmer Developments LP, Toronto	Condominiums	**50%**	50%
Firelight Infrastructure Partners LP, Toronto	Renewable energy	**20%**	20%
Firelight Infrastructure Partners Management LP, Toronto	Renewable energy	**50%**	50%
S/D Commercial Corporation, Toronto	Investment properties	**50%**	50%
Westland Properties Ltd., Western Canada	Land	**78%**	78%
Dream VHP Limited Partnership, Toronto	Mixed-use development	**25%**	25%
Dream Wilson Brighton Development LP, Western Canada	Mixed-use development	**50%**	50%
GulfDream LP, Toronto	Mixed-use development	**50%**	50%
Port Credit West Village Partners LP, Toronto	Mixed-use development	**31%**	31%
GG Duncan LP, Toronto	Mixed-use development	**25%**	25%
Dream WDL LP, Toronto	Residential rental	**33%**	33%
Zibi Community Utility LP, Ottawa	Utilities	**40%**	40%
2632691 Ontario Inc ("Alate Partners"), Toronto	Property Technology	**25%**	25%
DK B10 LP, Toronto	Condominiums	**50%**	n/a
DKT B10 LP, Toronto	Residential rental	**33%**	n/a
Pauls/Dream Industrial Range Road LLC ("Range Road"), Nevada	Development property	**10%**	n/a
Dream/Pauls Castle LLC, Texas	Income properties	**50%**	n/a

Investments in Joint Operations

Where the Company undertakes its activities as a joint operation through a direct interest in the joint operation's assets and a direct obligation for the joint operation's liabilities, rather than through the establishment of a separate entity, the Company's proportionate share of the joint operation's assets, liabilities, revenues, expenses and cash flow is recognized in the consolidated financial statements and classified according to its nature.

The following table summarizes joint operations in which the Company participates and for which it recognizes its proportionate interest in the underlying assets, liabilities, revenues, expenses and cash flows:

		Ownership interest	
Name of joint operation and location	Nature of business	**2019**	2018
Distillery District, Toronto	Historical heritage district	**50%**	50%
Millswoods Robertson, Edmonton	Land	**70%**	70%
Streetcar, Toronto	Condominiums	**25% - 50%**	25% - 50%
Thornhill Woods, Toronto	Land and housing	**30% - 32%**	30% - 32%

Investments in Associates

Investments in associates comprise those investments over which the Company has significant influence but not control. Generally, the Company is considered to exert significant influence when it holds more than a 20% interest in an entity. However, determining significant influence is a matter of judgment and specific circumstances and, from time to time, the Company may hold an interest of more than 20% in an entity without exerting significant influence.

Conversely, the Company may hold an interest of less than 20% and exert significant influence through representation on the Board of Directors, through direction of management or through contractual agreements. The Company accounts for its investments in associates using the equity method of accounting.

The Company's interest in Dream Office REIT as at December 31, 2019 was 27% (December 31, 2018 - 23%) and the Company is deemed to be able to exercise significant influence over the investee. The carrying amount and earnings from the Company's investment in Dream Office REIT has been recorded in equity accounted investments in the consolidated statements of financial position and share of earnings from equity accounted investments in the consolidated statement of earnings, respectively.

Impairment of Equity Accounted Investments

The Company assesses, at each reporting date, whether there is objective evidence that its interest in an equity accounted investment is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the equity accounted investment is written down to its estimated recoverable amount, with any difference charged to earnings.

Business Combinations

The Company uses the acquisition method to account for business combinations. The consideration transferred for the acquisition is measured as the aggregate of the fair values of assets transferred, liabilities incurred or assumed, and any equity instruments of the Company issued in exchange for control of the acquiree. Acquisition costs are recorded as an expense in earnings as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations" ("IFRS 3"), are recognized at their fair values at the acquisition date.

The interest of non-controlling shareholders in the acquiree, if any, is initially measured at the non-controlling shareholders' share of the net assets of the acquiree, or the fair value of the non-controlling interest, as applicable. To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets acquired, the excess is recorded as goodwill. If the consideration transferred is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in earnings.

Where a business combination is achieved in stages, previously held interests in the acquired entity are remeasured to fair value at the acquisition date, which is the date control is obtained, and the resulting gain or loss, if any, is recognized in earnings. Amounts arising from interests in the acquiree prior to the date of acquisition of control that have previously been recognized in OCI are reclassified to earnings. Changes in the Company's ownership interest of a subsidiary that do not result in a loss of control are accounted for as equity transactions and are recorded as a component of equity.

Foreign Currency Translation

Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Functional Currency of Subsidiaries and Equity Accounted Investments

The monetary assets and liabilities on the financial statements of consolidated subsidiaries and equity accounted investments that have a functional currency that is different from that of the Company are translated into Canadian dollars using the exchange rate at year-end for items included in the consolidated statements of earnings and OCI, and the rates in effect at the dates of the consolidated statements of financial position for assets and liabilities. All resulting changes are recognized in OCI as foreign currency translation adjustments.

If the Company's interest in the foreign operations of a subsidiary or an equity accounted investment is diluted, but the foreign operations remain a subsidiary or an equity accounted investment, a pro rata portion of the cumulative translation adjustment related to those foreign operations is reallocated between controlling and non-controlling interests, in the case of a subsidiary, or is recognized as a dilution gain or loss in the case of an equity accounted investment. When the Company disposes of its entire interest in the foreign operations, or when it loses control, joint control or significant influence, the cumulative translation adjustment included in accumulated other comprehensive income ("AOCI") related to the foreign operations is recognized in the consolidated statements of earnings on a pro rata basis.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than an entity's functional currency at each year-end date are recognized in the consolidated statements of earnings, except when deferred in OCI as qualifying cash flow hedges and qualifying net investment hedges.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, other financial assets, lending portfolio, financial instruments within accounts payable and other liabilities, customer deposits, debt, Dream Alternatives trust units, and Preference shares, series 1, including related redemption and retraction options that have been separately recognized and deposits and restricted cash that have been included in the consolidated financial statements within capital and other operating assets.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are no longer recognized when the rights to receive cash flows from the assets have expired or are assigned and the Company has transferred substantially all risks and rewards of ownership in respect of an asset to a third party. Financial assets are recognized at settlement date less any related transaction costs. Financial liabilities are no longer recognized when the related obligation expires, or is discharged or cancelled.

Classification of financial instruments in the Company's consolidated financial statements depends on the purpose for which the financial instruments were acquired or incurred. Management determines the classification of financial instruments at initial recognition.

Fair Value Through Profit or Loss ("FVTPL")
Financial instruments in this category are initially and subsequently recognized at fair value. Gains and losses arising from changes in fair value are presented within earnings in the consolidated statements of earnings in the period in which they arise, unless they are derivative instruments that have been designated as hedges.

Financial Liabilities at Amortized Cost
Financial liabilities classified at amortized cost are initially measured at the amount required to be paid, less, when material, a discount to reduce the liabilities to fair value. Subsequently, these financial liabilities are measured at amortized cost using the effective interest method.

Financial Liabilities at Fair Value through Profit or Loss
Certain financial liabilities are designated as FVTPL as they are managed and evaluated on a fair value basis. These financial liabilities are initially and subsequently measured at fair value. Gains and losses arising from changes in fair value are recorded within earnings in the consolidated statements of earnings in the period in which they arise, with the exception of changes in the liability's credit risk, which are recorded in OCI in the period in which they arise.

Hedging Instruments and Activities
At the inception of a hedging transaction, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction is recognized in OCI. The gain or loss relating to the ineffective portion, if any, is recognized immediately in the consolidated statements of earnings.

The realized gain or loss recognized on settlement of a hedging instrument designated as a cash flow hedge will be reclassified to earnings over the same basis as the cash flows received from the hedged item. When a hedging instrument no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in OCI at that time are recognized in earnings immediately.

Impairment of Financial Assets
The Company applies an appropriate impairment model approach for financial assets depending on the category of financial assets or liabilities. The three impairment models applicable under IFRS 9 include the general approach, the simplified approach and the credit-adjusted approach. The Company uses the simplified approach, which recognizes expected credit losses ("ECLs") based on lifetime ECLs for accounts receivable and the general approach for loans receivable. The general approach uses the ECLs estimated at the 12-month ECL unless the credit risk has increased significantly relative to the credit risk at the date of initial recognition.

Investment Holdings and Participating Mortgages
Investment holdings and participating mortgages include limited partnership interests, a hospitality asset, and mortgage receivables secured against residential development properties and include participation rights in the profits of the underlying development. At initial recognition, the Company measures a financial asset at its fair value, plus any related transaction costs. Subsequent measurement depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. Investment holdings and participating mortgages are classified as FVTPL as their contractual cash flows do not represent solely payments of principal and interest. Income earned and the changes in fair value are recorded in the consolidated statements of earnings as revenue.

Lending Portfolio
The lending portfolio is primarily comprised of fixed-interest-rate and interest-only mortgage and loan investments that the Company intends on holding until maturity. They are recognized initially at fair value, plus any directly attributable transaction costs. The Company classifies all loan investments that give rise to specified payments of principal and interest as amortized cost. All other loan investments are classified as FVTPL. For those loan investments classified as amortized cost, subsequent to initial recognition, the lending portfolio investments are measured at amortized cost using the effective interest rate method, less any provision for impairment, if applicable. A provision for impairment on the lending portfolio is established based on the general approach ECL model. Under the general approach ECL model, the Company estimates possible default scenarios for the next 12 months on its lending portfolio investments. The Company established a provision matrix that considers various factors including the borrower's credit risk, term to maturity, status of the underlying project and market risk. The results of the general approach ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the consolidated statements of earnings. If a significant increase in credit risk occurs on a loan investment, an estimate of default is considered over the entire remaining life of the assets.

In circumstances when an entity acquires a loan investment that is credit impaired at the date of initial recognition the credit adjusted approach will be applied. The credit adjusted approach results in expected credit losses calculated considering an estimate of default over the life of the asset.

The Company recognizes interest, lender fees and other income from the lending portfolio in the consolidated statements of earnings using the effective interest rate method for the general or simplified approach regardless if evidence of impairment exists. If the credit adjusted method approach is used then a credit adjusted effective interest rate is used in calculating the applicable interest, lender fees and other income. Interest and other income includes the Company's share of any fees received, as well as the effect of any premium or discount received on the mortgage. The effective interest rate method discounts the future cash payments and receipts through the expected life of the lending portfolio mortgage or loan to its carrying amount before any allowance for expected credit losses. Under the general and simplified approach, if no evidence of impairment exists interest income is calculated on the carrying amount at the beginning of the period before any allowance for expected credit loss, otherwise interest income is calculated after an allowance for expected credit loss.

Real Estate Inventory

Housing and Condominiums

Housing and condominium inventory, which may, from time to time, include commercial property, is acquired or constructed for sale in the ordinary course of business and is held as inventory and measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, based on prevailing market prices at each reporting date and discounted for the time value of money, if material, less estimated costs of completion and estimated selling costs.

Land

Land inventory includes land held for development and land under development and is measured at the lower of cost and net realizable value.

Capitalized Costs

Capitalized costs include all expenditures incurred in connection with the acquisition of property, direct development and construction costs, certain borrowing costs and property taxes.

Provision for Real Estate Development Costs

The provision for real estate development costs reflects management's estimate of costs to complete for land, housing and condominium projects for which revenue has been recognized. These amounts have not been discounted, as the majority of the costs are expected to be expended within approximately one year.

Investment Properties

Investment properties include properties held to earn rental income or for capital appreciation, or both. Investment properties are measured initially at cost, which includes all expenditures incurred in connection with the acquisition of property, direct development and construction costs, borrowing costs and property taxes. Subsequent to initial recognition, investment properties are measured at their fair value at each reporting date. Gains or losses arising from changes in fair value are recorded in earnings in the period in which they arise.

Development Investment Properties

Once appropriate evidence of a change in use of land held or under development is established, the land is transferred from inventory to investment properties. At that time, the land is recognized at fair value in accordance with the Company's accounting policy for investment properties, and any gain or loss is reflected in fair value changes in investment properties within the consolidated statements of earnings, in the period the transfer occurs. The gain or loss recorded represents the difference between the fair value of the transferred property and the accumulated costs of development.

The fair value of development investment properties is determined by management on a property-by-property basis using a discounted cash flow valuation methodology. Within the discounted cash flows, the significant unobservable inputs include: forecasted net operating income based on the location, type and quality of the property, supported by the terms of actual or anticipated future leasing, current market rents for similar properties, adjusted for market allowances; discount rates based on market terms at the valuation date, adjusted for property-specific risks; estimated costs to complete based on internal budgets, terms of construction contracts and market conditions; expected completion dates; development and leasing risks specific to the property; and the status of approvals and/or permits.

Recreational Properties

Recreational properties are owner-occupied properties used in the production or supply of goods or services. Recreational properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Costs of recreational properties include all expenditures incurred in connection with the acquisition of the property, direct development and construction costs, borrowing costs and property taxes. The Company uses the straight-line method of depreciation for recreational properties, including major expansions and renovations. The estimated useful life of the properties is between two and forty years.

Renewable Power Assets

Renewable power assets are measured at cost less accumulated depreciation and impairment charges, if any. Cost includes expenditures that are directly attributable to the acquisition and construction of the asset including interest costs paid or accrued during construction. The Company uses the straight-line method of depreciation for renewable power assets including major replacements. The estimated useful life of the assets is between twenty and twenty-five years.

Real Estate Borrowing Costs

Real estate borrowing costs include interest and other costs incurred in connection with the borrowing of funds for operations. Borrowing costs directly attributable to the acquisition, development or construction of qualifying real estate assets that necessarily take a substantial period of time to prepare for their intended use or sale are capitalized as part of the cost of the respective real estate asset. For real estate construction and development projects, the Company considers a substantial period of time to be a period longer than one year to complete. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs that are directly attributable to investment properties under development or to the development of condominiums and commercial properties are capitalized. Borrowing costs related to land or housing developments are recognized in earnings as incurred. Where borrowing costs are specific to a qualifying asset, the amount is directly capitalized to that asset. Otherwise, borrowing costs are aggregated and pro-rated to qualifying assets using the Company's weighted average cost of borrowing. Borrowing costs are capitalized during periods of active development and construction, starting from the commencement of the development work until the date on which all of the activities necessary to prepare the real estate asset for its intended use or sale are complete. Thereafter, borrowing costs are charged to earnings.

Capital and Other Operating Assets

Capital assets are recorded at cost, net of accumulated depreciation and impairment, if any, and are depreciated on a straight-line basis. Annual depreciation rates estimated by management have a range of two to twenty years. The Company reviews the depreciation method, residual values and estimates of the useful life of its capital assets at least annually. On sale or retirement, a capital asset and its related accumulated depreciation are removed from the consolidated financial statements and any related gain or loss is reflected in earnings.

Other operating assets consist primarily of prepaid amounts, which are generally amortized to earnings over the expected service period; deposits made in connection with potential future land acquisitions, which are subsequently allocated to specific land inventory on completion of the acquisition; and restricted cash amounts, which comprise cash-securing letters of credit provided to various government agencies to support development activities, certain customer deposits and amounts held as security against accounts receivable.

Impairment of Non-financial Assets

Non-financial assets are assessed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. An impairment loss, if any, is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount of an asset is the greater of an asset's fair value, less costs to sell, and its value in use. For the purposes of assessing impairment, assets are grouped at the CGU level. If their carrying value is assessed as not recoverable, an impairment loss is recognized.

An assessment is made, at each reporting date, as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount and, if appropriate, reverses all or part of the impairment. If the impairment is reversed, the carrying amount of the asset is increased to the newly estimated recoverable amount. This increased carrying amount may not exceed the carrying amount that would have resulted after taking into account depreciation if no impairment loss had been recognized in prior years. The amount of any impairment reversal is recorded immediately in earnings for the period.

Assets Held for Sale

Assets and liabilities (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Investment properties continue to be measured at fair value and the remainder of the disposal group is stated at the lower of the carrying amount and fair value less costs to sell.

Dream Alternatives Trust Units

The Company holds an effective 23% interest in Dream Alternatives as at December 31, 2019 through ownership of 15,721,604 trust units (December 31, 2018 - 17% interest through ownership of 12,138,723 trust units). The remaining 53,042,384 trust units outstanding are held by other unitholders and have been recognized on the consolidated statements of financial position to reflect the residual 77% interest held by other parties as at December 31, 2019. The units are redeemable at the option of the holder and, therefore, are considered a puttable instrument in accordance with IAS 32, "Financial Instruments - Presentation" ("IAS 32"), and must be presented as a financial liability. The holder has the option to redeem units, generally at any time, at a redemption price per unit equal to the lesser of 90% of the 20-day weighted average closing price prior to the redemption date or 100% of the closing market price on the redemption date.

The Company manages the Dream Alternatives units on a fair value basis. As a financial liability measured at fair value through profit or loss, the Company recorded the Dream Alternatives trust units at fair value on acquisition of control. Subsequent to initial recognition, the liability is remeasured to fair value each period based on the Dream Alternatives trust unit's closing trading price. Fair value changes are recorded within adjustments related to Dream Alternatives trust units in the consolidated statements of earnings in the period in which they arise. Distributions on Dream Alternatives trust units not held by the Company are recognized in the period in which they are approved and are recorded as an expense within adjustments related to Dream Alternatives trust units in the consolidated statements of earnings. Refer to Note 22 for additional details.

Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer. The Company capitalizes all commissions paid to an intermediary as a cost to obtain a contract when they are expected to be recovered. These costs are amortized consistently with the pattern of recognition for the related revenue. The following is a description of principal activities from which the Company generates its revenues, including the nature of revenues, timing of satisfaction of performance obligations and significant payment terms.

Product and services	Nature and timing of satisfaction of performance obligations
Land	Revenue relating to sales of land is recognized when control over the property has been transferred to the customer - typically when the customer can begin construction on the property. Until this criterion is met, any proceeds received are accounted for as customer deposits. Revenue is measured based on the transaction price agreed to under the contract and is typically recognized upon receipt of 15% of the transaction price.
Condominiums and housing projects	Revenue relating to sales of condominiums and housing projects is recognized when control of the property has been transferred to the customer - typically when the customer occupies the property. Until these criteria are met, any proceeds received are accounted for as customer deposits. Revenue is measured based on the transaction price agreed to under the contract.
Other revenue from investment properties (excluding base rent)	Other revenue from investment properties includes recoveries of operating expenses including percentage participation rents, lease cancellation fees, parking income and other incidental income. The Company recognizes revenue as the related services are performed. The unsatisfied performance obligation resulting from other investment property revenue has a variable consideration that is constrained by the underlying performance of the property.
Recreational properties	Amounts received for the sale of annual season passes to recreational properties are deferred and amortized on a straight-line basis over the term of the season. Other amounts received from the use of recreational properties are recognized as revenue when earned.
Real estate asset management and advisory services	Revenue from real estate asset management and advisory services is calculated based on a fee that is a formula specific to each advisory client and may include fee revenue calculated as a percentage of the capital managed, capital expenditures incurred, the purchase price of properties acquired and the value of financing transactions completed. These fees are recognized on an accrual basis over the period during which the related service is rendered. Asset management and advisory services fee arrangements may also provide the Company with an incentive fee when the investment performance of the underlying assets exceeds established benchmarks. Incentive fees and other revenues are recognized in earnings when it is highly probable there will not be a significant reversal of revenue.
Renewable power	Revenue from renewable power assets is recognized based on the amount of energy generated at the contracted rates and is recognized when the energy produced is received by the client and the performance obligation is satisfied. Several power-generating sites are eligible for additional payments under government programs designed to provide additional fees based on the supply of renewable energy. These amounts are related to energy generated and are based on the megawatt hours ("MWh") of electricity supplied. These amounts are recorded as revenue in the period in which the energy produced is received by the client. Amounts are determined based on a fixed amount per MWh generated, depending on the location of where the energy is produced. The unsatisfied performance obligation resulting from contracted rates has a variable consideration that is constrained by the MWh of energy produced.
Rental income	The Company uses the straight-line method of rental revenue recognition on investment properties whereby any contractual free-rent periods and rent increases over the term of a lease are recognized in earnings evenly over the lease term. Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of the investment properties and are amortized over the term of the lease. Lease incentives, which include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, are added to the carrying amount of investment properties and are amortized on a straight-line basis over the term of the lease as a reduction in revenue from investment properties
Lending portfolio interest and fees income	Mortgage interest and fees revenues are recognized in the consolidated statements of earnings using the effective interest method. Mortgage interest and fees revenues include the discount or premium incurred by the Company at the time the mortgages were acquired, if any. The effective interest method derives the interest rate that discounts the estimated future cash payments and receipts over the expected life of the mortgages to its carrying amount. When calculating the effective interest rate, future cash flows are estimated considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and transaction costs paid or received, including the incremental revenues and costs that are directly attributable to the acquisition or issuance of the mortgage.

Direct Operating Costs

Inventory costs associated with land held for development or land under development, including the estimated costs to complete the development of the asset, are allocated to direct operating costs on a per lot basis, pro-rated based on the street frontage of each lot. Inventory costs associated with the development of condominiums are allocated to direct operating costs on a per unit basis, pro-rated based on the sales value of the unit relative to the sales value of all units in a condominium project. Direct operating costs associated with the construction of housing inventory and commercial property are specific to each project.

Direct operating costs related to specific investment or recreational properties include property management costs and operating expenses, as well as management and administrative expenses, and are recorded on an accrual basis.

Income Taxes

The Company follows the balance sheet liability method to provide for income taxes on all transactions recorded in its consolidated financial statements. The balance sheet liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused tax losses and unused tax credits, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled.
The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting periods (carry forward period assumptions), it is reasonably possible that actual results could differ from the estimates used in the Company's historical analysis. If the Company's results of operations are less than projected and there is insufficient objectively verifiable evidence to support the likely realization of its deferred tax assets, adjustments would be required to reduce or eliminate its deferred tax assets.

Non-controlling Interest

The non-controlling interest represents equity interests of subsidiaries owned by other shareholders. The share of net assets, net retained earnings and accumulated other comprehensive income of these subsidiaries attributable to a non-controlling interest is presented as a component of equity.

Preference Shares, Series 1

The Preference shares, series 1, were classified and accounted for as a financial liability, as they were convertible at the sole discretion of the Company into a variable number of Dream's Class A Subordinate Voting Shares ("Subordinate Voting Shares") or were otherwise retractable at the option of the holder, at or after a particular date, for a fixed amount per share.

The redemption and retraction option features of the Preference shares, series 1, met the definition of embedded derivatives requiring separate recognition, as the economic risks and characteristics of the redemption and retraction options are not closely related to those of the Preference shares, series 1. Accordingly, the embedded redemption and retraction options were bifurcated from the Preference shares, series 1, and were recognized as derivative financial instruments included with other financial assets and accounts payable and other liabilities, respectively, with a corresponding increase or decrease in the initial carrying value of the Preference shares, series 1.

Earnings per Share

Basic earnings per share is computed by dividing Dream's earnings attributable to owners of the parent by the weighted average number of Subordinate Voting Shares and Dream Class B common shares ("Class B Shares") outstanding during the year. Diluted earnings per share, where applicable, is calculated by adjusting the weighted average number of shares outstanding for dilutive instruments by applying the treasury stock method.

Share-Based Compensation

Stock Option Plan

Management issues share-based compensation to certain employees in the form of stock options that vest evenly over a three to five-year period. The fair value of the options on the grant date is determined using an option pricing model. The estimated fair value of options on the grant date is recognized as compensation expense on a graded vesting basis over the period in which the employee services are rendered.

Performance Share Unit Plan

Management issues share-based compensation to certain employees in the form of performance share units ("PSUs") that are subject to either time vesting only, or time and performance vesting. PSUs subject to performance vesting provide the holder with a minimum of 0 and a maximum of 1.5 Subordinate Voting Shares based on the achievement of predetermined Company performance goals. In lieu of receiving Subordinate Voting Shares on vesting, PSU holders may request a cash payment equal to the five-day trailing weighted average share price of the Company's Subordinate Voting Shares on the vesting date or settlement date, when applicable; however, the form of payment on vesting is ultimately the decision of the Company. The fair value of the PSUs on the grant date is determined using an option pricing model. The estimated fair value of the PSUs on the grant date is recognized as compensation expense on a straight-line basis over the period in which the employee services are rendered.

Deferred Share Incentive Plan

The Company has a deferred share incentive plan that provides for the grant of deferred share units ("DSUs") and income deferred share units to eligible directors, senior management and their service providers. Grants to directors, officers and employees are recognized as compensation expense and are included in general and administrative expenses in the period in which they are granted. During the holding period, which is between the grant date and the vesting date, DSUs earn dividends declared by the Company in the form of additional fractional DSUs. On settlement of DSUs and earned fractional DSUs, the amount recognized in contributed surplus for the grant is reclassified to share capital.

Adoption of Recent Accounting Pronouncements

The Company has adopted the following new or revised standards, including any consequential amendments thereto, for the year effective January 1, 2019. Changes in accounting policies adopted by the Company were made in accordance with the applicable transitional provisions as provided in those standards and amendments. As required by IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the nature and the effect of these changes are disclosed below and in Note 43.

IFRS 16, "Leases" ("IFRS 16")
IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for most lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. The Company has adopted IFRS 16 effective January 1, 2019. Expanded disclosures required by IFRS 16 are included in Notes 16 and 18 and the impact of changes due to the adoption of IFRS 16 is included in Note 43.

IFRS 3, "Business Combinations" ("IFRS 3")
IFRS 3 clarifies that when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interest in the assets and liabilities of the joint operation at fair value. The amendments to IFRS 3 are effective for annual periods beginning on or after January 1, 2019. There was no impact to the consolidated financial statements on application of this amendment, as IFRS 3 will apply to the Company's future business combinations.

IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23")
IFRIC 23 clarifies the application of the recognition and measurement requirements in IAS 12, "Income Taxes" ("IAS 12"), for situations where there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers income tax treatments separately; assumptions that an entity makes regarding the examination of tax treatments by taxation authorities; how an entity determines taxable income or loss, tax bases, unused tax losses or credits and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The adoption of IFRIC 23 did not have a material impact on the Company's consolidated financial statements.

Future Accounting Standards
IFRS 3, "Business Combinations"
IFRS 3 sets out to emphasize that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. The amended definition of a business is effective on or after January 1, 2020, with earlier application permitted. These amendments will apply to the Company's future business combinations.

4. Critical accounting estimates, judgments and assumptions

The preparation of these consolidated financial statements in accordance with IFRS requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities included in the Company's consolidated financial statements. The Company evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions the Company has made in the preparation of its consolidated financial statements.

Joint Arrangements and Associates
The Company holds investments in various assets, and its ownership interest in these investments is established through diverse structures. Significant judgment is applied in assessing whether the investment structure results in control, joint control or significant influence over the operations of the investment, or whether the Company's investment is passive in nature. The assessment of whether the Company exerts control, joint control or significant influence over an investment will determine the accounting treatment for the investment. In making this assessment, the Company considers its ownership interest in the investment as well as its decision-making authority with regard to the operating, financing and investing activities of the investment as specified in the contractual terms of the arrangement. The Company also considers any agreements with the investee that expose the Company to variable returns from its involvement with the investee. Joint arrangements that involve the establishment of a separate entity in which each venture has an interest are set up as joint ventures, whereas investments in associates are those investments over which the Company has significant influence but no control.

Business Combinations and Goodwill
The Company uses significant judgment to conclude whether an acquired set of activities and assets is a business, and such judgment can lead to significantly different accounting results. If an acquired set of activities and assets does not meet the definition of a business, the transaction is accounted for as an asset acquisition.

There are many differences in accounting for a business combination versus an asset acquisition, including the recognition of goodwill and deferred tax amounts, the initial measurement of assets and accounting for transaction costs. These differences not only affect the accounting as at the acquisition date, but will also affect future depreciation and possible impairment analysis. Accordingly, the conclusion as to whether a business has been acquired can have a significant effect on the Company's reported financial position and results of operations.

Significant judgment is required in applying the acquisition method of accounting for business combinations and, specifically, in identifying and determining the fair value of assets and liabilities acquired, including intangible assets and residual goodwill, if any.

The Company's goodwill balance is allocated to the particular CGU to which it relates (herein referred to as the "goodwill CGU"). The recoverable amount of the Company's goodwill CGU is determined based on the fair value less costs of disposal approach. Refer to Note 16 for further details.

Consolidation

In determining if an entity is a subsidiary of the Company, the Company makes significant judgments about whether it has power and control over such an entity. In addition to voting rights, the Company considers the contractual rights and obligations arising from other arrangements, and other relevant factors relating to an entity in determining if the Company has the power and ability to affect returns from an investee. The contractual rights and obligations considered by the Company include, among others, the approvals and decision-making process over significant operating, financing and investing activities, the responsibilities and scope of decision-making power of the Company, the termination provisions of applicable agreements, the types and determination of fees paid to the Company and the significance, if any, of any investment made by the Company. The Company reviews its prior conclusions when facts and circumstances change.

Net Realizable Value

Land, including land under development and land held for development, as well as housing and condominium inventory, are stated at the lower of cost and net realizable value. In calculating net realizable value, management must estimate the selling price of these assets based on prevailing market prices at the dates of the consolidated statements of financial position, discounted for the time value of money, if material, less estimated costs of completion and estimated selling costs. If estimates are significantly different from actual results, the carrying amounts of these assets may be overstated or understated on the consolidated statements of financial position and, accordingly, earnings in a particular period may be overstated or understated.

Provisions

Provisions are recorded by the Company when it has determined it has a present obligation, whether legal or constructive, and it is probable that an outflow of resources will be required to settle the obligation, provided a reliable estimate can be made of the amount of the obligation. Management must use judgment in assessing the magnitude and timing of the potential economic exposure and the likelihood of a future event occurring. Actual results may differ significantly from those estimates. The consolidated financial statements include a significant provision for costs to complete land, housing and condominium projects. The stage of completion of any development project, and the remaining costs to be incurred, are determined by management, considering relevant available information at each reporting date. In making such determination, management makes significant judgments about milestones, actual work performed and the estimates of costs to complete the work.

Fair Value of Investment Holdings and Participating Mortgages

Critical judgments are made in determining the fair value of investment holdings and participating mortgages. The fair values of these investments are reviewed regularly by the Company with reference to the applicable local market conditions and in discussion with the development's construction management company. The Company makes judgments with respect to the completion dates of the developments, and the leasing and management cost assumptions for the buildings and/or unit sales in order to determine the Company's interest and participating income. Generally, the investment holdings and participating mortgages are valued using a number of approaches that typically include a discounted cash flow analysis, direct capitalization approach and direct comparison approach. The discounted cash flow model is calculated based on future interest and participating profit payments as determined by the Company and project managers' estimates of unit sales proceeds and/or net operating income of the development properties. With the direct capitalization rate method, the fair value is determined by applying a capitalization rate to stabilized net operating income. Each investment is subject to an appraisal by an independent valuator at least once every three years, if not earlier.

Critical judgments are made in respect of the fair values of co-owned commercial assets. Assumptions related to the estimates of fair values of these investment holdings include discount rates that reflect current market uncertainties, capitalization rates and recent investment holding transaction prices, if any. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment holdings may change materially.

Fair Value of Investment Properties

Critical judgments are made in respect of the fair values of investment properties and the investment properties held in equity accounted investments. Assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and current and recent investment property transaction prices, if any. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

On a rotational basis, the Company engages independent, professionally qualified appraisers who are experienced, nationally recognized and qualified in the professional valuation of real estate in their respective geographic areas. Judgment is applied in determining the extent and frequency of independent appraisals. A select number of properties are valued by an independent appraiser on a rotational basis at least once every three years. For properties subject to an independent valuation report, management verifies all major inputs to the valuation and reviews the results with the independent appraisers.

Fair Value of Development Investment Properties

Fair value measurement of an investment property under development is applied only if the fair value is considered to be reliably measurable. Under specific circumstances, investment properties under development may be carried at cost until their fair value becomes reliably measurable. It may sometimes be difficult to determine reliably the fair value of investment properties under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers various factors, including the terms of the construction contract, the stage of completion, the location, type and quality of the property, expected completion dates, current market rents for similar properties, the level of reliability of cash inflows after completion, the development risks specific to the property, past experience with similar constructions, status of approvals and/or permits, estimated costs to complete and market conditions.

Impairment of Non-Financial Assets

Recreational properties, renewable power assets, capital assets and intangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. Intangible assets with indefinite lives are tested at least annually. Management uses judgment in performing this impairment test. Imprecision in any of the assumptions and estimates used could affect the valuation of these assets and the assessment of performance.

IAS 36, "Impairment of Assets", requires management to use judgment in determining the recoverable amount of assets tested for impairment. Judgment is involved in estimating the fair value less the cost to sell or value-in-use of the CGUs, including estimates of growth rates, discount rates and terminal rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

Income Taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations, often involving multiple jurisdictions. Judgment is required in determining whether deferred income tax assets should be recognized on the consolidated statements of financial position. Deferred income tax assets are recognized to the extent the Company believes it is probable that the assets can be recovered. Furthermore, deferred income tax balances are recorded using enacted or substantively enacted future income tax rates. Changes in enacted income tax rates are not within the control of management. However, any such changes in income tax rates may result in actual income tax amounts that may differ significantly from estimates recorded in deferred tax balances.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Fair Value and Impairment of Financial Instruments

Certain financial instruments are recorded in the Company's consolidated statements of financial position at values that are representative of or approximate fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price or dealer price quotations. The fair value of co-owned commercial assets is based on the fair value of the Company's proportionate net assets of the underlying investment.

IFRS 9 requires management to use judgment in determining if the Company's financial assets are impaired. The Company's financial assets are subject to the ECL model whereby the Company estimates on a forward looking basis possible default scenarios and establishes a provision matrix that considers various factors including industry and sector performance, economic and technological changes and other external market indicators.

The fair value of certain other financial instruments is determined using valuation techniques. By their nature, these valuation techniques require the use of assumptions. Changes in the underlying assumptions could materially impact the determination of the fair value of a financial instrument. Imprecision in determining fair value using valuation techniques may affect the amount of earnings recorded in a particular period.

The Company classifies the fair value of its financial instruments according to the following hierarchy, which is based on the amount of observable inputs used to value the instrument:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair Value of Hedging Instruments and Effectiveness

Critical judgments are made in respect of assumptions used to estimate the fair value of hedging instruments and to assess the effectiveness of the hedging arrangement. The basis of valuation and assessment of effectiveness for the Company's derivatives is set out in Note 20; however, the fair values reported may differ from how they are ultimately recognized if there is volatility in interest rates between the valuation date and settlement date.

Transfer of Inventory to Development Investment Properties

Raw land is usually unentitled property without the regulatory approvals that allow the construction of residential, industrial, commercial and mixed-use developments. When development plans are formulated, the Company may decide that specific land holdings will be developed into investment properties. Once appropriate evidence of a change in use is established, the land is transferred to investment properties. This also applies to multi-family rental properties, which are transferred to investment properties from condominium inventory.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

5. Business combination

Dream Alternatives

On January 1, 2018, the Company acquired control of Dream Alternatives based on the increase in the Company's exposure to variable returns resulting from increased ownership through units held in Dream Alternatives and from new real estate joint venture agreements. The Company remeasured its existing 13% equity interest in Dream Alternatives to its fair value of $60,891 at the acquisition date. As a result of the remeasurement, the Company recorded a non-cash gain of $12,555 and realized losses reclassified from AOCI of $78 in the year ended December 31, 2018.

The acquisition of control also resulted in a non-cash net bargain purchase gain of $117,437 in the year ended December 31, 2018. This amount represented the difference between the fair value of net assets of Dream Alternatives relative to the implied financial consideration for the transaction. As part of the acquisition of control, the Company derecognized the intangible asset of $43,000 related to the right to manage Dream Alternatives and eliminated amounts receivable from Dream Alternatives of $23,107.

The following table summarizes the identifiable assets and liabilities assumed, which were measured at fair value at the date of acquisition of control of Dream Alternatives, as well as the components of the net gain on acquisition of Dream Alternatives:

Cash and cash equivalents	$	60,927
Accounts receivable		5,645
Other financial assets		157,231
Lending portfolio		161,399
Investment properties		220,240
Renewable power assets		148,901
Equity accounted investments		133,406
Capital and other operating assets		4,515
Deferred income taxes		111
Total assets		892,375
Less:		
Accounts payable and other liabilities		(21,050)
Debt		(203,967)
Dream Alternatives trust units (87% held by other unitholders as at January 1, 2018)		(397,620)
Deferred income taxes		(23,355)
		(645,992)
Net assets acquired	$	246,383
Consideration:		
Deemed disposal of previously held equity accounted investment at fair value	$	60,891
Total consideration	$	60,891
Net assets acquired	$	246,383
Less: Consideration		(60,891)
Bargain purchase gain		185,492
Derecognition of intangible asset		(43,000)
Elimination of amounts receivable from Dream Alternatives		(23,107)
Adjustment for non-controlling interests in Dream Alternatives		(1,948)
Net bargain purchase gain		117,437
Non-cash gain on deemed disposal of previously held equity accounted investment		12,555
Net gain on acquisition of Dream Alternatives	$	129,992

The fair values at the date of acquisition of control of Dream Alternatives' current assets, capital and other operating assets, and current liabilities approximated their carrying values due to their short-term nature. The Dream Alternatives trust units held by other unitholders are measured at the fair value of units outstanding.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

6. Accounts receivable

The details of accounts receivable by segment are summarized in the following table:

		2019		2018
Western Canada community development	$	**97,725**	$	121,400
Urban development - Toronto & Ottawa		**87,476**		34,492
Stabilized income generating assets		**7,859**		8,101
Asset management		**4,495**		8,329
Dream Alternatives		**4,179**		2,821
Corporate and other		**424**		2,271
	$	**202,158**	$	177,414

Accounts receivable for contracted sales of land under development and housing and condominium sales are secured by the underlying real estate assets and have various terms of repayment. The carrying value of accounts receivable is reported net of a provision for impairment of $645 (December 31, 2018 - $762).

7. Other financial assets

Other financial assets consisted of the following:

	Note		2019		2018
Participating mortgages		$	**66,210**	$	64,764
Investment holdings			**50,206**		73,085
Loans receivable			**8,088**		11,894
Other instruments			**4,952**		4,485
Marketable securities - Dream Global REIT			**—**		58,123
	33	$	**129,456**	$	212,351

Marketable Securities

Marketable securities as at December 31, 2018 included the Company's investment in 3,132,727 Dream Global REIT units and 2,081,517 deferred trust units ("DTUs") with an aggregate fair value of $58,123, which were disposed of in the year ended December 31 2019. The Company recorded a fair value gain of $29,626 on the marketable securities in the consolidated statement of earnings for the year ended December 31, 2019 (year ended December 31, 2018 - loss of $525).

Participating Mortgages

Participating mortgages related to two long-term development loans secured by real property comprising two residential assets under development. Refer to Note 33 for the valuation methodology used to determine the fair value of the participating mortgages.

In the year ended December 31, 2019, the Company recorded a net fair value gain of $474 related to the participating mortgages. As at December 31, 2019, the discount rates applied for the participating mortgages were 7.0% to 8.0% (December 31, 2018 - 7.0% to 8.0%). The Company determined the fair value of the participating mortgages by using a discounted cash flow analysis which is calculated based on future interest and participating profit payments as determined by the Company and the project managers' estimates of unit sales proceeds and/or net operating income of the development properties.

Investment Holdings

As at December 31, 2019, investment holdings include one hospitality asset (Hard Rock/Virgin Hotels Las Vegas) and a real estate development investment.

In the year ended December 31, 2018, the Company, through Dream Alternatives, invested US$29,000 ($37,526) for an approximate 10% interest in the Hard Rock/Virgin Hotels in Las Vegas, Nevada, with a consortium of partners, led by Juniper Capital Partners and Fengate Real Estate Asset Investments. During the year ended December 31, 2019, the Company invested an additional $10,795 into the investment. As at December 31, 2019, the cash consideration continues to approximate fair value, adjusted for foreign currency translation.

Loans Receivable

Loans receivable are amounts owing to the Company pertaining to development partnerships in Toronto.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

8. Lending portfolio

		2019		2018
Balance, beginning of year	$	144,095	$	—
Acquired through business combination		—		161,399
Add (deduct):				
Lending portfolio advances		119		35,042
Provision for lending portfolio losses		(2,350)		—
Interest capitalized to lending portfolio balance		5,029		6,113
Other		1,024		(3,971)
Principal repayments at maturity and contractual repayments and prepayments		(83,212)		(54,488)
Balance, end of year[1]	$	64,705	$	144,095

[1] Included is a loan of $7,301 that is classified as FVTPL (December 31, 2018 - $16,574).

The table below provides a summary of the Company's lending portfolio:

		2019		2018
Weighted average effective interest rate (year-end)		9.1%		9.6%
Security allocation (1st mortgages/other)		47.7%/52.3%		69.8%/30.2%
Maturity dates		2020 - 2025		2019 - 2025
Balance of accrued interest	$	130	$	241
Loans with prepayment options		30,877		37,127

During the year ended December 31, 2019, an increase in the existing provision for the lending portfolio resulted in a loss of $2,350 (December 31, 2018 - $nil). The full provision relates to one loan, the value of which was determined based on the net realizable value of the underlying real estate properties, net of related transaction costs, based on internal valuations. The provision for impairment on this loan was established based on the credit adjusted approach ECL model which results in expected credit losses calculated considering an estimate of default over the life of the asset. There was no provision recorded on the remainder of the lending portfolio due to the value of the collateralized properties and the loan to value ratios.

During the year ended December 31, 2019, a loan investment classified as FVTPL, aggregating $7,301 (December 31, 2018 - $16,574), was measured at fair value using a discounted cash flow method. The fair value was determined by discounting the expected cash flows of the loan using an interest rate of 17.5% (December 31, 2018 - 17.6%), which took into consideration similar instruments with corresponding maturity dates plus a credit adjustment in accordance with the borrowers' creditworthiness, as well as the risk profile of the underlying securities. Generally, under this method, a decrease in the market rate will result in an increase to the fair value and an increase in the market rate will result in a decrease to the fair value. If the weighted average market rate were to increase by 25 basis points ("bps"), the fair value of the loan investments would decrease by $100. If the weighted average market rate were to decrease by 25 bps, the fair value would increase by $100.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

9. Housing inventory

The movement in housing inventory is as follows:

		2019		2018
Balance, beginning of year	$	56,605	$	59,619
Transfers from land inventory		3,560		17,527
Development		6,082		23,992
Housing units occupied		(27,640)		(44,533)
Balance, end of year	$	38,607	$	56,605

10. Condominium inventory

The movement in condominium inventory is as follows:

		2019		2018
Balance, beginning of year	$	239,621	$	171,513
Acquisitions		47,467		694
Development		85,168		85,817
Condominium units occupied		(41,452)		(18,403)
Transfers to investment properties (Note 12)		(39,500)		—
Balance, end of year	$	291,304	$	239,621

In the year ended December 31, 2019, inventory totalling $39,500 relating to the Company's Zibi development and retail portions of closed condominium projects were transferred to investment properties.

11. Land inventory

The movement in land inventory is as follows:

		2019		2018
Balance, beginning of year	$	575,896	$	574,898
Acquisitions		4,875		960
Development		32,878		86,761
Write-down of land held for development		(23,159)		—
Lot and acre sales		(39,937)		(62,955)
Transfers to housing inventory		(3,560)		(17,527)
Transfers to investment properties (Note 12)		(8,422)		(6,241)
Balance, end of year	$	538,571	$	575,896

In the year ended December 31, 2019, inventory totalling $8,422 relating to the Company's Hampton Heights and Brighton Village Centre developments was transferred to investment properties under development.

In the year ended December 31, 2019, the Company recorded a write-down on land held for development located in Regina for $23,159 to net realizable value, which reflects updated assumptions on absorptions and deferred development start dates on our new phases/communities.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

12. Investment properties

The movement in investment properties by type is as follows:

	Stabilized assets	Properties under development	Dream Alternatives[1]	**Total 2019**	Total 2018
Balance, beginning of year	$ 159,784	$ 18,171	$ 234,816	**$ 412,771**	$ 241,977
Additions to and transfers to/from investment properties:					
Properties acquired through business combination	—	—	—	**—**	220,240
Acquisitions	2,082	—	6,257	**8,339**	13,525
Land and building additions	1,700	36,826	7,566	**46,092**	14,948
Transfers from inventory (Notes 10 and 11)	5,206	42,716	—	**47,922**	6,241
Transfers (to)/from assets held for sale (Note 17)	5,708	—	—	**5,708**	(53,732)
Dispositions	—	—	(44,340)	**(44,340)**	(48,000)
Gains (losses) included in earnings:					
Fair value changes in investment properties	28,067	728	14,594	**43,389**	18,660
Amortization and other	(66)	(68)	(1,627)	**(1,761)**	(1,306)
Change in straight-line rent	104	56	144	**304**	218
Balance, end of year	$ 202,585	$ 98,429	$ 217,410	**$ 518,424**	$ 412,771

[1] Dream Alternatives includes consolidation adjustments relating to a 50% leasehold interest co-owned with Dream.

In the year ended December 31, 2018, Dream, along with Dream Alternatives, acquired a 33.3% leasehold interest in a retail shopping centre and residential mixed-use development investment located at 100 Steeles Ave. West ("100 Steeles") in Toronto, split 25%/75% between Dream and Dream Alternatives, respectively. The investment is currently a stabilized retail property with redevelopment potential in future years. During the year ended December 31, 2019, Dream, along with Dream Alternatives, increased its ownership in the project to 50% for a total cost of $8,339.

Included in stabilized assets as at December 31, 2019 is a right-of-use asset for the 100 Steeles leasehold interest of $10,493 (December 31, 2018 - $7,299).

In the year ended December 31, 2019, Dream Alternatives sold its co-owned industrial properties to Dream Industrial REIT and sold an income property, which was co-owned with Dream Office REIT, to a third party for gross proceeds of $44,340.

Fair value changes for the year ended December 31, 2019 for investment properties were $43,389 (year ended December 31, 2018 – $18,660), primarily comprised of gains on the Company's stabilized assets and a fair value gain on a wholly owned office property within Dream Alternatives' portfolio.

In the year ended December 31, 2018, the Company received a Notice of Expropriation and Notice of Possession from the City of Toronto for its 73-acre commercial site in Toronto (the “Obico Property”), and accordingly, ownership of the property was deemed to be passed to the City of Toronto on the date of the expropriation registration. The Company received an offer of compensation from the City of Toronto in the amount of $48,000 in respect of its interest in the Obico Property, pursuant to Section 25 of the *Expropriations Act (Ontario)*. The Company accepted the consideration in order to repay the outstanding first mortgage obligation of $21,917, but has the right to claim additional compensation as provided for in the *Expropriations Act (Ontario)*. Based on the consideration offered, the Company recorded a corresponding fair value gain of $7,580 in the consolidated statements of earnings for the year ended December 31, 2018 and collected the net proceeds in the year ended December 31, 2018.

Fair Value of Investment Properties

Fair values of investment properties are determined using valuations prepared by management using inputs that are Level 3 on the fair value hierarchy. To supplement the assessment of fair value, management obtains valuations of selected investment properties on a rotational basis from qualified external valuation professionals and verifies the results of such valuations with the external appraisers. As at December 31, 2019, investment properties with a total fair value of $345,369 (December 31, 2018 - $340,560) were externally appraised at a value of $366,569 (December 31, 2018 - $340,560).

The discount rate is based on the weighted average cost of capital of the Company and is used to determine the net present value of cash flows. The terminal capitalization rate is based on the location, size and quality of the investment property and takes into account any available market data at the valuation date. The terminal capitalization rate is used to estimate the value of a property at the end of the holding period.

The following are the significant assumptions used under the discounted cash flow method:

- Terminal capitalization rate – taking into account assumptions regarding vacancy rates and market rents
- Discount rate – reflecting current market assessments of the uncertainty in the amount and timing of cash flows

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Significant unobservable inputs were as follows for December 31, 2019 and December 31, 2018:

		2019		2018	
	Input	**Range**	**Weighted average**	Range	Weighted average
Stabilized assets	Discount rate	5.25%-7.00%	5.6%	6.00%-7.00%	6.2%
	Terminal capitalization rate	4.50%-6.50%	4.8%	5.25%-6.50%	5.4%
Properties under development	Discount rate	6.00%-7.00%	6.6%	7.00%	7.0%
	Terminal capitalization rate	5.25%-6.50%	5.9%	6.25%-6.50%	6.4%
Dream Alternatives	Discount rate	6.00%-7.25%	6.9%	5.80%-8.80%	6.9%
	Terminal capitalization rate	5.00%-6.25%	5.9%	4.75%-8.00%	6.3%

A property within the Dream Alternatives portfolio was valued using the direct comparison approach, whereby its highest and best use considered the asset's redevelopment potential due to its recent rezoning application submission. The direct comparison approach considered recent activity for similar development/redevelopment sites. The appraised value for this wholly owned property was a higher value than the fair value recorded in the consolidated statement of financial position as it was adjusted for factors specific to the property which included zoning, density and timing assumptions.

Fair values of investment properties other than the above noted, which include commercial, retail and other properties held for the long term, are primarily calculated using a discounted cash flow (“DCF”) model, generally over an average period of ten years, plus a terminal value based on the estimated cash flow in the final year. The DCF model incorporates, among other things, expected rental income from current leases, assumptions about rental income from future leases and implied vacancy rates, general inflation and projections of required cash outflows with respect to such leases. The significant unobservable inputs for the fair value of the Company’s investment properties are provided above.

Fair values of the Company's investment properties are most sensitive to changes in the terminal capitalization rates. An increase in the terminal capitalization rate will result in a decrease in the fair value of an investment property and vice versa. If the capitalization rate were to increase or decrease by 25 bps, the value of investment properties would decrease by $21,737 and increase by $24,569, respectively, as at December 31, 2019.

Investment properties, including equity accounted investments and excluding assets held for sale, with a fair value of $420,457 as at December 31, 2019 (December 31, 2018 - $373,270) are pledged as security for mortgages and term debt. Investment properties, including equity accounted investments, with a fair value of $143,496 as at December 31, 2019 (December 31, 2018 - $37,646) are pledged as security for construction loans.

The Company's future minimum rental commitments, including joint operations and excluding investment properties classified as held for sale, from non-cancellable tenant operating leases as at December 31, 2019 were as follows:

No longer than 1 year	$	17,508
Between 1 and 2 years		17,017
Between 2 and 3 years		15,880
Between 3 and 4 years		15,908
Between 4 and 5 years		14,901
Longer than 5 years		158,291
	$	239,505

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

13. Recreational properties

The movement in recreational properties is as follows:

		2019		2018
Balance, beginning of year	**$**	**49,241**	$	40,617
Additions		**5,683**		9,557
Depreciation		**(4,981)**		(3,891)
Other		**(1,164)**		2,958
Balance, end of year	**$**	**48,779**	$	49,241

Cost	**$**	**80,591**	$	76,072
Accumulated depreciation		**(31,812)**		(26,831)
Balance, end of year	**$**	**48,779**	$	49,241

		2019		2018
Operational recreational properties:				
Arapahoe Basin ski hill (Colorado)	**$**	**31,923**	$	32,103
The Broadview Hotel (Ontario)		**13,952**		14,554
Willows Golf Course (Saskatchewan)		**2,904**		2,584
	$	**48,779**	$	49,241

14. Renewable power assets

The movement in renewable power assets is as follows:

		Right-of-use assets		Solar power		Wind power		2019		2018
Balance, beginning of year	$	—	$	84,779	$	58,509	**$**	**143,288**	$	—
Impact of changes in accounting policies (Note 43)		12,036		—		—		**12,036**		—
Adjusted balance, beginning of year		12,036		84,779		58,509		**155,324**		—
Acquired through business combination		—		—		—		**—**		148,901
Additions/(dispositions)		—		(41)		—		**(41)**		584
Depreciation		(236)		(1,310)		(1,064)		**(2,610)**		(6,717)
Foreign currency gain (loss)		(219)		—		(835)		**(1,054)**		520
Transferred to assets held for sale (Note 17)		(11,581)		(83,428)		(56,610)		**(151,619)**		—
Balance, end of year	$	—	$	—	$	—	**$**	**—**	$	143,288

		2019		2018
Cost	**$**	**171,632**	$	160,691
Accumulated depreciation		**(20,013)**		(17,403)
Transferred to assets held for sale (Note 17)		**(151,619)**		—
Total renewable power assets	**$**	**—**	$	143,288

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

15. Equity accounted investments

The Company has entered into certain arrangements in the form of jointly controlled entities for various residential and investment property developments, as well as renewable energy investments. These arrangements include restrictions on the ability to access assets without the consent of all partners and include distribution conditions outlined in partnership agreements. These arrangements are accounted for under the equity method. The equity method of accounting is also applicable to investments in common stock in which the Company is deemed to be able to exercise significant influence over the investee company. As at December 31, 2019, the carrying value of these arrangements was $708,840 (December 31, 2018 – $549,760).

The following tables summarize the Company's proportionate share of assets and liabilities in equity accounted investments (segregated between development and income producing investments) as at December 31, 2019 and December 31, 2018.

			2019
Project level (100%)	**Assets**	**Liabilities**	**Net assets**
Development investments			
Brighton Marketplace	**$ 69,614**	**$ (44,546)**	**$ 25,068**
Canary District	**213,966**	**(185,243)**	**28,723**
Frank Gehry	**362,725**	**(273,489)**	**89,236**
Brightwater[2]	**269,183**	**(109,668)**	**159,515**
Lakeshore East	**66,723**	**(30,012)**	**36,711**
Other development investments	**464,570**	**(157,253)**	**307,317**
Total development investments	**$ 1,446,781**	**$ (800,211)**	**$ 646,570**
Income producing investments			
Dream Office REIT	**$ 2,911,800**	**$ (1,270,492)**	**$ 1,641,308**
Firelight Infrastructure Partners LP	**947,023**	**(727,664)**	**219,359**
Other income producing investments	**142,357**	**(83,737)**	**58,620**
Total income producing investments	**$ 4,001,180**	**$ (2,081,893)**	**$ 1,919,287**
Total	**$ 5,447,961**	**$ (2,882,104)**	**$ 2,565,857**

						2019
At Dream's share	**Ownership interest**	**Assets**	**Liabilities**	**Net assets**	**Difference between net assets and deemed cost of investments[1]**	**Total**
Development investments						
Brighton Marketplace	50%	$ 34,807	$ (22,273)	$ 12,534	$ (2,286)	**$ 10,248**
Canary District	33%-50%	106,239	(92,086)	14,153	—	**14,153**
Frank Gehry	25%	89,999	(68,372)	21,627	8,334	**29,961**
Brightwater[2],[3]	31%	87,807	(34,150)	53,657	—	**53,657**
Lakeshore East[3]	50%	48,226	(15,267)	32,959	—	**32,959**
Other development investments	7%-50%	99,562	(41,531)	58,031	—	**58,031**
Total development investments		$ 466,640	$ (273,679)	$ 192,961	$ 6,048	**$ 199,009**
Income producing investments						
Dream Office REIT[4]	27%	$ 792,253	$ (345,680)	$ 446,573	$ (13,200)	**$ 433,373**
Firelight Infrastructure Partners LP	20%	189,405	(145,533)	43,872	—	**43,872**
Other income producing investments	17%-78%	57,362	(24,595)	32,767	(181)	**32,586**
Total income producing investments		$ 1,039,020	$ (515,808)	$ 523,212	$ (13,381)	**$ 509,831**
Total		**$ 1,505,660**	**$ (789,487)**	**$ 716,173**	**$ (7,333)**	**$ 708,840**

(1) The difference between net assets and the deemed cost of investments is due to the Company's proportionate share of the joint venture's net assets being either higher or lower than the Company's cost of the investment at year-end.
(2) Previously referred to as "Port Credit".
(3) The Company's deemed cost of this investment includes fair value adjustments relating to the consolidation of Dream Alternatives (Note 5) and as a result, may not reflect the Company's proportionate share of project level net assets.
(4) The ownership interest in Dream Office REIT increased throughout the year ended December 31, 2019 and was approximately 27% as at December 31, 2019 (December 31, 2018 - 23%). The fair value of the Company's interest in Dream Office REIT as at December 31, 2019 was $520,635 (December 31, 2018 - $323,623).

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

			2018
Project level (100%)	Assets	Liabilities	Net assets
Development investments			
Brighton Marketplace	$ 46,465	$ (30,646)	$ 15,819
Canary District	125,057	(105,090)	19,967
Frank Gehry	345,011	(259,265)	85,746
Brightwater[(2)]	259,819	(122,827)	136,992
Lakeshore East	63,575	(30,040)	33,535
Other development investments	319,370	(202,031)	117,339
Total development investments	$ 1,159,297	$ (749,899)	$ 409,398
Income producing investments			
Dream Office REIT	$ 3,122,932	$ (1,509,310)	$ 1,613,622
Firelight Infrastructure Partners LP	944,846	(752,188)	192,658
Other income producing investments	140,545	(85,788)	54,757
Total income producing investments	$ 4,208,323	$ (2,347,286)	$ 1,861,037
Total	$ 5,367,620	$ (3,097,185)	$ 2,270,435

						2018
At Dream's share	Ownership interest	Assets	Liabilities	Net assets	Difference between net assets and deemed cost of investments[(1)]	Total
Development investments						
Brighton Marketplace	50%	$ 23,233	$ (15,323)	$ 7,910	$ (2,286)	$ 5,624
Canary District	50%	62,529	(52,545)	9,984	—	9,984
Frank Gehry	25%	85,773	(64,816)	20,957	7,656	28,613
Brightwater[(2),(3)]	31%	84,902	(38,076)	46,826	—	46,826
Lakeshore East[(3)]	50%	46,383	(15,021)	31,362	—	31,362
Other development investments	7%-50%	104,288	(75,057)	29,231	—	29,231
Total development investments	7%-50%	$ 407,108	$ (260,838)	$ 146,270	$ 5,370	$ 151,640
Income producing investments						
Dream Office REIT	23%	$ 700,581	$ (339,199)	$ 361,382	$ (21,125)	$ 340,257
Firelight Infrastructure Partners LP	20%	188,969	(150,494)	38,475	—	38,475
Other income producing investments	17%-78%	45,486	(26,098)	19,388	—	19,388
Total income producing investments		$ 935,036	$ (515,791)	$ 419,245	$ (21,125)	$ 398,120
Total		$ 1,342,144	$ (776,629)	$ 565,515	$ (15,755)	$ 549,760

(1) The difference between net assets and the deemed cost of investments is due to the Company's proportionate share of the joint venture's net assets being either higher or lower than the Company's cost of the investment at year-end.
(2) Previously referred to as "Port Credit".
(3) The Company's deemed cost of this investment includes fair value adjustments relating to the consolidation of Dream Alternatives (Note 5) and as a result, may not reflect the Company's proportionate share of project level net assets.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The following tables summarize the Company's proportionate share of revenue, earnings (losses) and earnings (losses) before depreciation in equity accounted investments for the years ended December 31, 2019 and 2018.

				2019
Project level (100%)		**Revenues**	**Earnings**	**Earnings before depreciation**
Total development investments[(1)]	$	581,344 $	127,436 $	127,473
Income producing investments				
Dream Office REIT[(2)]		229,018	168,821	170,712
Firelight Infrastructure Partners LP		136,154	27,393	73,299
Other income producing investments		42,296	17,107	18,563
Total income producing investments	$	407,468 $	213,321 $	262,574
Total	**$**	**988,812 $**	**340,757 $**	**390,047**

				2019
At Dream's share	**Ownership interest**	**Revenue**	**Earnings**	**Earnings before depreciation**
Total development investments[(1)]	7%-50% $	97,436 $	33,731 $	33,743
Income producing investments				
Dream Office REIT[(2)]	27%	60,800	44,819	45,321
Firelight Infrastructure Partners LP	20%	27,231	5,479	14,659
Other income producing investments	17%-78%	21,135	9,322	9,688
Total income producing investments	$	109,166 $	59,620 $	69,668
Total	**$**	**206,602 $**	**93,351 $**	**103,411**

(1) Earnings from development investments in the year ended December 31, 2019 relate primarily to the Company's share of earnings from Canary District, Dream CMCC Capital Fund II and Axis Condominiums due to occupancies in the period and fair value gains on certain investment properties.
(2) The ownership interest in Dream Office REIT increased throughout the year ended December 31, 2019 and averaged 27% (year ended December 31, 2018 - 18%).

				2018
Project level (100%)		Revenues	Earnings (losses)	Earnings before depreciation
Total development investments	$	4,407 $	6,671 $	6,685
Income producing investments				
Dream Office REIT		285,208	163,906	166,103
Firelight Infrastructure Partners LP		132,673	26,063	69,563
Other income producing investments		41,127	(1,222)	186
Total income producing investments	$	459,008 $	188,747 $	235,852
Total	$	463,415 $	195,418 $	242,537

				2018
At Dream's share	Ownership interest	Revenue	Earnings (losses)	Earnings (losses) before depreciation
Development investments	7%-50% $	707 $	(13) $	(13)
Income producing investments				
Dream Office REIT	18%	54,658	32,402	32,805
Firelight Infrastructure Partners LP	20%	26,827	5,213	13,913
Other income producing investments	17%-78%	20,364	(573)	130
Total income producing investments	$	101,849 $	37,042 $	46,848
Total	$	102,556 $	37,029 $	46,835

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

16. Capital and other operating assets

Capital and other operating assets consisted of the following:

	Note		2019		2018
Restricted cash		$	**13,876**	$	14,832
Goodwill			**13,576**		13,576
Prepaid expenses[1]			**11,884**		9,203
Capital assets			**9,716**		12,291
Right-of-use assets	43		**3,914**		—
Other			**2,613**		3,742
Total capital and other operating assets		**$**	**55,579**	$	53,644

		2019		2018
Capital assets	**$**	**19,607**	$	20,317
Accumulated depreciation		**(9,891)**		(8,026)
Total capital assets	**$**	**9,716**	$	12,291

[1] Included in prepaid expenses as at December 31, 2019 is $2,903 of capitalized sales commissions relating to housing and condominium sales to be recognized in future periods (December 31, 2018 - $3,507).

Restricted cash represents cash advanced by the Company to secure letters of credit provided to various government agencies to support development activity, certain customer deposits on land, housing and condominium sales required for specific statutory requirements before closing, and cash held as security.

Right-of-use assets

The movement in right-of-use assets relating to property and equipment is as follows:

		2019
Balance, beginning of year	$	—
Impact of changes in accounting policies (Note 43)		4,831
Adjusted balance, beginning of year		4,831
Depreciation		(917)
Balance, end of year	$	3,914

Refer to Note 12 for right-of-use assets relating to investment properties.

Goodwill

Goodwill arising from business combinations is allocated at the lowest level within the Company at which it is monitored by management to make business decisions and, therefore, has been allocated to the Zibi CGU within the Urban Development - Toronto & Ottawa operating segment.

The recoverable amount of the Zibi CGU has been estimated using fair value less costs of disposal. The CGU's inventory was fair valued using a third party appraisal, whereby the direct comparison approach was used to compare Zibi with similar sites classified as vacant for development that have been recently sold or offered for sale. The fair value measurement is categorized in Level 3 of the fair value hierarchy.

The Company performed its annual impairment test as at October 1, 2019 and did not identify an impairment for the Zibi CGU.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

17. Assets held for sale

As at December 31, 2019, management had committed to a plan of sale of certain properties, which were considered to be highly probable. As a result, these properties were classified as assets held for sale totalling $49,089.

Assets held for sale		2019		2018
Balance, beginning of year	$	72,587	$	34,118
Transfers (to)/from investment properties (Note 12)		(5,708)		53,732
Transfer from renewable power assets (Note 14)		151,619		—
Transfer of other assets associated with renewable power		7,248		—
Change in other assets associated with renewable power		4,303		—
Assets sold during the year		(178,493)		(14,086)
Additions to assets held for sale		420		1,763
Change in straight-line rent and other		(459)		458
Fair value changes in investment properties classified as assets held for sale		(2,428)		(3,398)
Balance, end of year	$	49,089	$	72,587

Liabilities associated with assets held for sale		2019		2018
Balance, beginning of year	$	—	$	—
Transfer of liabilities associated with renewable power		89,263		—
Change in liabilities associated with renewable power		1,182		—
Liabilities sold during the year		(90,445)		—
Balance, end of year	$	—	$	—

In the year ended December 31, 2019, the Company disposed of its interest in two investment properties, for total consideration of $15,323. No gain on disposal was recognized in the consolidated statement of earnings for the year ended December 31, 2019 as the investment properties were carried at fair value.

In the year ended December 31, 2019, Dream Alternatives began marketing its economic interest in the Canadian and U.K. renewable power portfolio. These include two solar and one wind property in Canada and one wind property in the U.K., which were reclassified into assets held for sale in the year. At the time of transfer, the assets had a carrying value of $151,619 ($143,288 as at December 31, 2018). In the year ended December 31, 2019, both the Canadian and U.K. renewable power portfolio components were sold for gross cash proceeds of $63,730, before transaction costs, resulting in a net loss of $8,515 recognized in the consolidated statement of earnings for the year ended December 31, 2019.

In the year ended December 31, 2018, the Company disposed of its interest in two properties, for total consideration of $23,508. The resulting gain on disposal of $9,422 was recognized in the consolidated statement of earnings for the year ended December 31, 2018.

18. Accounts payable and other liabilities

The details of accounts payable and other liabilities are as follows:

	Note		2019		2018
Accrued liabilities		$	101,467	$	87,422
Customer deposits			50,243		34,111
Trade payables[1]			33,907		24,549
Lease obligation			14,450		7,180
Deferred revenue			6,213		6,774
Other			—		917
		$	206,280	$	160,953

[1] Included in trade payables were bank overdraft balances of $2,170 as at December 31, 2019 (December 31, 2018 - $7,602).

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Lease Obligation

		2019
Maturity analysis - contractual undiscounted cash flows		
Less than one year	$	1,916
One to five years		5,790
More than five years		11,554
Total undiscounted lease obligation as at December 31, 2019	$	19,260
Discounted using the lessee's incremental borrowing rate as at December 31, 2019		(4,810)
Total discounted lease obligation as at December 31, 2019	**$**	**14,450**
Current portion of lease obligation		2,283
Non-current portion of lease obligation		12,167
Total lease obligation	**$**	**14,450**

There are no future cash outflows to which the Company is potentially exposed that are not reflected in the measurement of lease obligations.

19. Provision for real estate development costs

The movement in the provision for real estate development costs is as follows:

		2019		2018
Balance, beginning of year	**$**	**33,853**	$	34,756
Additional provisions		**16,223**		11,845
Utilized during the year		**(13,223)**		(12,748)
Balance, end of year	**$**	**36,853**	$	33,853

The provision for real estate development costs includes accrued costs based on the estimated costs to complete land, housing and condominium development projects for which revenue has been recognized. These amounts have not been discounted, as the majority are expected to be substantially utilized within one year.

20. Debt

Project-Specific Debt

	Construction loans - Western Canada	Construction loans - Urban Development - Toronto & Ottawa	Operating Line - Western Canada	Mortgages and term debt - Dream	Mortgages and term debt - Dream Alternatives	Total
Balance, January 1, 2019	$ 61,421	$ 116,565	$ 48,943	$ 137,214	$ 199,380	**$ 563,523**
Borrowings	35,805	67,547	154,000	55,305	—	**312,657**
Repayments	(43,414)	(20,633)	(203,000)	(21,662)	(30,104)	**(318,813)**
Assumed on disposition of assets held for sale	—	—	—	—	(80,264)	**(80,264)**
Interest and other	—	50	57	(2,360)	—	**(2,253)**
Balance, December 31, 2019	**$ 53,812**	**$ 163,529**	**$ —**	**$ 168,497**	**$ 89,012**	**$ 474,850**

	Construction loans - Western Canada	Construction loans - Urban Development - Toronto & Ottawa	Operating Line - Western Canada	Mortgages and term debt - Dream	Mortgages and term debt - Dream Alternatives	Total
Balance, January 1, 2018	$ 98,706	$ 64,697	$ 93,225	$ 116,824	$ —	$ 373,452
Borrowings	62,642	73,090	212,000	69,489	—	417,221
Repayments	(99,927)	(21,260)	(257,000)	(51,378)	(4,664)	(434,229)
Assumed through business combination (Note 5)	—	—	—	—	203,967	203,967
Interest and other	—	38	718	2,279	77	3,112
Balance, December 31, 2018	$ 61,421	$ 116,565	$ 48,943	$ 137,214	$ 199,380	$ 563,523

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Corporate Debt Facilities

	Non-revolving term facility	Margin facility	Total
Balance, January 1, 2019	$ 224,083	$ 100,000	**$ 324,083**
Repayments	—	(100,000)	**(100,000)**
Interest and other	22	—	**22**
Balance, December 31, 2019	**$ 224,105**	**$ —**	**$ 224,105**

	Operating Line - Dream Alternatives	Non-revolving term facility	Margin facility	Total
Balance, January 1, 2018	$ —	$ 174,799	$ 40,000	$ 214,799
Borrowings	35,000	50,000	75,000	160,000
Repayments	(35,000)	—	(15,000)	(50,000)
Interest and other	—	(716)	—	(716)
Balance, December 31, 2018	$ —	$ 224,083	$ 100,000	$ 324,083

Further details on the weighted average interest rates and maturities are included in Note 33. In the year ended December 31, 2019, there were no events of default on any of the Company's obligations under its debt facilities.

Operating Line - Western Canada

The Company's revolving term credit facility (the "operating line") is primarily used to finance land servicing activity in Saskatchewan and Alberta. The operating line is available up to a formula-based maximum not to exceed $290,000, with a syndicate of Canadian financial institutions. In the year ended December 31, 2019, the Company amended the operating line, extending the maturity date to January 31, 2021 and revising certain covenants of DAM. The operating line bears interest, at the Company's option, at a rate per annum equal to either the bank's prime lending rate plus 1.25% or at the bank's then prevailing bankers' acceptance rate plus 2.50%. The operating line is secured by a general security agreement and a first charge against various real estate assets in Western Canada.

As at December 31, 2019, funds available under this facility were $259,004, as determined by the formula-based maximum calculation, with $46,162 of letters of credit issued against the facility.

Other Project-Specific Debt

Western Canada construction loans relate to housing, retail and commercial projects under development and are all due on demand with recourse provisions. Urban development construction loans relate to project-specific financing for residential and mixed-use development and land servicing and hold security against the underlying land. Mortgages and term debt for both Dream and Dream Alternatives are provided by a variety of lenders. In the year ended December 31, 2019, $80,264 of mortgages and term debt relating to Dream Alternatives was assumed by the purchasers on disposition of assets held for sale. The balance of interest and other primarily includes accrued interest adjustments, foreign exchange and amortization of deferred financing costs.

Non-Revolving Term Facility

In the year ended December 31, 2019, the Company executed on an amendment to its $225,000 non-revolving term facility with a syndicate of Canadian financial institutions, extending the maturity date to February 28, 2022 and revising certain covenants of DAM. The non-revolving term facility bears interest, at the Company's option, at a rate per annum equal to either the bank's prime lending rate plus 1.50% or at the bank's then prevailing bankers' acceptance rate plus 2.75%. The facility is secured by a general security agreement and a first charge against various real estate assets and other financial assets of the Company.

Margin Facility

The Company's margin facility is due on demand and bears interest, at the Company's option, at a rate per annum equal to either the bank's prime lending rate plus 1.25% or the bank's then prevailing bankers' acceptance rate plus 2.50%. The facility is secured by a first charge against certain marketable securities. As at December 31, 2019, funds available under this facility were $110,000, as determined by the formula-based maximum calculation.

Operating Line - Dream Alternatives

Dream Alternatives has a revolving term credit facility available, up to a formula-based maximum not to exceed $50,000, with a Canadian financial institution. During the year ended December 31, 2019, the facility was renewed with certain financial covenant requirements amended and the maturity date extended to July 31, 2021. As at December 31, 2019, $nil was drawn on the revolving credit facility (December 31, 2018 – $nil) and funds available under this facility were $8,894 (December 31, 2018 – $38,000), net of $360 (December 31, 2018 – $1,395) of letters of credit issued against the facility.

Interest Rate Swap

In order to manage the interest rate risk on certain variable debt, the Company entered into a seven-year interest rate swap agreement that fixed the interest rate on a term loan at 3.69%. As at December 31, 2019, the aggregate value of the interest rate swap amounted to $12 and is presented in other financial assets. The Company did not apply hedge accounting to this relationship, and therefore the change in fair value of the swap is recognized in earnings within fair value changes in derivative financial instruments in the year ended December 31, 2019. As as December 31, 2019, the outstanding amount on the hedged facility was $5,435 (December 31, 2018 - $7,560).

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The following table summarizes the details of the interest rate swap outstanding as at December 31, 2019:

Maturity date	Debt facility		Notional amount hedged	Fixed interest rate	Financial instrument classification		Fair value of hedging instrument
January 14, 2023	Term debt	$	5,435	3.69 %	FVTPL	$	12

In the year ended December 31, 2019, the Company extinguished an interest rate swap on the non-revolving term facility, resulting in a break fee of $1,935 recognized within interest expense in the consolidated statement of earnings (Note 32).

21. Preference shares, series 1

As part of the reorganization of the Company's share capital in 2013, the Company issued 6,000,000, 7% Cumulative Redeemable First Preference shares, series 1 ("Preference shares, series 1"), with a liquidation amount of $7.16 per share. The shares were classified and accounted for as a financial liability as they were retractable at the option of the holder for a fixed amount per share. The shares were also retractable by the Company for a fixed amount per share.

In the year ended December 31, 2019, the Company redeemed all of its outstanding Preference shares, series 1, in accordance with their terms. The cash redemption price for the Preference shares, series 1 was $7.16 per share, plus all accrued and unpaid dividends from September 30, 2019 up to and including the redemption date, for aggregate proceeds of $29,123. The Preference shares, series 1 were delisted from the TSX.

The Preference shares, series 1, issued and outstanding are as follows:

	Number of shares		Par value		Carrying value
Balance, January 1, 2018	4,005,729	$	28,681	$	28,668
Accretion using the effective interest method	—		—		4
Balance, December 31, 2018	4,005,729	$	28,681	$	28,672
Redemption of shares	(4,005,729)		(28,681)		(28,675)
Accretion using the effective interest method	—		—		3
Balance, December 31, 2019	**—**	**$**	**—**	**$**	**—**

In the year ended December 31, 2019, the Company declared and paid dividends on the Preference shares, series 1 of $1,948 (year ended December 31, 2018 – $2,008).

22. Dream Alternatives trust units

The Company accounts for the 77% interest in Dream Alternatives trust units held by other unitholders as a financial liability measured at FVTPL (December 31, 2018 - 83%). As at December 31, 2019, the trust units had a fair value of $411,078 based on the trading price on the TSX. The movement in Dream Alternatives trust units is as follows:

			2019			2018
	Units		Total	Units		Total
Balance, beginning of year	60,454,099	$	377,234	—	$	—
Assumed through business combination	—		—	62,815,176		397,620
Units acquired by the Company in the year	(2,820,155)		(21,049)	(1,875,426)		(12,221)
Units issued to other unitholders through distribution reinvestment plan	142,818		940	756,348		4,984
Units repurchased and cancelled by Dream Alternatives	(4,876,984)		(38,053)	(1,289,889)		(8,455)
Deferred units exchanged for Dream Alternatives trust units	142,606		1,075	47,890		309
Fair value adjustment	—		90,931	—		(5,003)
Balance, end of year	**53,042,384**	**$**	**411,078**	60,454,099	$	377,234

In the year ended December 31, 2019, the Company, through Dream Alternatives, declared distributions on the trust units of $22,581 owing to other unitholders, of which $21,641 was paid in cash (year ended December 31, 2018 - distributions of $24,683, of which $19,699 was paid in cash).

In the year ended December 31, 2019, the Company recognized an expense related to Dream Alternatives trust units of $113,512 in the consolidated statements of earnings, comprising distributions to other unitholders of $22,581 and a fair value gain of $90,931, respectively, due to changes in Dream Alternatives' trust unit trading prices (year ended December 31, 2018 - expense of $19,680, comprising distributions to other unitholders of $24,683 offset by a fair value loss of $5,003).

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

In the year ended December 31, 2019, Dream Alternatives announced the suspension of its distribution reinvestment plan effective for the February 2019 distribution.

23. Income taxes

In the year ended December 31, 2019, the Company recognized an income tax expense of $108,681 (year ended December 31, 2018 – $21,439), the major components of which include the following items:

		2019		2018
Current income taxes:				
Current income taxes with respect to profits during the year	**$**	**107,201**	$	10,243
Current tax adjustments with respect to prior years		**(555)**		(987)
Other items affecting current tax expense		**2,973**		3,051
Current income tax expense		**109,619**		12,307
Deferred income taxes:				
Origination and reversal of temporary differences		**898**		9,134
Recovery arising from previously unrecognized temporary difference		**(374)**		(148)
Impact of changes in income tax rates		**(1,462)**		146
Deferred income tax expense (recovery)		**(938)**		9,132
Income tax expense	**$**	**108,681**	$	21,439

Due to non-coterminous tax years of the Company's partnership and trust interests, income of approximately $1,123 for the year ended December 31, 2019 (year ended December 31, 2018 – $13,271) relating to such partnership and trust interests will be included in computing the Company's taxable income for its 2020 and 2019 taxation years.

The income tax expense amount on pre-tax earnings differs from the income tax expense amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26.6%, as presented in the table below. Cash paid for income taxes for the year ended December 31, 2019 was $5,452 (year ended December 31, 2018 – $38,649).

		2019		2018
Earnings before tax at statutory rate of 26.6% (2018 - 26.7%)	**$**	**117,153**	$	57,002
Effect on taxes of:				
Non-deductible expenses		**930**		3,105
Adjustment in expected future tax rates		**(1,462)**		146
Non-taxable gain on acquisition of Dream Alternatives		**—**		(34,713)
Tax adjustments in respect of prior years		**(930)**		(1,135)
Rate differences		**(9,050)**		(3,806)
Other items		**2,040**		840
Income tax expense	**$**	**108,681**	$	21,439

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The movement in the deferred income taxes in the years ended December 31, 2019 and 2018, and the net components of the Company's net deferred income tax liabilities, are presented in the following table:

Asset (Liability)	Accounts receivable	Real estate and assets held for sale	Non-coterminous tax year	Financial instruments/ equity accounted investments	Loss carry-forwards	Equity issuance	Total
Balance, December 31, 2018	$ (9,005)	$ (26,238)	$ (3,337)	$ (22,514)	$ 1,226	$ 149	$ (59,719)
Impact of changes in accounting policies	—	(1,743)	—	(869)	—	—	(2,612)
Adjusted balance, January 1, 2018	(9,005)	(27,981)	(3,337)	(23,383)	1,226	149	(62,331)
(Charged) credited to:							
Loss (earnings) for the year	325	(8,857)	(210)	1,717	(1,958)	(149)	(9,132)
Assumed through business combination	—	(5,994)	—	(2,758)	8,863	—	111
Tax effect of business combination	—	5,469	—	(28,824)	—	—	(23,355)
Other comprehensive income	—	357	—	211	—	—	568
Balance, December 31, 2018	$ (8,680)	$ (37,006)	$ (3,547)	$ (53,037)	$ 8,131	$ —	$ (94,139)
(Charged) credited to:							
Loss (earnings) for the year	2,371	(22,403)	3,250	20,049	(2,329)	—	938
Gain on sale of assets held for sale	—	143	—	—	—	—	143
Other comprehensive income (loss)	—	(128)	—	(711)	—	—	(839)
Balance, December 31, 2019	**$ (6,309)**	**$ (59,394)**	**$ (297)**	**$ (33,699)**	**$ 5,802**	**$ —**	**$ (93,897)**

As at December 31, 2019, the Company had tax losses of $16,040 (December 31, 2018 – $15,764) that expire between 2025 and 2039. Deferred income tax assets have not been recognized in respect of these losses, as it is not probable that the Company will be able to utilize all of the losses against taxable profits in the future.

24. Share capital

The Company is authorized to issue an unlimited number of Subordinate Voting Shares and an unlimited number of Class B Shares. Holders of Subordinate Voting Shares and Class B Shares are entitled to one vote and 100 votes, respectively, for each share held. The Class B Shares are convertible into Subordinate Voting Shares on a one-for-one basis at any time. Holders of Subordinate Voting Shares and Class B Shares are entitled to receive and participate equally as to dividends, share for share, as and when declared by the directors of the Company. In the event of a liquidation, dissolution or winding up of the Company, holders of Subordinate Voting Shares and Class B Shares will be entitled to the remaining property and assets of the Company.

		2019		2018
Issued and outstanding	**Number of shares**	**Amount**	Number of shares	Amount
Subordinate Voting Shares	**102,203,590**	**$ 1,154,779**	104,215,841	$ 1,171,034
Class B Shares	**3,114,911**	**38,783**	3,115,164	38,785
	105,318,501	**$ 1,193,562**	107,331,005	$ 1,209,819

The following table summarizes the changes in the Subordinate Voting Shares issued:

		2019		2018
	Number of shares	**Amount**	Number of shares	Amount
Issued and outstanding, beginning of year	**104,215,841**	**$ 1,171,034**	106,120,323	$ 1,186,865
Class B Shares converted into Subordinate Voting Shares	**253**	**2**	135	1
Stock options exercised	**28,500**	**221**	24,583	194
Subordinate Voting Shares repurchased	**(2,041,004)**	**(16,478)**	(1,929,200)	(16,026)
Issued and outstanding, end of year	**102,203,590**	**$ 1,154,779**	104,215,841	$ 1,171,034

The following table summarizes the changes in the Class B Shares issued:

		2019		2018
	Number of shares	**Amount**	Number of shares	Amount
Issued and outstanding, beginning of year	**3,115,164**	**$ 38,785**	3,115,299	$ 38,786
Class B Shares converted into Subordinate Voting Shares	**(253)**	**(2)**	(135)	(1)
Issued and outstanding, end of year	**3,114,911**	**$ 38,783**	3,115,164	$ 38,785

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Including the Subordinate Voting Shares of Dream and Class B Shares held or controlled directly or indirectly, the President and CRO owned an approximate 35% economic interest and 83% voting interest in the Company as at December 31, 2019.

Share Repurchases

The Company renewed its normal course issuer bid (the "Bid"), which commenced on September 20, 2019, under which the Company has the ability to purchase for cancellation up to a maximum number of 6,604,023 Subordinate Voting Shares through the facilities of the TSX at prevailing market prices and in accordance with the rules and policies of the TSX. The actual number of Subordinate Voting Shares that may be purchased, and the timing of any such purchases as determined by the Company, are subject to a maximum daily purchase limitation of 15,029 shares, except where purchases are made in accordance with block purchase exemptions under applicable TSX rules.

In the year ended December 31, 2019, 2,041,004 Subordinate Voting Shares were purchased for cancellation by the Company at an average price of $8.07, respectively (year ended December 31, 2018 – 1,929,200 Subordinate Voting Shares at an average price of $8.31).

In connection with the renewal of the Bid, the Company has established an automatic securities purchase plan (the “Plan”) with its designated broker to facilitate the purchase of Subordinate Voting Shares under the Bid at times when the Company would ordinarily not be permitted to purchase its Subordinate Voting Shares due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the Company's broker based on the parameters prescribed by the TSX and the terms of the parties’ written agreement. Outside of such restricted or blackout periods, the Subordinate Voting Shares may also be purchased in accordance with management’s discretion. The Plan was pre-cleared by the TSX and will terminate on September 19, 2020.

On November 12, 2019, the Company announced its intention to purchase for cancellation up to 10,000,000 Subordinate Voting Shares at a price of $11.75 per share, for an aggregate purchase price not to exceed $117,500.

Dividends

In the year ended December 31, 2019, the Company declared dividends of $10,615 on its Subordinate Voting Shares and Class B Shares (year ended December 31, 2018 - $nil).

Reorganization Adjustment

On May 16, 2013, shareholders of Dundee Corporation unanimously voted in favour of a corporate restructuring, through a tax-efficient Plan of Arrangement, which resulted in Dundee Corporation transferring its 70.05% interest in DAM, formerly Dundee Realty Corporation, including DAM common shares and DAM Class C shares, to the Company, in exchange for shares of Dream (the "Arrangement").

The Arrangement was accounted for as a corporate reorganization, and the Company recognized the identifiable assets and liabilities of DAM transferred to Dream pursuant to the Arrangement at DAM’s historical carrying values, with no fair value adjustments. The difference between the stated capital of Dream's issued shares and the previously recorded share capital and contributed surplus of DAM, and other minor adjustments, of $944,577 was reflected as a separate component of equity described as "Reorganization adjustment".

25. Accumulated other comprehensive income

The movement in AOCI is as follows:

	Interest rate hedges	Foreign currency translation	Equity accounted investments	Total
Balance, January 1, 2018	$ 555	$ 6,532	$ 1,096	$ 8,183
Other comprehensive income (loss) during the year	(884)	3,210	870	3,196
Balance, December 31, 2018	(329)	9,742	1,966	11,379
Other comprehensive loss during the year	(1,425)	(577)	(623)	(2,625)
Reversal of losses realized on disposition of interest rate hedge	1,906	—	—	1,906
Reversal of gains realized on disposition of assets held for sale	(152)	(122)	—	(274)
Balance, December 31, 2019	**$ —**	**$ 9,043**	**$ 1,343**	**$ 10,386**

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

26. Non-controlling interest

The movement in non-controlling interest is as follows:

	Zibi	Other	**Total 2019**	Total 2018
Balance, beginning of year	$ 14,660	$ 1,669	**$ 16,329**	$ 38,090
Earnings (loss) for the year	(711)	210	**(501)**	1,105
Change in interest in subsidiary related to business combination	—	—	**—**	(25,393)
Distributions to non-controlling interests	—	(1,879)	**(1,879)**	(1,021)
Contributions from non-controlling interests	7,700		**7,700**	1,600
Non-controlling interest related to business combination	—	—	**—**	1,948
Balance, end of year	$ 21,649	$ —	**$ 21,649**	$ 16,329

27. Revenue

Revenue consisted of the following:

	2019	2018
Revenue from contracts with customers	**$ 540,538**	$ 294,343
Revenue from other sources - rental income	**27,083**	29,846
Revenue from other sources - lending portfolio	**12,809**	15,684
Total revenue	**$ 580,430**	$ 339,873

Revenue from Contracts with Customers

The following table disaggregates revenue by major revenue stream and timing of revenue recognition:

2019	Land	Housing and condominium	Investment properties	Recreational properties	Asset management	Renewable power	**Total**
Revenue	$ 63,253	$ 96,799	$ 15,674	$ 50,355	$ 319,741	$ 15,853	**$ 561,675**
Less: Intercompany revenue	—	(12,059)	—	—	(9,078)	—	**(21,137)**
Revenue from external customers	$ 63,253	$ 84,740	$ 15,674	$ 50,355	$ 310,663	$ 15,853	**$ 540,538**
Timing of revenue recognition							
At a point in time	$ 63,253	$ 84,740	$ —	$ 42,003	$ 8,487	$ —	**$ 198,483**
Over time	—	—	15,674	8,352	302,176	15,853	**342,055**
	$ 63,253	$ 84,740	$ 15,674	$ 50,355	$ 310,663	$ 15,853	**$ 540,538**

2018	Land	Housing and condominium	Investment properties	Recreational properties	Asset management	Renewable power	Total
Revenue	$ 107,458	$ 94,215	$ 15,856	$ 45,889	$ 44,034	$ 17,874	$ 325,326
Less: Intercompany revenue	—	(18,750)	—	—	(12,233)	—	(30,983)
Revenue from external customers	$ 107,458	$ 75,465	$ 15,856	$ 45,889	$ 31,801	$ 17,874	$ 294,343
Timing of revenue recognition							
At a point in time	$ 107,458	$ 75,465	$ —	$ 38,564	$ 5,434	$ —	$ 226,921
Over time	—	—	15,856	7,325	26,367	17,874	67,422
	$ 107,458	$ 75,465	$ 15,856	$ 45,889	$ 31,801	$ 17,874	$ 294,343

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Unsatisfied Contracts

The following table summarizes unsatisfied performance obligations resulting from the sale of condominium units, excluding equity accounted investments. The timing of revenue recognition upon occupancy is subject to uncertainty due to a number of variables throughout the construction process. Any revenue attributable to unsatisfied performance obligations subject to a variable constraint have been excluded from the table below.

		Performance obligation expected to be fully satisfied by		
	Contract value at Dream's share	2020	2021	2022
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at December 31, 2019	**$ 228,663**	$ 86,003	$ 35,618	$ 107,042

As permitted under IFRS 15, the transaction price allocated to unsatisfied contracts for sales contracts for periods of one year or less is not disclosed.

Revenue Recognized in Relation to Contract Liabilities

The following table summarizes revenue recognized in the current reporting period relating to prior period deferred revenue. There was no revenue recognized in the current reporting period that relates to performance obligations satisfied in a prior year.

	2019	2018
Revenue recognized that was included in deferred revenue at the beginning of the year	**$ 6,774**	$ 3,624

28. Direct operating costs

Direct operating costs consisted of the following:

	2019	2018
Direct costs of real estate inventory	**$ 132,189**	$ 126,282
Direct costs of operating investment and recreational properties	**58,967**	56,894
Direct costs of asset management	**13,720**	11,164
Direct costs of renewable power	**5,516**	10,751
	$ 210,392	$ 205,091

29. Selling, marketing, depreciation and other operating costs

Selling, marketing, depreciation and other operating costs consisted of the following:

	2019	2018
Salary and other compensation	**$ 21,067**	$ 23,074
General office and other	**14,837**	15,299
Selling and marketing costs	**9,138**	8,741
	$ 45,042	$ 47,114

30. General and administrative expenses

General and administrative expenses consisted of the following:

	2019	2018
Salary and other compensation	**$ 13,598**	$ 11,545
Corporate, service and professional fees	**7,548**	5,597
General office and other	**3,202**	3,253
	$ 24,348	$ 20,395

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

31. Investment and other income

Investment and other income consisted of the following:

		2019		2018
Interest and other income	$	7,556	$	9,392
Distributions from Dream Publicly Listed Funds		2,609		3,388
Losses reclassified to earnings on accounting changes (Note 5)		—		(78)
	$	10,165	$	12,702

Investment income on Dream Publicly Listed Funds includes the income portion of distributions earned on the Company's previously held investment in Dream Global REIT.

32. Interest expense

Interest expense consisted of the following:

		2019		2018
Interest on project-specific debt	$	30,102	$	22,723
Interest on corporate debt facilities		16,662		17,393
Dividends on Preference shares, series 1		1,948		2,008
Amortization of deferred financing costs and accretion of effective interest		2,082		1,696
Interest rate swap break fee (Note 20)		1,935		—
Project-specific interest capitalized to real estate development projects		(10,826)		(5,889)
Total	$	41,903	$	37,931

Interest expense was capitalized to real estate development projects for the year ended December 31, 2019 at a weighted average effective borrowing rate of 4.87% (year ended December 31, 2018 - 4.64%).

33. Financial instruments fair value and risk management

Fair Value of Financial Instruments

The following table categorizes financial assets or liabilities measured or disclosed at fair value by level according to the significance of inputs used in making measurements. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

	Fair value hierarchy	December 31, 2019 Carrying value	December 31, 2019 Fair value	December 31, 2018 Carrying value	December 31, 2018 Fair value
Recurring measurement					
Financial assets					
Dream Global REIT units	Level 1	$ —	$ —	$ 37,279	$ 37,279
Dream Global REIT deferred trust units	Level 3	—	—	20,844	20,844
Participating mortgages	Level 3	**66,210**	**66,210**	64,764	64,764
Investment holdings	Level 3	**50,206**	**50,206**	73,085	73,085
Other instruments	Level 3	**4,952**	**4,952**	4,485	4,485
Lending portfolio	Level 3	**7,301**	**7,301**	16,574	16,574
Financial liabilities					
Dream Alternatives trust units	Level 1	**411,078**	**411,078**	377,234	377,234
Retraction option on Preference shares, series 1	Level 3	—	—	232	232
Interest rate swap	Level 3	—	—	685	685
Fair values disclosed					
Lease obligation	Level 3	**14,450**	**14,450**	7,180	7,180
Lending portfolio	Level 3	**57,404**	**57,195**	127,521	126,825
Construction loans	Level 3	**217,341**	**217,257**	177,986	177,953
Mortgages and term debt - Dream	Level 3	**168,497**	**167,518**	137,214	136,591
Mortgages and term debt - Dream Alternatives	Level 3	**89,012**	**89,608**	199,380	200,500
Operating line - Western Canada	Level 3	—	—	48,943	49,000
Non-revolving term facility	Level 3	**224,105**	**225,000**	224,083	225,000
Margin facility	Level 3	—	—	100,000	100,000
Operating line - Dream Alternatives	Level 3	—	—	—	—
Preference shares, series 1	Level 2	—	—	28,672	28,838

The fair values of cash and cash equivalents, accounts receivable, loans receivable, deposits, restricted cash and certain financial instruments included in accounts payable and other liabilities, with the exception of lease obligations, are carried at amortized cost, which approximates their fair values due to their short-term nature.

The fair value of the Dream Alternatives trust units is based on the listed market price on the TSX as at December 31, 2019 of $7.75 per share for the 53,042,384 outstanding trust units not held by the Company.

Level 3 Fair Value Measurements

The Company used the following techniques to determine the fair value measurements categorized in Level 3:

Participating Mortgages

The fair value of participating mortgages is determined using a discounted cash flow analysis. The discounted cash flow model is calculated based on future interest and participating profit payments and the project managers' estimates of unit sales proceeds and/or net operating income of the underlying development. In determining the discount rate, the Company considered market conditions, time to completion of the development, the market capitalization rate, the percentage of space leased on units sold and other available information. The significant unobservable input as at December 31, 2019 is the discount rate of 7.0% - 8.0% (December 31, 2018 - 7.0% - 8.0%).

Generally, an increase in anticipated proceeds from unit closings or an increase in stabilized net operating income will result in an increase in fair values. An increase in the capitalization rates or in the discount rates will result in a decrease in fair values. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower rate resulting in a greater impact to the fair value than a higher rate. Any change in the revenue or costing estimates or development timeline could have a significant impact on the value of the development and investment holdings.

If the discount rates applied for participating mortgages were to increase by 1%, the fair value of the participating mortgages would decrease by $300. If the discount rate were to decrease by 1%, the fair value would increase by $300.

Lending Portfolio

There are no quoted prices in an active market for the lending portfolio investments. The Company determines fair value based on its assessment of the current lending market for lending portfolio investments of the same or similar terms in consultation with Canadian Mortgage Servicing Corporation ("CMSC"), the manager and servicer of the lending portfolio, and other available information. The fair value of the lending portfolio as at December 31, 2019, was determined by discounting the expected cash flows of each loan using an assessment of the market interest rate ranging from 5.0% to 17.5%.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The market interest rates were determined taking into consideration similar instruments with corresponding maturity dates, plus a credit adjustment in accordance with the borrower's creditworthiness as well as considering the risk characteristic of the underlying development. For certain loans the fair value was determined based on the net realizable value of the underlying real estate property and related transaction costs based on internal valuations which used the most appropriate valuation methodology determined for each underlying development on a highest and best use basis consistent with the income properties valuation methodology.

Corporate Debt Facilities

The fair value measurement of the non-revolving term facility, margin facility and Dream Alternatives operating line approximate the carrying value excluding unamortized financing costs given their variable rate.

Project-Specific Debt and Lease Obligation

The fair value of the operating line - Western Canada, construction loans, mortgages and term debt and lease obligation has been calculated by discounting the expected cash flows of each loan using a discount rate specific to each individual loan or obligation. The discount rate is determined using the bond yield for similar instruments of similar maturity adjusted for each individual project's specific credit risk. In determining the adjustment for credit risk, the Company considers current market conditions and other indicators of the Company's creditworthiness.

Valuation Process

The Company's finance department is responsible for performing the valuation of fair value measurements or reviewing the fair value measurements provided by third-party appraisers. The Company has determined that third-party appraisers will be utilized for recurring measurements of derivative instruments, such as the redemption and retraction options on the Preference shares, series 1, on a quarterly basis. On a quarterly basis, management will review the valuation policies, procedures and analysis of changes in fair value measurements. Refer to Note 8 for a continuity of the Company's lending portfolio balance.

The Company recognizes transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

	Investment holdings	Investment in Dream Global REIT - DTUs	Redemption option on Preference shares, series 1	Interest rate swaps[1]	Participating mortgages	Retraction option on Preference shares, series 1
Balance, December 31, 2018	$ 73,085	$ 20,844	$ 28	$ (527)	$ 64,764	$ (232)
Issued or received during the year:						
DTUs	—	1,070	—	—	—	—
DTUs vested during the year	—	(1,144)	—	—	—	—
Contributions/(distributions)	12,076	—	—	—	974	—
Dispositions/extinguishment	(29,359)	(35,087)	(137)	2,263	—	143
Total gains or losses for the year included in net earnings:						
Change in fair value	(3,477)	14,317	109	$ (146)	472	89
Foreign currency loss	(2,119)	—	—	—	—	—
Included in other comprehensive income:						
Change in fair value	—	—	—	(1,578)	—	—
Balance, December 31, 2019	**$ 50,206**	**$ —**	**$ —**	**$ 12**	**$ 66,210**	**$ —**

[1] Included within other instruments in other financial assets.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

	Investment holdings	Investment in Dream Global REIT - DTUs	Redemption option on Preference shares, series 1	Interest rate swaps[1]	Participating mortgages	Retraction option on Preference shares, series 1
Balance, December 31, 2017	$ 7,054	$ 20,589	$ 280	$ 785	$ —	$ —
Impact of changes in accounting policies	6,518	—	—	—	—	—
Adjusted balance, January 1, 2018	13,572	20,589	280	785	—	—
Issued or received during the year:						
DTUs	—	1,369	—	—	—	—
Acquired through business combination on January 1, 2018	18,451	—	—	—	75,668	—
Acquired during the year	37,526	—	—	—	—	—
DTUs vested during the year	—	(1,435)	—	—	—	—
Contributions/(distributions)	(4,886)	—	—	—	(3,060)	—
Dispositions/extinguishment	—	—	—	—	—	—
Total gains or losses for the year included in net earnings:						
Change in fair value	6,383	321	(252)	31	(7,844)	(232)
Foreign currency loss	2,039	—	—	—	—	—
Included in other comprehensive income:						
Change in fair value	—	—	—	(1,343)	—	—
Balance, December 31, 2018	$ 73,085	$ 20,844	$ 28	$ (527)	$ 64,764	$ (232)

(1) Included within other instruments in other financial assets and within accounts payable and other liabilities.

Risk Management

The Company is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. The Company's overall risk management strategy seeks to minimize potential adverse effects on the Company's financial performance.

Market Risk

Market risk is the risk a material loss may arise from fluctuations in the fair value of a financial instrument. For purposes of this disclosure, the Company segregates market risk into two categories: fair value risk and interest rate risk.

Fair Value Risk

Fair value risk is the risk of a potential loss from adverse movements in the values of assets and liabilities, excluding movements relating to changes in interest rates and foreign exchange currency rates, because of changes in market prices.

The Company's liability associated with the Dream Alternatives trust units is fair valued in reference to Dream Alternatives' unit trading price as listed on the TSX. A 10% absolute change in the market price of the Dream Alternatives units would increase (decrease) the carrying amount of the liability by $41,108, before associated taxes, with a corresponding decrease (increase) in earnings before income taxes.

Credit Risk

Credit risk is the risk one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk arises from the possibility that builders or other third-party purchasers of the Company's real estate inventory, or other entities to which the Company may have advanced funds, may not fulfill their contractual obligations to repay amounts due to the Company. The Company mitigates its credit risk by requiring graduated deposits from buyers and withholding real estate titles until final payments are received. The Company also mitigates credit risk by dealing only with builders and other third-party buyers the Company considers to have secure financial standing and by diversifying the mix of builders and markets.

Credit risk also arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. The Company mitigates this credit risk by attracting tenants of sound financial standing and diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis.

Credit risk related to the lending portfolio and investment holdings arises from the possibility that a borrower may not be able to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Company. The Company mitigates risk by actively monitoring the mortgage and loan investments and initiating recovery procedures, in a timely manner, when required.

The maximum exposure to credit risk at December 31, 2019 was the fair value of the Company's investment holdings and the contractual value of its lending portfolio, which, including interest receivable, was $189,129. The Company has recourse under these investments in the event of default by the borrower, in which case, the Company would have a claim against the underlying collateral.

Interest Rate Risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its variable rate debt obligations. Excluding the demand facility and margin facility, variable rate debt represented 72% (December 31, 2018 – 71%) of total debt obligations as at December 31, 2019. Interest rate risk is mitigated, in part, by borrowing long-term fixed rate mortgages with relatively consistent interest expense. The Company has entered into an interest rate swap to further mitigate interest rate risk. See Note 20 for further details.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The Company has exposure to the variability in market interest rates on its lending portfolio investments with variable-rate loans and fixed-rate loans maturing within the next 12 months. As at December 31, 2019, there are no variable-rate loans within the lending portfolio. The Company invests in mortgages and loans secured by all types of residential and commercial real estate property that represent an acceptable underwriting risk. As a result, the Company's lending portfolio investments are not exposed to significant market interest risk.

Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with the maturity of financial liabilities. The Company manages its liquidity risk primarily through the management of its financial leverage. The Company uses various debt and equity ratios to monitor its capital adequacy and debt requirements, including interest coverage, minimum net worth, average term to debt maturity, and the ratio of variable rate debt to aggregate debt. These ratios assist the Company in assessing the debt level maintained by the Company in order to ensure adequate cash flows for real estate development. The Company manages maturities of outstanding debt by matching them to project closing dates and monitoring the repayment dates to ensure sufficient capital will be available to cover obligations. Management also monitors the Company's availability under the operating lines and margin facility.

A summary of the Company's weighted average effective interest rates as at December 31, 2019 is as follows:

	Weighted average effective interest rates			Debt amount	
	2019	2018	Maturity dates	**2019**	2018
Fixed rate					
Mortgages and term debt	**4.47%**	4.53%	2020-2025	**$ 106,759**	$ 104,216
Mortgages and term debt - Dream Alternatives	**3.63%**	4.08%	2020-2022	**89,012**	112,637
Preference shares, series 1	**—%**	7.00%	n/a	**—**	28,672
Total fixed rate debt	**4.08%**	4.61%		**195,771**	245,525
Variable rate					
Construction loans - Western Canada	**4.43%**	4.05%	2020-2022	**53,812**	61,421
Construction loans - Urban development	**4.90%**	4.63%	2020-2021	**163,529**	116,565
Mortgages and term debt	**4.70%**	4.44%	2020-2023	**61,738**	32,998
Mortgages and term debt - Dream Alternatives	**—%**	3.60%	n/a	**—**	86,743
Operating line	**4.64%**	4.48%	2021	**—**	48,943
Non-revolving term facility	**5.08%**	4.36%	2022	**224,105**	224,083
Margin facility	**4.56%**	4.35%	2020	**—**	100,000
Total variable rate debt	**4.91%**	4.29%		**503,184**	670,753
Total debt	**4.63%**	4.38%		**$ 698,955**	$ 916,278

The following table summarizes the aggregate of the scheduled principal repayments and debt maturities as at December 31, 2019:

	Construction loans - Western Canada	Construction loans - Urban development	Mortgages and term debt - Dream	Mortgages and term debt - Dream Alternatives	Non-revolving term facility	Total
2020	$ 44,667	$ 80,949	$ 72,218	$ 878	$ —	$ 198,712
2021	6,232	82,580	32,343	10,975	—	132,130
2022	2,913	—	3,756	76,878	225,000	308,547
2023	—	—	2,216	—	—	2,216
2024 and thereafter	—	—	58,574	—	—	58,574
	53,812	163,529	169,107	88,731	225,000	700,179
Discount/unamortized premium/financing costs	—	—	(610)	281	(895)	(1,224)
	$ 53,812	$ 163,529	$ 168,497	$ 89,012	$ 224,105	$ 698,955

The contractual payments above include the principal repayments owing in future periods. The amounts presented above are shown consistent with their contractual repayments. Certain facilities may be due on demand.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

34. Share-based compensation

Stock Option Plan

The Company has a stock option plan under which key officers and employees are granted options to purchase Subordinate Voting Shares. Each option granted can be exercised for one Subordinate Voting Share.

			2019			2018
	Options		**Weighted average exercise price**	Options		Weighted average exercise price
Options outstanding, beginning of year	**1,898,100**	**$**	**8.39**	1,815,050	$	8.44
Granted	**149,175**		**7.18**	147,050		7.44
Exercised	**(28,500)**		**7.76**	(24,583)		7.93
Forfeited	**(5,833)**		**7.76**	(39,417)		7.55
Options outstanding, end of year	**2,012,942**	**$**	**8.31**	1,898,100	$	8.39
Options exercisable, end of year	**1,394,147**	**$**	**8.64**	1,061,663	$	8.87

As at December 31, 2019, 2,012,942 options were outstanding under the stock option plan collectively. The fair value of the stock options granted in the year ended and outstanding as at December 31, 2019 was estimated on the historical grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.9%
Estimated volatility[1]	22.0%
Expected life	6.5 years
Contractual life	10 years
Expected dividend yield	—%

[1] Estimated volatility is based on a blended rate of market comparables and the Company's historical volatility.

In the year ended December 31, 2019, the Company recognized $437 (year ended December 31, 2018 – $621) of share-based compensation expense related to stock options, primarily recognized in general and administrative expense.

Performance Share Unit Plan

PSUs may be granted to current employees and are subject to either time vesting only, or time and performance vesting. PSUs subject to performance vesting provide the holder with a minimum of 0 and a maximum of 1.5 Subordinate Voting Shares based on the achievement of predetermined Company performance goals. In lieu of receiving Subordinate Voting Shares on vesting, PSU holders have the right to request a cash payment equal to the five-day trailing weighted average share price of the Company's Subordinate Voting Shares on the vesting date or settlement date, when applicable; however, the form of payment on vesting is ultimately the decision of the Company.

			2019			2018
	Units		**Weighted average fair value at grant date**	Units		Weighted average fair value at grant date
Units outstanding, beginning of year	**634,252**	**$**	**7.03**	328,526	$	6.62
Granted	**338,930**		**7.18**	334,130		7.44
Forfeited	**—**		**—**	(28,404)		7.03
Reinvested	**11,230**		**7.08**	—		—
Units outstanding, end of year	**984,412**	**$**	**7.08**	634,252	$	7.03

In the year ended December 31, 2019, compensation expense of $2,093 (year ended December 31, 2018 – $1,428) related to this plan was primarily recognized in general and administrative expense.

The fair value of PSUs granted and outstanding as at December 31, 2019 was estimated on the historical grant date with the following assumptions:

Risk-free interest rate	1.8%
Expected life	3 years
Contractual life	10 years
Expected dividend yield	—%

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Deferred Share Unit Plan

The Company has a deferred share unit incentive plan pursuant to which DSUs may be granted to eligible directors, senior management and certain service providers. As at December 31, 2019, there were 375,610 units outstanding (December 31, 2018 – 273,839 units outstanding). During the year ended December 31, 2019, compensation expense of $798 (year ended December 31, 2018 – $779) related to this plan was recognized in general and administrative expense.

	2019	2018
Units outstanding, beginning of year	**273,839**	186,546
Granted and reinvested	**101,771**	87,293
Units outstanding, end of year	**375,610**	273,839

The net changes in contributed surplus relating to share-based compensation for the stock option plan, preferred share unit plan and deferred share unit plan were as follows:

		2019		2018
Balance, beginning of year	**$**	**8,049**	$	5,341
Granted		**3,328**		2,708
Dividends reinvested		**33**		—
Balance, end of year	**$**	**11,410**	$	8,049

35. Earnings per share

Basic earnings per share is calculated by dividing the Company's earnings attributable to outside shareholders of the Company by the weighted average number of shares outstanding in the year.

Diluted earnings per share is calculated by dividing the Company's earnings attributable to the outside shareholders of the Company by the weighted average number of shares outstanding after the dilutive effect of the Preference shares, series 1, stock options, preferred share units and deferred share units. The diluted weighted average number of shares used in the diluted earnings per share calculation is determined by assuming that the total proceeds received for the conversion of such units is used to repurchase Subordinate Voting Shares at the average selling price of such publicly traded units over the term of the calculation.

The following table summarizes the basic and diluted earnings per share and the weighted average number of shares outstanding:

		2019		2018
Earnings attributable to the outside shareholders of the Company	**$**	**332,246**	$	190,948
Diluted earnings per share adjustments for Preference shares, series 1		**2,028**		2,496
Earnings for diluted earnings per share	**$**	**334,274**	$	193,444
Weighted average number of shares outstanding:				
Dream Subordinate Voting Shares		**103,172,878**		105,335,690
Dream Class B Shares		**3,114,956**		3,115,272
Total weighted average number of shares		**106,287,834**		108,450,962
Effect of dilutive securities on weighted average number of shares outstanding at year-end:				
Share-based compensation[(1)]		**898,198**		466,248
Preference shares, series 1		**2,517,470**		4,399,351
Total weighted average number of shares outstanding after dilution		**109,703,502**		113,316,561
Basic earnings per share	**$**	**3.13**	$	1.76
Diluted earnings per share	**$**	**3.05**	$	1.71

(1) For the year ended December 31, 2019, 1,000,298 stock options (including PSUs) were considered anti-dilutive (year ended December 31, 2018 – 997,883 stock options (including PSUs).

36. Capital management

The Company's capital consists of debt and shareholders' equity. The Company's objectives in managing capital are to:

i) Ensure adequate operating funds are available to fund the development of real estate inventory and other assets, including investments through joint ventures and joint operations;
ii) Ensure the Company is able to meet its lease and capital expenditure obligations relating to its investment and recreational properties;
iii) Ensure the Company has adequate resources available to benefit from acquisition opportunities, should they arise; and
iv) Generate a targeted rate of return on its investments.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The Company continuously monitors its debt structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying real estate industry.

37. Commitments and contingencies

Letters of Credit and Surety Bonds

The Company is contingently liable for letters of credit and surety bonds that have been provided to support land developments, equity accounted investments and other activities in the amount of $82,267 (December 31, 2018 – $91,672). The Company is also contingently liable for bonds that have been provided to support certain urban development condominium partnerships that expire at the end of a specified warranty period.

The Company is committed to pay levies in the future of up to $1,170 (December 31, 2018 – $1,252) relating to signed municipal agreements on commencement of development of certain real estate assets. Additional development costs may also be required to satisfy the requirements of these municipal agreements.

Joint Operations, Co-ownerships, Joint Ventures and Associates

The Company may conduct its real estate activities from time to time through joint operations and joint ventures with third-party partners. The Company was contingently liable for the obligations of the other owners of the unincorporated joint operations and joint ventures in the amount of $79,689 as at December 31, 2019 (December 31, 2018 – $15,609). The Company would have available to it the other co-venturers' share of assets to satisfy any obligations that may arise.

Capital & Other Commitments

As at December 31, 2019, the Company had capital commitments in the amount of $3,509, which will be fully satisfied in 2020. The Company may enter into commitments for development costs at the project level, which are primarily financed through project-specific debt facilities.

Dream Alternatives

In the year ended December 31, 2019, the Company, through a subsidiary of Dream Alternatives, continued to provide a guarantee for up to $45,000 pursuant to the requirements of a senior construction loan associated with a participating mortgage. The guarantee will be in place for the term of the construction loan and will proportionately scale down as the construction loan is repaid as unit closings begin to occur. Guarantees of the other underlying development project loan amounts of third parties are $34,423 (December 31, 2018 - $7,500). As at December 31, 2019, the Company is contingently liable under guarantees that are issued on certain debt assumed by purchasers of income properties up to an amount of $2,729 (December 31, 2018 - $44,157).

Dream Alternatives is contingently liable for letters of credit in the amount of $360 (December 31, 2018 - $1,395) that have been provided to support third party performance.

Legal Contingencies

The Company and its operating subsidiaries may become liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of the Company.

38. Asset management and management services agreements and related party transactions

Dream Global REIT

In the year ended December 31, 2019, affiliates of real estate funds managed by The Blackstone Group Inc. ("Blackstone") acquired all of Dream Global REIT's subsidiaries and assets (the "Dream Global REIT transaction"). Simultaneously, DAM executed a separation agreement with Blackstone with respect to its asset management agreement. Upon transaction close, Dream received proceeds in respect of its asset management agreement and units owned directly in Dream Global REIT. Proceeds included $275,150 in satisfaction of the obligation to pay the incentive fee provided for in the asset management agreement, which was recognized within asset management revenue, $120,000 to purchase the asset management agreement, which was recognized within the net gain on disposition of Dream Global REIT, $86,125 in respect of units and deferred trust units owned and $26,433 for expenses to be incurred as part of the separation of Dream Global REIT from the Dream platform, some of which were incurred in 2019 and some of which will occur in future periods.

Concurrently with the execution of the separation agreement, DAM entered into a transition services agreement, pursuant to which DAM will provide certain transition services until March 31, 2020.

The following table summarizes the components of the net gain on disposition of Dream Global REIT recognized in the year ended December 31, 2019:

Proceeds on sale of asset management agreement	$	120,000
Other reimbursements, net of transaction costs		13,127
Gain on disposition of co-owned commercial assets		2,347
	$	135,474

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

As a result of the acquisition of Dream Global REIT, the Company's asset management agreement and shared services and cost sharing agreement ("shared services agreement") with Dream Global REIT were terminated. In the years ended December 31, 2019 and 2018 the Company earned/recovered the following amounts pursuant to these agreements with Dream Global REIT:

		2019		2018
Asset management fees charged by Dream[1]	$	**292,536**	$	20,890
Cost recoveries charged by Dream		**617**		1,173

[1] Included in asset management fees charged to Dream Global REIT for the year ended December 31, 2019 were incentive fees of $277,396 (2018 - $2,000).

Dream Industrial REIT

The Company entered into an asset management agreement with Dream Industrial REIT effective October 2012, pursuant to which the Company provides a range of management and advisory services. The Company receives revenue in respect of these services including base annual management fees, acquisition fees, financing fees, capital expenditure fees and incentive fees, determined in accordance with the formulas set forth in the agreement. The incentive fee is payable in respect of each 12-month period during the term of the agreement in an amount equal to 15% of Dream Industrial REIT's adjusted funds from operations per unit as defined in the asset management agreement, inclusive of gains on the disposition of any properties, in excess of a hurdle amount. The amount of the incentive fee payable by Dream Industrial REIT is contingent on a variety of factors, including, but not limited to, changes in the fair value of investment properties, timing of dispositions and foreign exchange rates. The asset management agreement has an initial term of 10 years and is renewable for further five-year terms. Subject to the termination provisions in the agreement, the Company is automatically reappointed at the expiration of each five-year term. Upon termination of the asset management agreement, all accrued fees, including the incentive fee, become payable to the Company in accordance with the provisions of the agreement. In such circumstances or if Dream Industrial REIT is acquired, the incentive fee is calculated as if all of Dream Industrial REIT's properties were sold on the applicable date.

In addition, the Company has entered into a shared services agreement with Dream Industrial REIT. Pursuant to the agreement, Dream Industrial REIT reimburses the Company for shared costs allocated in each calendar year on a cost recovery basis.

In the years ended December 31, 2019 and 2018, the Company earned/recovered the following amounts pursuant to these agreements with Dream Industrial REIT:

		2019		2018
Asset management fees charged by Dream[1]	$	**8,232**	$	6,546
Cost recoveries charged by Dream		**716**		657

[1] Included in asset management fees charged to Dream Industrial REIT for the years ended December 31, 2019 and 2018 were incentive fees of $nil.

Included in accounts receivable are balances due from Dream Industrial REIT related to asset management agreements and cost sharing agreements of $935 (December 31, 2018 - $606).

Dream Office REIT

During the year ended December 31, 2019, the Company and Dream Office REIT entered into a shared services agreement pursuant to which the Company will act as the development manager for Dream Office REIT's future development projects and Dream Office REIT will act as the property manager for the Company's stabilized investment properties. The shared services agreement maintains certain resource sharing arrangements between the Company and Dream Office REIT. Concurrently with the execution of the shared services agreement, the Company and Dream Office REIT terminated the existing Management Services Agreement and administrative services agreement. Under the shared services agreement, in connection with each future development project, the Company earns a development fee equal to 3.75% of the total net revenue of the development or, for rental properties, 3.75% of the IFRS value upon completion, without any promote or other incentive fees. In connection with the property management services provided by Dream Office REIT, the Company pays a fee up to 3.5% of gross revenue of the portfolio.

Amounts charged under both agreements during the years ended December 31, 2019 and 2018 are as follows:

		2019		2018
Costs recovered from Dream Office REIT	$	**1,897**	$	3,477
Cost recoveries charged by Dream Office REIT to Dream		**7,064**		6,391
Fees charged by Dream to Dream Office REIT		**1,473**		—
Fees charged by Dream Office REIT to Dream		**221**		—

The amount owing from Dream Office REIT as of December 31, 2019 was $263 (December 31, 2018 – amount owed to Dream Office REIT was $457).

Distributions Earned from Investments

The Company earned distributions from Dream Global REIT and Dream Office REIT (Notes 7 and 15).

Other Transactions

In the year ended December 31, 2019, two project-level property management agreements with Dream Industrial REIT were terminated.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

In the year ended December 31, 2019, the Company, along with Dream Industrial REIT, entered into a partnership, Range Road, to develop an income property in Las Vegas, Nevada. The Company owns 10% and Dream Industrial REIT owns 80% with the remainder held by a third party. The investment is included in other development properties in equity accounted investments. As at December 31, 2019, the Company had funded $1,016 into Range Road.

In the year ended December 31, 2018, the Company, along with Dream Office REIT, entered into a strategic partnership, Alate Partners, focused on the property technology market. The Company and Dream Office REIT each hold a 25% interest in Alate Partners, included within other development interests in equity accounted investments. As at December 31, 2019, the Company had funded $4,616 into Alate Partners (December 31, 2018 - $1,541).

Compensation of Key Management

Compensation expense for the year for key management personnel, including the President and Chief Responsible Officer, Executive Vice President and Chief Financial Officer, Chief Development Officer, Chief Investment Officer, President of Asset Management, and the Company's directors, is shown in the table below.

		2019		2018
Compensation and benefits	$	**12,260**	$	5,892
Share-based compensation		**2,321**		1,821
Directors' fees		**799**		780
	$	**15,380**	$	8,493

39. Supplementary cash flow information

Components of other adjustments include:

		2019		2018
Dream Global REIT deferred trust units	$	**(1,070)**	$	(1,369)
Accrued interest on loans receivable and other expenses		**(4,847)**		(5,567)
Share-based compensation expense		**3,361**		2,902
Fair value changes in financial instruments		**(23,757)**		577
Non-cash acquisition of properties, net		**(7,777)**		(7,299)
Write-down of land held for development		**23,159**		—
Other		**8,283**		2,490
	$	**(2,648)**	$	(8,266)

Components of changes in non-cash working capital include:

		2019		2018
Accounts receivable	$	**(36,578)**	$	8,863
Accounts payable and other liabilities		**8,230**		(24,564)
Income and other taxes payable		**104,832**		(25,456)
Provision for real estate development costs		**3,000**		(903)
Deposits		**(508)**		(1,204)
Restricted cash		**9,008**		(5,029)
Inventory, prepaid expenses and other assets		**(5,812)**		(329)
	$	**82,172**	$	(48,622)

The breakdown of cash and cash equivalents is as follows:

		2019		2018
Cash	$	**388,337**	$	63,955
Money market funds, term deposits and GICs		**184**		338
	$	**388,521**	$	64,293

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

40. Segmented information

Management has determined the operating segments based on the reports reviewed by the President and Chief Responsible Officer and senior management. Gross margin represents revenue, less direct operating costs, excluding selling, marketing and other operating costs. Net margin represents gross margin, as defined above, including selling, marketing and other operating costs. Used as a percentage of revenue to evaluate operational efficiency, these margins are employed as fundamental business considerations in updating budgets, forecasts and strategic planning. The allocation of other components of earnings would not assist management in the evaluation of the segments' contributions to earnings and are categorized as Corporate and other.

The Company has reviewed its segment reporting taking into consideration how the Company presents information for financial reporting and management decision making. The Company has retrospectively applied the below segment presentation for all years presented.
The Company's operating segments are as follows:

- *Asset management and investments in publicly listed funds ("asset management")* includes managing the publicly listed funds and various development partnerships, in addition to an equity interest in Dream Office REIT.
- *Stabilized income generating assets* includes Arapahoe Basin, a ski hill in Colorado, income producing assets in Western Canada and Toronto, and the ownership of a renewable power portfolio.
- *Urban development - Toronto & Ottawa* includes condominium, purpose-built residential and mixed-use development in the Greater Toronto Area and Ottawa/Gatineau regions.
- *Western Canada community development* includes land, housing and retail/commercial/multi-family development in Saskatchewan and Alberta.
- *Dream Alternatives* includes the operating activity of Dream Alternatives' portfolio of real estate development opportunities and alternative assets.

Segmented Statement of Net Earnings

Segmented revenue and expenditures for the years ended December 31, 2019 and 2018 are as follows:

								2019
	Asset management	Stabilized income generating assets	Urban development - Toronto & Ottawa	Western Canada community development	Corporate and other	Dream Alternatives	Consolidation adjustments	**Consolidated Dream**
Revenue	$ 319,741	$ 67,530	$ 53,553	$ 95,735	$ —	$ 52,229	$ (8,358)	**$ 580,430**
Direct operating costs	(13,352)	(44,210)	(41,452)	(91,656)	—	(18,158)	(1,564)	**(210,392)**
Gross margin	306,389	23,320	12,101	4,079	—	34,071	(9,922)	**370,038**
Selling, marketing, depreciation and other operating costs	—	(8,682)	(11,844)	(24,516)	—	—	—	**(45,042)**
Net margin	306,389	14,638	257	(20,437)	—	34,071	(9,922)	**324,996**
Fair value changes in investment properties	—	25,645	(2,114)	2,836	—	15,064	(470)	**40,961**
Share of earnings from equity accounted investments	48,326	11,257	4,334	4,628	—	22,922	1,884	**93,351**
Investment and other income	2,479	621	2,641	958	330	2,696	440	**10,165**
Loss on disposition of assets held for sale	—	—	—	—	—	(5,945)	(2,570)	**(8,515)**
Interest expense	(5,053)	(4,697)	31	(7,057)	(16,907)	(8,470)	250	**(41,903)**
Net gain on disposition of Dream Global REIT	135,474	—	—	—	—	—	—	**135,474**
Fair value changes in financial instruments	30,896	(146)	—	—	201	(7,194)	—	**23,757**
Net segment earnings (loss)	$ 518,511	$ 47,318	$ 5,149	$ (19,072)	$ (16,376)	$ 53,144	$ (10,388)	**$ 578,286**
General and administrative expenses					(16,900)	(16,455)	9,007	**(24,348)**
Adjustments related to Dream Alternatives trust units					—	—	(113,512)	**(113,512)**
Income tax recovery (expense)					(116,138)	(4,358)	11,815	**(108,681)**
Net earnings (loss)[1]					$ (149,414)	$ 32,331	$ (103,078)	**$ 331,745**

[1] Includes earnings attributable to non-controlling interest.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

								2018
	Asset management	Stabilized income generating assets	Urban development - Toronto & Ottawa	Western Canada community development	Corporate and other	Dream Alternatives	Consolidation adjustments	Consolidated Dream
Revenue	$ 44,034	$ 66,429	$ 23,567	$ 160,041	$ —	$ 57,596	$ (11,794)	$ 339,873
Direct operating costs	(10,721)	(43,807)	(18,348)	(108,182)	—	(22,672)	(1,361)	(205,091)
Gross margin	33,313	22,622	5,219	51,859	—	34,924	(13,155)	134,782
Selling, marketing, depreciation and other operating costs	—	(6,761)	(9,190)	(31,163)	—	—	—	(47,114)
Net margin	33,313	15,861	(3,971)	20,696	—	34,924	(13,155)	87,668
Fair value changes in investment properties	—	16,310	—	1,194	—	(2,195)	(47)	15,262
Share of earnings from equity accounted investments	31,393	4,332	(616)	(484)	—	813	1,591	37,029
Investment and other income	3,389	1,170	2,737	1,773	252	3,313	68	12,702
Gain from disposition of assets held for sale	—	—	9,422	—	—	—	—	9,422
Interest expense	(3,906)	(5,889)	(126)	(6,094)	(13,186)	(8,964)	234	(37,931)
Net gain on acquisition of Dream Alternatives	12,555	—	—	—	—	—	117,437	129,992
Fair value changes in financial instruments	4,958	13	—	—	(485)	2,106	(7,169)	(577)
Net segment earnings (loss)	$ 81,702	$ 31,797	$ 7,446	$ 17,085	$ (13,419)	$ 29,997	$ 98,959	$ 253,567
General and administrative expenses					(15,277)	(15,411)	10,293	(20,395)
Adjustments related to Dream Alternatives trust units					—	—	(19,680)	(19,680)
Income tax recovery (expense)					(26,241)	(684)	5,486	(21,439)
Net earnings (loss)[(1)]					$ (54,937)	$ 13,902	$ 95,058	$ 192,053

[(1)] Includes earnings attributable to non-controlling interest.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Segmented Assets and Liabilities

Segmented assets and liabilities as at December 31, 2019 and December 31, 2018 were as follows:

2019	Asset management[1]	Stabilized income generating assets	Urban development - Toronto & Ottawa	Western Canada community development	Corporate and other	Dream Alternatives	Consolidation and fair value adjustments	**Consolidated Dream**
Assets								
Cash and cash equivalents	$ —	$ 5,767	$ 28,016	$ 2,303	$ 233,404	$ 117,787	$ 1,244	**$ 388,521**
Accounts receivable	4,495	7,859	87,476	97,725	2,664	4,179	(2,240)	**202,158**
Other financial assets	93,849	12	9,957	—	—	119,887	(94,249)	**129,456**
Lending portfolio	—	—	—	—	—	64,705	—	**64,705**
Housing inventory	—	—	—	38,607	—	—	—	**38,607**
Condominium inventory	—	—	270,528	5,647	—	—	15,129	**291,304**
Land inventory	—	786	2,131	535,654	—	—	—	**538,571**
Investment properties	—	202,581	59,710	38,723	—	201,624	15,786	**518,424**
Recreational properties	—	48,779	—	—	—	—	—	**48,779**
Equity accounted investments	451,810	56,635	44,175	11,158	—	186,713	(41,651)	**708,840**
Capital and other operating assets	—	6,802	27,927	6,227	5,239	1,188	8,196	**55,579**
Intangible asset	43,000	—	—	—	—	—	(43,000)	**—**
Assets held for sale	—	49,089	—	—	—	—	—	**49,089**
Total assets	$ 593,154	$ 378,310	$ 529,920	$ 736,044	$ 241,307	$ 696,083	$ (140,785)	**$ 3,034,033**
Liabilities								
Accounts payable and other liabilities	$ 20,002	$ 19,328	$ 82,803	$ 18,294	$ 7,840	$ 35,087	$ 22,926	**$ 206,280**
Income and other taxes payable	—	—	—	—	154,419	(58)	—	**154,361**
Provision for real estate development costs	—	—	8,748	28,105	—	—	—	**36,853**
Debt	—	114,438	214,680	56,720	224,105	88,988	24	**698,955**
Dream Alternatives trust units	—	—	—	—	—	—	411,078	**411,078**
Deferred income taxes	—	—	—	—	82,397	4,515	6,985	**93,897**
Total liabilities	$ 20,002	$ 133,766	$ 306,231	$ 103,119	$ 468,761	$ 128,532	$ 441,013	**$ 1,601,424**
Non-controlling interest	—	—	64,946	—	—	—	(43,297)	**21,649**
Shareholders' equity	573,152	244,544	158,743	632,925	(227,454)	567,551	(538,501)	**1,410,960**
Total equity	$ 573,152	$ 244,544	$ 223,689	$ 632,925	$ (227,454)	$ 567,551	$ (581,798)	**$ 1,432,609**

[1] Included in other financial assets is $93,849 relating to the Company's investment in Dream Alternatives trust units that is eliminated in the consolidation and fair value adjustments column.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

								2018
	Asset management[1]	Stabilized income generating assets	Urban development - Toronto & Ottawa	Western Canada community development	Corporate and other	Dream Alternatives	Consolidation and fair value adjustments	Consolidated Dream
Assets								
Cash and cash equivalents	$ —	$ 7,897	$ 6,255	$ 1,606	$ 1,686	$ 46,730	$ 119	$ 64,293
Accounts receivable	8,329	8,101	34,492	121,400	5,612	2,821	(3,341)	177,414
Other financial assets	149,854	610	10,650	—	28	122,908	(71,699)	212,351
Lending portfolio	—	—	—	—	—	144,095	—	144,095
Housing inventory	—	—	—	56,605	—	—	—	56,605
Condominium inventory	—	—	233,974	5,647	—	—	—	239,621
Land inventory	—	843	1,742	573,311	—	—	—	575,896
Investment properties	—	159,784	—	18,171	—	224,921	9,895	412,771
Recreational properties	—	49,241	—	—	—	—	—	49,241
Renewable power assets	—	—	—	—	—	132,251	11,037	143,288
Equity accounted investments	348,727	47,067	33,657	6,534	—	132,528	(18,753)	549,760
Capital and other operating assets	—	5,760	31,446	5,118	6,294	5,023	3	53,644
Intangible asset	43,000	—	—	—	—	—	(43,000)	—
Assets held for sale	—	72,587	—	—	—	—	—	72,587
Total assets	$ 549,910	$ 351,890	$ 352,216	$ 788,392	$ 13,620	$ 811,277	$ (115,739)	$ 2,751,566
Liabilities								
Accounts payable and other liabilities	$ 13,662	$ 12,852	$ 55,452	$ 31,841	$ 19,320	$ 25,888	$ 1,938	$ 160,953
Income and other taxes payable	—	—	—	—	51,236	(1,707)	—	49,529
Provision for real estate development costs	—	—	3,338	30,515	—	—	—	33,853
Debt	100,000	111,853	141,056	111,234	224,083	195,492	3,888	887,606
Preference shares, series 1	—	—	—	—	28,672	—	—	28,672
Dream Alternatives trust units	—	—	—	—	—	—	377,234	377,234
Deferred income taxes	—	—	—	—	75,662	(323)	18,800	94,139
Total liabilities	$ 113,662	$ 124,705	$ 199,846	$ 173,590	$ 398,973	$ 219,350	$ 401,860	$ 1,631,986
Non-controlling interest	—	—	43,935	—	—	1,669	(29,275)	16,329
Shareholders' equity	436,248	227,185	108,435	614,802	(385,353)	590,258	(488,324)	1,103,251
Total equity	$ 436,248	$ 227,185	$ 152,370	$ 614,802	$ (385,353)	$ 591,927	$ (517,599)	$ 1,119,580

[1] Included in other financial assets is $72,678 relating to the Company's investment in Dream Alternatives trust units that is eliminated in the consolidation and fair value adjustments column.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

41. Classification of items in consolidated statements of financial position

A summary of the classification between current and non-current assets and liabilities is presented below.

				2019
	Less than 12 months	Greater than 12 months	Non-determinable	**Total**
Assets				
Cash and cash equivalents	$ 388,521	$ —	$ —	**$ 388,521**
Accounts receivable	164,105	38,053	—	**202,158**
Other financial assets	11,365	118,091	—	**129,456**
Lending portfolio	51,216	13,489	—	**64,705**
Housing inventory	—	—	38,607	**38,607**
Condominium inventory	—	—	291,304	**291,304**
Land inventory	—	—	538,571	**538,571**
Investment properties	—	518,424	—	**518,424**
Recreational properties	—	48,779	—	**48,779**
Equity accounted investments	—	—	708,840	**708,840**
Capital and other operating assets	13,081	42,498	—	**55,579**
Assets held for sale	49,089	—	—	**49,089**
Total assets	$ 677,377	$ 779,334	$ 1,577,322	**$ 3,034,033**
Liabilities				
Accounts payable and accrued liabilities	$ 132,748	$ 23,289	$ 50,243	**$ 206,280**
Income and other taxes payable	154,361	—	—	**154,361**
Provision for real estate development costs	36,853	—	—	**36,853**
Debt[1]	161,411	537,544	—	**698,955**
Dream Alternatives trust units[2]	—	—	411,078	**411,078**
Deferred income taxes	—	93,897	—	**93,897**
Total liabilities	$ 485,373	$ 654,730	$ 461,321	**$ 1,601,424**

[1] The amounts presented are shown consistent with the contractual terms of repayment, which may be due on demand.
[2] Dream Alternatives trust units may be redeemed at the option of the holder with no expiry date.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

				2018
	Less than 12 months	Greater than 12 months	Non-determinable	Total
Assets				
Cash and cash equivalents	$ 64,293	$ —	$ —	$ 64,293
Accounts receivable	146,461	30,953	—	177,414
Other financial assets	8,111	204,240	—	212,351
Lending portfolio	96,968	47,127	—	144,095
Housing inventory	—	—	56,605	56,605
Condominium inventory	—	—	239,621	239,621
Land inventory	—	—	575,896	575,896
Investment properties	—	412,771	—	412,771
Recreational properties	—	49,241	—	49,241
Renewable power assets	—	143,288	—	143,288
Equity accounted investments	—	—	549,760	549,760
Capital and other operating assets	10,406	43,238	—	53,644
Assets held for sale	72,587	—	—	72,587
Total assets	$ 398,826	$ 930,858	$ 1,421,882	$ 2,751,566
Liabilities				
Accounts payable and accrued liabilities	$ 107,426	$ 19,416	$ 34,111	$ 160,953
Income and other taxes payable	49,529	—	—	49,529
Provision for real estate development costs	33,853	—	—	33,853
Debt[1]	301,196	586,410	—	887,606
Preference shares, series 1[2]	—	—	28,672	28,672
Dream Alternatives trust units[2]	—	—	377,234	377,234
Deferred income taxes	—	94,139	—	94,139
Total liabilities	$ 492,004	$ 699,965	$ 440,017	$ 1,631,986

[1] The amounts presented are shown consistent with the contractual terms of repayment, which may be due on demand.
[2] Dream Alternative trust units and Preference shares, series 1 may be redeemed at the option of the holder with no expiry date.

42. Comparative figures

Certain comparative balances have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2019 consolidated financial statements.

43. Changes in accounting policies

IFRS 16

The Company leases various office equipment, land and vehicles. Rental contracts are typically made for fixed periods of 1 to 25 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Prior to January 1, 2019, leases of property or equipment (including land leases) were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated statement of earnings on a straight-line basis over the period of the lease.

Effective January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the consolidated statement of earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: fixed payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that are based on an index or a rate; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.4%.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statements of earnings. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise individual assets with a value less than $10.

For leases previously classified as finance leases, the Company recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Company accounts for its leases in accordance with IFRS 16 from the date of initial application.

		Total
Operating lease commitments disclosed as at December 31, 2018	$	24,793
Finance lease liabilities recognized as at December 31, 2018		7,180
Non-lease commitments disclosed as at December 31, 2018		5,674
		37,647
Discounted using the lessee's incremental borrowing rate as of the date of initial application		(5,899)
Less: Short-term & low value leases recognized on a straight-line basis as expense		(952)
Less: Adjustments as a result of a different treatment of extension and termination options		(1,075)
Less: Non-lease commitments		(5,674)
Lease liability recognized as at January 1, 2019[1]	**$**	**24,047**
Of which are due in:		
2019	$	1,991
2020		1,939
2021		1,736
2022		1,388
2023		1,384
2024+		15,609

[1] Lease liability of $24,047 recognized as at January 1, 2019 includes finance lease liabilities of $7,180 previously recognized as at December 31, 2018.

The associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

		December 31, 2019		January 1, 2019
Property and equipment	**$**	**3,914**	$	4,831
Land leases related to assets held for sale		—		12,036
Total right-of-use assets	**$**	**3,914**	$	16,867

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard: the reliance on previous assessments on whether leases are onerous; and the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases.

The Company has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made under IAS 17 and IFRIC 4, "Determining whether an Arrangement contains a Lease".

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Impact on Date of Initial Application

	December 31, 2018	IFRS 16	**January 1, 2019**
Assets			
Capital and other operating assets	$ 53,644	$ 4,831	**$ 58,475**
Renewable power assets	143,288	12,036	**155,324**
Liabilities			
Accounts payable and other liabilities	$ 160,953	$ 16,867	**$ 177,820**

44. Subsequent events

Subsequent to the year ended December 31, 2019, the Company announced the final results of its substantial issuer bid to purchase for cancellation up to 10,000,000 of its outstanding Subordinate Voting Shares at a price of $11.75 per share (the "purchase price"), for an aggregate purchase price not to exceed $117,500 (the "offer"), which expired on January 22, 2020.

In accordance with the terms and conditions of the offer, the Company has taken up and paid for 10,000,000 Subordinate Voting Shares at the purchase price, for an aggregate cost of approximately $117,500, excluding expenses relating to the offer. After giving effect to the offer, 92,203,590 Subordinate Voting Shares remain outstanding.

Subsequent to December 31, 2019, the Company executed an agreement to sell a portion of its interest in 480 acres in Calgary.

dream

building better communities

Directors

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Toronto, Ontario
President & Chief Responsible Officer
Dream Unlimited Corp.

James Eaton[Ind.]
Toronto, Ontario
Corporate Director

Joanne Ferstman[Ind.,1,3,4,5]
Toronto, Ontario
Corporate Director

Richard Gateman[Ind.,2, 3]
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Vice President, Major Projects
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TransCanada Pipelines Limited

P. Jane Gavan[4]
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Dream Unlimited Corp.

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Chairman, President and CEO
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Jennifer Lee Koss[Ind.,1,2]
Toronto, Ontario
Co-Founder and Builder of Business
BRIKA

Vincenza Sera[Ind.,1, 2, 3,4]
Toronto, Ontario
Corporate Director

Legend:
Ind. Independent

1. Member of the Audit Committee
2. Member of the Governance and Nominating Committee
3. Member of the Organization, Design and Culture Committee
4. Member of Leaders and Mentors Committee
5. Chair of the Board

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Listing Symbols:
Subordinate Voting Shares: DRM

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