





American Way  
Orlando, Florida



## **dream** industrial REIT

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Dream Industrial REIT owns and operates a portfolio of 223 geographically diversified light industrial properties, comprising approximately 20 million square feet of gross leasable area in key markets across Canada and the United States. Its objective is to build upon and grow its portfolio and to provide stable and sustainable cash distributions to its unitholders.

# Letter to Unitholders

2018 has been a transitional year for Dream Industrial REIT. We have made significant progress on the execution of our strategic initiatives, including adding scale in our target markets, improving our overall portfolio quality and increasing our balance sheet strength.

The Canadian industrial market continues to strengthen, and underlying fundamentals support continued momentum for the foreseeable future. The Canadian national industrial availability rate tightened further in 2018 to a new record low of 3.2%, with 10 consecutive quarters of declining availability. Our U.S. portfolio is 100% occupied and demand for industrial real estate continues to drive asset values and occupancy rates.

Since December 2017, we have closed on over \$264 million of acquisitions in Canada and the U.S. Our portfolio currently comprises over 20 million square feet with approximately 11% of NOI from the U.S. At the end of January 2019, we waived all conditions on a 3.5 million square feet, 21-property portfolio in five cities across the Midwestern U.S. This acquisition provides access to functional industrial assets that caters to a wider range of users in attractive markets and further solidifies our U.S. platform.

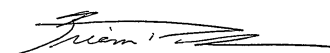
In conjunction with the growth in our portfolio, we have strengthened our balance sheet and increased our financial flexibility. Our leverage has declined 440 basis points year-over-year to 43.5% and we repaid \$111 million of convertible debentures earlier in 2018. At year-end, the Trust had \$2.1 billion in assets, with \$103 million of liquidity, and \$195 million of unencumbered assets. Our NAV per Unit has increased by 12.7%, compared to prior year, to \$10.54 per unit, largely reflecting strong demand for industrial product in Ontario and Quebec. Looking forward, we will continue to pursue attractive investment opportunities primarily in Canada, that deliver above average cash flows and net asset value growth over time.

We are focused on driving occupancy and rental rates, advancing our core leasing operations and we have laid the foundation to drive strong internal growth in 2019. Occupancy in Western Canada has increased 230 basis points since mid-2018 and now stands at 95.2%. We are optimistic that the West will return to comparative property NOI growth in 2019. Our Ontario and Quebec portfolio are essentially fully occupied and are well-positioned for rental rate growth as leases roll over in 2019 and beyond. For our 2019 renewals contracted to date, we have achieved rental spreads of 11% and 9% in Ontario and Quebec, respectively. Comparative properties NOI growth in the East was 11% in 2018 and we expect stable income from this region in 2019.

Since December 2017, and including the recently announced Midwest U.S. portfolio, we have grown our asset base through \$500 million of acquisitions and achieved our initial target of 20% of highly functional industrial assets in the U.S. We have accomplished this while reducing leverage by 440 basis points. Looking forward, we plan to accelerate capital recycling in 2019 and are well-positioned with sufficient liquidity to acquire and develop best in class industrial assets that have strong income growth potential.

The Dream Industrial REIT team has had a very productive year and an exciting start to 2019. On behalf of our management team and our Board of Trustees, I would like to thank you for your interest and support in our business.

Sincerely,



Brian Pauls  
Chief Executive Officer

February 19, 2019



“In 2018, we executed on strategic initiatives to strengthen our balance sheet, continue expansion in our target markets and further diversify and enhance our tenant base. Looking forward, we expect to accelerate our capital recycling program and will continue to capitalize on unique and attractive investment opportunities in our target markets in Canada and the U.S.”

Brian Pauls  
Chief Executive Officer

Dream Industrial REIT

# At-a-Glance

**20 Million**

GROSS LEASABLE AREA  
(SQUARE FEET)

**97%**

COMMITTED OCCUPANCY

**\$2.1 Billion**

GROSS ASSET VALUE

**1,339**

TENANTS

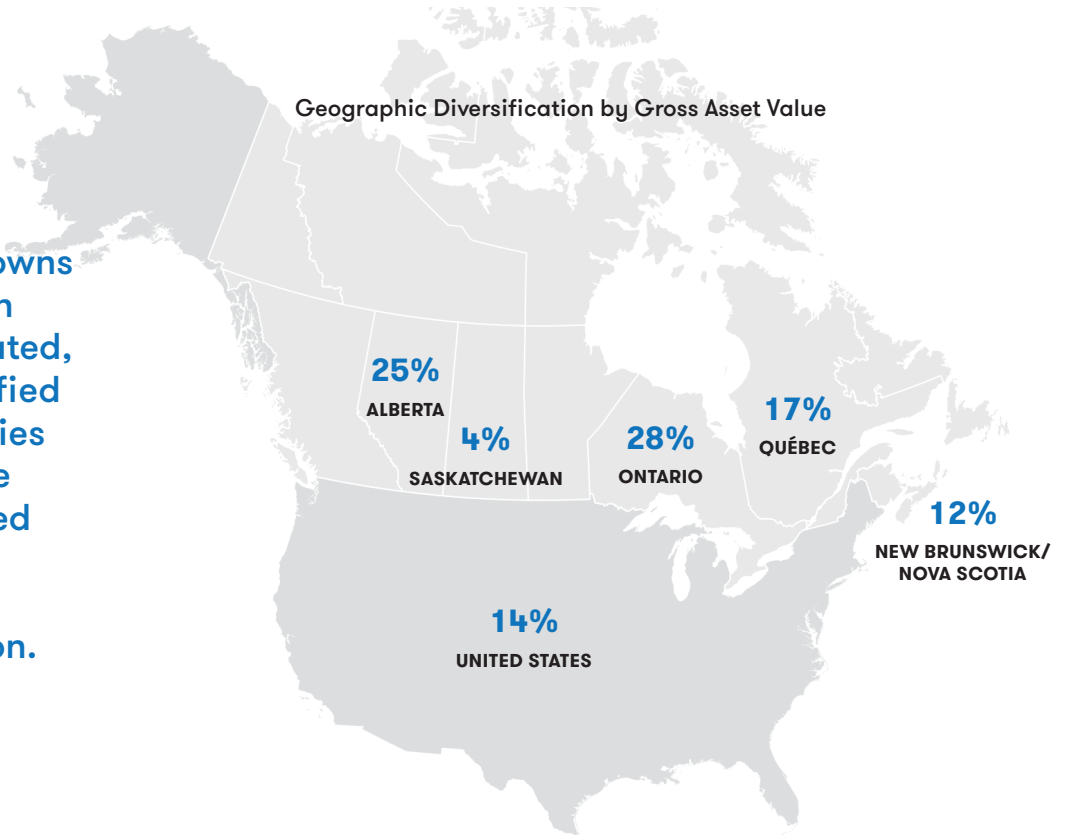
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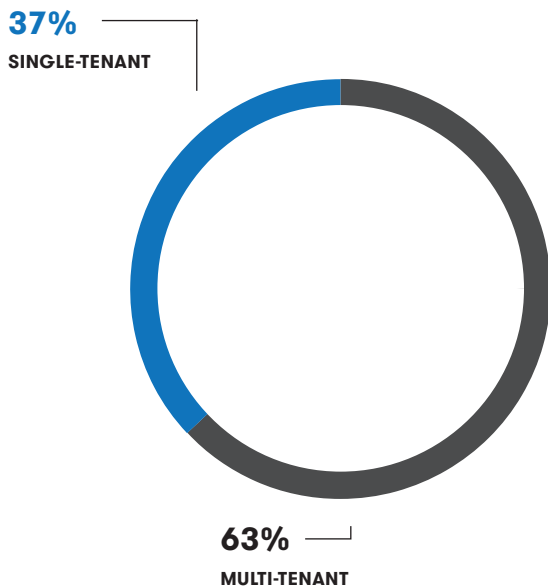
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Memphis, TN

## Geographic Diversification

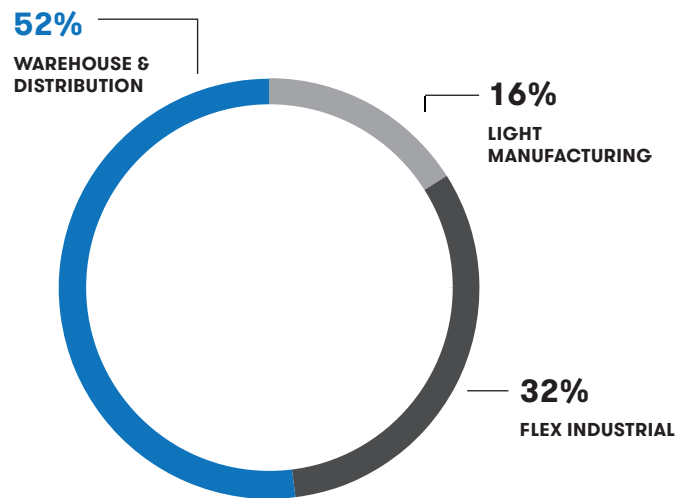
Dream Industrial REIT owns and operates 20 million square feet of well-located, geographically diversified light industrial properties across Canada and the United States, supported by a platform with a proven track record of long-term value creation.



Gross Leasable Area Breakdown



Diversified Building Types by Gross Leasable Area



\*All metrics are as at December 31, 2018



## Our Values

**Integrity**

**Teamwork**

**Dealing with stakeholders**

**Social responsibility**

**Opportunities**

**Fun**

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

## Building Better Communities

Our ambition is to integrate sustainability objectives throughout our business. We set quantitative and qualitative targets to help focus on reaching our goals.

Our aim is to directly tie sustainability to our corporate values, our culture and the way in which we conduct our business.





# Sustainability

## Focus on sustainability

At Dream Industrial REIT we recognize the value of sustainability. It not only benefits the environment, but also tenants, stakeholders and the communities in which we live and work. Our sustainability strategy guides us in how we run our business and how we manage our environmental and social obligations, including managing our brand, business risks and operations. We strive to integrate sustainability at both the corporate and property levels, focusing on internal and external initiatives to benefit all stakeholders. We believe that a long-term sustainable approach is imperative to create value.

As property owners and managers, we engage in an ongoing dialogue with our tenants and stakeholders and are well positioned to implement key changes that promote sustainability. We recognize that tenants are becoming more curious about the energy performance, carbon footprint, and associated energy costs of the property they're leasing.


Building and maintaining high-quality, resilient buildings allows us to protect our asset value and sustain high occupancy rates; an environmentally sound building is a desirable building. These are just a few examples of how business and sustainability go hand in hand.

One of the key initiatives we have focused on is optimizing our buildings by improving energy efficiency throughout our portfolio. This has been achieved through initiatives such as lighting retrofit projects and utilizing renewable power to offset our grid consumption.

These efforts lower costs in addition to reducing our contribution to carbon emissions and climate change. Improving energy efficiency provides us with a competitive advantage in the industrial leasing marketplace.

We also support the communities in which we live and work through our charitable partnerships and commitments. In 2018, the Dream entities donated close to \$1 million to charities. In addition, Dream employees prepared and donated over 1,800 shoeboxes to The Shoebox Project for Women's Shelters and over 400 gifts to seniors through our Tree of Dreams.

We continue to implement strategies to improve sustainability best practices throughout our organization and portfolio and have highlighted a couple of examples over the next few pages.



## Increasing energy efficiency in our buildings

An example of our operational strategy at work is the lighting retrofits we initiated in several of our properties. Throughout Dream Industrial REIT's portfolio, we are replacing old, inefficient fluorescent lights with either more efficient "T5" lighting or LED lights, enhancing spaces and enabling our tenants to benefit from lower operating costs. In our Ontario portfolio, we have upgraded exterior lighting to T5 for approximately 80% of our multi-tenant buildings. In addition, we have also addressed the interior lighting upgrades for approximately 50% of the buildings in Ontario. In Quebec and the East, we have upgraded lighting to T5 for 75% and 65% of the multi-tenant properties, respectively. In the West, lighting in approximately 30% of our buildings has been upgraded to T5. A key aspect of the upgrading process is to balance our lease roll with our upgrade plans as typically the lighting is upgraded when the space is vacant.

As a leading Canadian publicly listed REIT, we feel that Dream Industrial REIT has a responsibility to manage and mitigate our overall impact on the environment and we will continue to tie sustainability into the ways we manage our business.

# Sustainability Highlights

## Environmental



**7** of Dream Industrial REIT's buildings utilize solar panels covering 817,216 square feet. This is equivalent to 19 acres, or 14 football fields of solar panels



**239 MW** of renewable capacity has been installed by Dream Industrial REIT's asset manager, Dream Unlimited and its joint venture partners



**Energy efficiency** - we have been implementing lighting retrofits throughout Dream Industrial REIT's portfolio

## Governance



**25%** of Dream Industrial REIT Board members are women



**75%** of Dream Industrial REIT Board members are independent



Embedded elements of sustainability in Board mandates

## Social\*



**~1,800+ shoeboxes** were donated to The Shoebox Project for Women's Shelters by Dream



**Close to \$1 million** was donated to charities and communities



**~\$325,000** in tuition and professional development fees was reimbursed to employees



**420 gifts** were donated through the Tree of Dreams



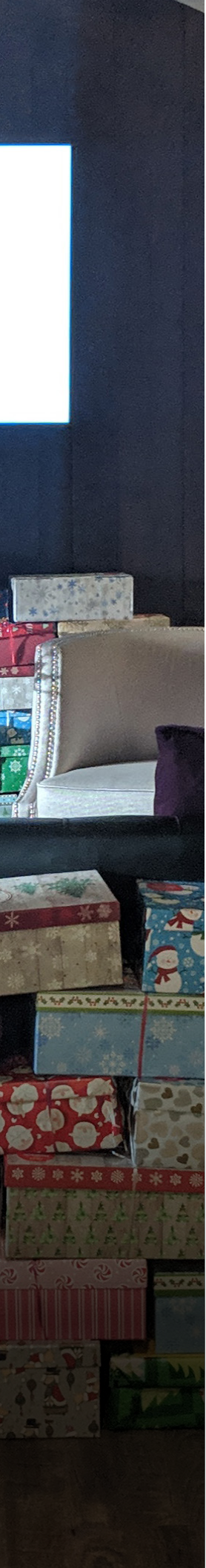
**National sponsor** of The Shoebox Project for Women's Shelters and partner with Women's College Hospital

Highlights are as at December 31, 2018

\*Social highlights are based on all Dream entities combined



Since Dream became the National Sponsor for the Shoebox Project for Women in 2014, Dream and our employees have donated over 5,000 shoeboxes to women in shelters.



The Shoebox Project for Women, supported by Dream, collects and distributes gift-filled shoeboxes for women impacted by homelessness in communities across Canada and the U.S. Each thoughtfully created and decorated shoebox is filled with items that can enhance self-esteem and reduce feelings of isolation for women in need.



860 Marine Drive  
South Carolina



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## Management's discussion and analysis

(All dollar amounts in our tables are presented in thousands of Canadian dollars, except for per square foot amounts, per Unit amounts, or unless otherwise stated.)

### SECTION I – FINANCIAL HIGHLIGHTS

#### KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	As at	
	December 31, 2018	December 31, 2017
<b>Total portfolio<sup>(1)</sup></b>		
Number of properties	223	215
Gross leasable area ("GLA") (in millions of sq. ft.)	20.2	17.2
Occupancy rate – in-place and committed	97.1%	96.6%
Occupancy rate – in-place	95.7%	95.7%
Average occupancy for the year	95.5%	95.8%
Average in-place and committed base rent per sq. ft. – Canada	\$ 7.26	\$ 7.17
Average in-place and committed base rent per sq. ft. – U.S. (US\$)	\$ 3.93	\$ 4.08
Weighted average remaining lease term (years)	4.1	4.0
Estimated market rent in excess of in-place and committed base rent – Canada <sup>(2)</sup>	4.4%	3.1%
Estimated market rent in excess of in-place and committed base rent – U.S. <sup>(2)</sup>	1.3%	0.7%

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
<b>Operating results</b>				
Net rental income	\$ 35,006	\$ 30,404	\$ 133,744	\$ 116,778
Comparative properties net operating income ("NOI") <sup>(3)</sup>	29,782	29,554	118,263	116,563
Net income	66,455	19,466	157,528	34,659
Funds from operations ("FFO") <sup>(3)</sup>	24,060	19,655	88,166	74,623
<b>Distributions</b>				
Total distributions <sup>(3)</sup>	\$ 19,537	\$ 15,767	\$ 73,227	\$ 57,818
<b>Per Unit amounts</b>				
Distribution rate	\$ 0.17	\$ 0.17	\$ 0.70	\$ 0.70
FFO (diluted) <sup>(3)(4)</sup>	\$ 0.22	\$ 0.23	\$ 0.86	\$ 0.91
<b>FFO payout ratio (diluted)<sup>(3)(4)(5)</sup></b>	<b>80.6%</b>	77.8%	<b>81.7%</b>	77.3%



	As at	
	December 31, 2018	December 31, 2017
<b>Financing</b>		
Weighted average effective interest rate <sup>(6)</sup>	3.74%	3.88%
Weighted average face interest rate <sup>(6)</sup>	3.65%	3.75%
Weighted average remaining term to maturity (years)	4.4	3.8
Interest coverage ratio (times) <sup>(3)</sup> – year-to-date	3.5	3.3
Level of debt (net debt-to-assets ratio) <sup>(3)(7)</sup>	43.5%	47.9%
Net debt-to-adjusted EBITDAFV (years) <sup>(3)(7)</sup>	7.2	7.3
Unencumbered assets <sup>(8)</sup>	\$ 194,594	\$ 113,191
<b>Capital</b>		
Total number of REIT Units and LP B Units (in thousands) <sup>(9)</sup>	110,615	93,657
Net asset value (“NAV”) per Unit <sup>(3)</sup>	\$ 10.54	\$ 9.35
<b>Liquidity<sup>(3)</sup></b>		
Cash and cash equivalents	\$ 4,968	\$ 54,651
Undrawn revolving credit facility	98,194	123,000

(1) Excludes property or properties held for sale at the end of each period.

(2) Estimated market rents are management’s estimates and are based on current period leasing fundamentals. The current estimated market rents are at a point in time and are subject to change based on future market conditions.

(3) Comparative properties NOI, FFO, total distributions, diluted FFO per Unit, FFO payout ratio, interest coverage ratio, level of debt (net debt-to-assets ratio), net debt-to-adjusted EBITDAFV, NAV per Unit and liquidity are non-GAAP measures. See “Non-GAAP measures and other disclosures” for a description of these non-GAAP measures.

(4) A description of diluted amounts per Unit can be found under the heading “Non-GAAP measures and other disclosures”.

(5) FFO payout ratio (non-GAAP measure) is calculated as the ratio of the distributions rate per Unit to diluted FFO per Unit.

(6) A description of weighted average effective interest rate and weighted average face interest rate can be found under the heading “Our financing”.

(7) Level of debt (net debt-to-assets ratio) and net debt-to-adjusted EBITDAFV have been restated in the comparative periods to conform to current period presentation. For further details, please refer to “Non-GAAP measures and other disclosures” under the headings “Level of debt (net debt-to-assets ratio)” and “Net debt-to-adjusted EBITDAFV”.

(8) Unencumbered assets includes property or properties held for sale at the end of each period.

(9) Total number of REIT Units and LP B Units includes 18.6 million LP B Units which are classified as a liability under IFRS.

## **BASIS OF PRESENTATION**

Our discussion and analysis of the financial position and results of operations of Dream Industrial Real Estate Investment Trust (“Dream Industrial REIT” or “Dream Industrial” or “the Trust”) should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018.

This MD&A is dated as at February 19, 2019.

For simplicity, throughout this discussion, we may make reference to the following:

- “REIT Units”, meaning units of the Trust, excluding Special Trust Units
- “LP B Units” and “subsidiary redeemable units”, meaning the Class B limited partnership units of Dream Industrial LP
- “Units”, meaning REIT Units and LP B Units

When we use terms such as “we”, “us” and “our”, we are referring to Dream Industrial REIT and its subsidiaries.

Estimated market rents disclosed throughout the MD&A are management’s estimates and are based on current period leasing fundamentals. The current estimated market rents are at a point in time and are subject to change based on future market conditions.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation, including but not limited to statements relating to the Trust’s objectives, strategies to achieve those objectives, the Trust’s beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth, 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 – in each case they are not historical facts. Forward-looking statements generally can be identified by words such as “outlook”, “objective”, “strategy”, “may”, “will”, “would”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “could”, “likely”, “plan”, “project”, “budget” or “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 Trust’s control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions; and interest rates.

Although 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 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, general economic conditions; local real estate conditions, including the development of properties in close proximity to the Trust’s properties; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants’ financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; our continued compliance with the real estate investment trust (“REIT”) exemption under the specified investment flow-through trust (“SIFT”) legislation; and other risks and factors described from time to time in the documents filed by the Trust with securities regulators.

All forward-looking information is as of February 19, 2019. Dream Industrial 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, risks and uncertainties is contained in our filings with securities regulators. Certain filings are also available on our website at [www.dreamindustrialreit.ca](http://www.dreamindustrialreit.ca).

## **BACKGROUND**

Dream Industrial REIT is an unincorporated, open-ended real estate investment trust which provides investors with the opportunity to invest in a pure-play industrial REIT with a portfolio based in Canada and the U.S. Our REIT Units are listed on the Toronto Stock Exchange under the trading symbol DIR.UN.

As of the date of this MD&A, excluding the asset held for sale, we own and operate 223 primarily light industrial income-producing properties totalling 20.2 million square feet of GLA. Our properties are located in key industrial markets across Canada and the U.S.

## OUR OBJECTIVES

We are committed to:

- Managing our business to provide growing cash flow and stable and sustainable returns, through adapting our strategy and tactics to changes in the real estate industry and the economy;
- Building and maintaining a diversified, growth-oriented portfolio of industrial distribution and warehousing properties in major markets, based on an established platform;
- Providing predictable and sustainable cash distributions to unitholders while prudently managing our capital structure over time; and
- Maintaining a REIT that satisfies the REIT exception under the SIFT legislation in order to provide certainty to unitholders with respect to taxation of distributions.

## OUR STRATEGY

Dream Industrial REIT is a growth-oriented owner of income-producing industrial properties across key markets in Canada and the U.S., providing stable and predictable distributions to unitholders on a tax-efficient basis. Our strategy is to grow our portfolio by investing in key markets to generate stable cash flows for our unitholders. We will continue to review and modify our strategy to meet the ever changing real estate and economic conditions. Our strategy includes:

### Optimizing the performance, value and cash flow of our portfolio

We actively manage our assets to optimize performance, maintain value, retain and attract tenants and maximize cash flows to our unitholders. Dream Industrial REIT employs experienced staff in all markets where we are active. We strive to ensure that our assets are the most attractive and cost-effective premises for our tenants.

### Maintaining and strengthening our conservative financial profile

We operate our business in a disciplined manner with a strong focus on maintaining a conservative financial structure. We actively manage our mortgage maturity profile, maintain a conservative debt ratio and generate cash flows sufficient to fund our distributions.

### Growing and diversifying our portfolio to reduce risk

We seek to grow and diversify our portfolio to increase value on a per Unit basis, further improve the sustainability of our distributions, strengthen our tenant profile and mitigate risk. We anticipate that growing our portfolio will also reduce our cost of capital, allowing us to both refinance existing mortgages at competitive rates and increase our ability to competitively bid on acquisition opportunities. We have experience in each of Canada's key real estate markets, which we believe will provide us with the flexibility to pursue acquisitions in whichever Canadian markets offer compelling investment opportunities. Through an affiliate of PAULS Corp, LLC ("PAULS Corp") and the Trust's asset manager, Dream Asset Management Corporation, the Trust has access to the U.S. market and PAULS Corp's operational platform in the U.S.

### Seeking accretive growth opportunities

Dream Industrial REIT seeks to invest in desirable, highly functional properties located in major industrial centres that are well leased on a long-term basis to quality tenants. When evaluating acquisitions we consider a variety of criteria, including per Unit accretion; replacement cost of the asset, its functionality and appeal to future tenants; and how the asset complements our existing portfolio.

## FINANCIAL OVERVIEW

2018 was an eventful year for the Trust. We acquired 2.9 million square feet of high-quality industrial properties in Ontario, Québec and the U.S., issued \$144 million in equity, redeemed our 5.25% convertible debentures due 2019 prior to maturity, and strengthened the balance sheet by lowering leverage. We announced our strategy to expand into the U.S. in the middle of 2017, and now have 3.5 million square feet of high-quality industrial properties in the Midwest and Southeastern U.S. with another 3.5 million square feet in the Midwest expected to close in the first quarter of 2019.

While growing the Trust and strengthening the balance sheet, we have made good progress on advancing our core leasing operations and have laid the foundation to drive stronger internal growth. In-place and committed occupancy remains strong at 97.1%, up 30 basis points ("bps") from the previous quarter. Renewal spreads for the year were led by Ontario and Québec at 3.6% and 5.5%, respectively. Occupancy has increased by 230 bps in Western Canada since the second quarter of 2018, which, along with higher rental rates in Ontario and Québec, should result in stronger internal growth going forward.

Our NAV per Unit<sup>(1)</sup> continued to grow, increasing by \$1.19, or 12.7%, as at December 31, 2018 compared to December 31, 2017, reflecting higher investment property values mainly in Ontario and Québec. As at December 31, 2018, we have a sound capital structure with a net debt-to-assets ratio<sup>(1)</sup> of 43.5%, net debt-to-adjusted EBITDAFV<sup>(1)</sup> of 7.2 years and interest coverage ratio<sup>(1)</sup> of 3.5 times. Furthermore, we have ample liquidity and financial flexibility with our undrawn revolving credit facility totalling \$98.2 million and \$5.0 million of cash and cash equivalents on hand.

**Net income for the quarter and year** – For the quarter ended December 31, 2018, net income was \$66.5 million, consisting of net rental income of \$35.0 million, fair value adjustments to investment properties of \$38.8 million and fair value adjustments to financial instruments of \$8.9 million, partially offset by interest expense on debt and subsidiary redeemable units of \$12.1 million, general and administrative expenses of \$2.6 million and cumulative other items of \$1.5 million.

For the year ended December 31, 2018, net income was \$157.5 million, consisting of net rental income of \$133.7 million and fair value adjustments to investment properties of \$107.9 million, partially offset by interest expense on debt and subsidiary redeemable units of \$50.4 million, fair value adjustments to financial instruments of \$17.1 million, general and administrative expenses of \$10.8 million, net losses on transactions and other activities of \$5.1 million and cumulative other items of \$0.7 million.

**Diluted FFO per Unit<sup>(1)</sup> for the quarter and year** – Diluted FFO per Unit for the quarter ended December 31, 2018 was \$0.22 compared to \$0.23 for the quarter ended December 31, 2017. The decline on a per Unit basis was mainly attributable to lower leverage throughout 2018 which was partially offset by higher net rental income from our comparative and acquired properties.

Diluted FFO per Unit for the year ended December 31, 2018 was \$0.86 compared to \$0.91 for the year ended December 31, 2017. The decline on a per Unit basis was mainly attributable to the same reasons noted above and the timing difference between the equity raise in June 2018 and subsequent capital deployment.

**Net rental income for the quarter and year** – Net rental income for the quarter ended December 31, 2018 was \$35.0 million or \$4.6 million higher compared to the quarter ended December 31, 2017. Net rental income was \$133.7 million or \$17.0 million higher compared to the prior year ended December 31, 2017. The increase was mainly due to higher net rental income from comparative and acquired properties completed in 2018 and in the fourth quarter of 2017.

**Comparative properties NOI<sup>(1)</sup> for the quarter and year** – Comparative properties NOI for the quarter ended December 31, 2018 was \$29.8 million, or \$0.2 million higher compared to the quarter ended December 31, 2017. The increase was primarily due to higher average occupancy and higher rental rates in Québec, and higher capital recoveries in Eastern Canada, partially offset by lower average occupancy in Western Canada.

Comparative properties NOI for the year ended December 31, 2018 was \$118.3 million, or \$1.7 million higher compared to the prior year ended December 31, 2017. The increase is due to higher average occupancy in Eastern Canada, and higher average occupancy and rental rates in Ontario, partially offset by lower average occupancy and rental rates in Western Canada. Occupancy has increased by 230 basis points in Western Canada since the second quarter of 2018, which, along with higher rental rates in Ontario and Québec, should result in stronger internal growth going forward.

**In-place and committed occupancy (year-end)** – Total in-place and committed occupancy at December 31, 2018 remained high at 97.1%, an increase of 0.3% and 0.5%, respectively, compared to September 30, 2018 and December 31, 2017. The increase in in-place and committed occupancy was mainly driven by multi-tenants in Western Canada, Québec and Eastern Canada, offset by a decrease in Ontario. As at December 31, 2018, the Trust secured future lease commitments of approximately 279,000 square feet which will take occupancy during the first half of 2019.

**Leasing activity during the quarter and year** – Strong leasing momentum has continued for a ninth consecutive quarter with occupancy over 95%. For the quarter ended December 31, 2018, approximately 836,000 square feet of leases commenced, of which 568,000 square feet were renewals and relocations. The overall retention ratio for the quarter was 74.7%.

For the year ended December 31, 2018, approximately 3,461,000 square feet of leases commenced, of which 2,583,000 square feet were renewals and relocations. The overall retention ratio for the year was 78.3%.

**Average in-place and committed base rents (year-end)** – The average in-place and committed base rent for our Canadian portfolio increased to \$7.26 per square foot at December 31, 2018, compared to \$7.17 per square foot at December 31, 2017, driven by rent steps and new leases that commenced during the year. Average in-place and committed base rent has increased across our Canadian portfolio with the exception of Eastern Canada, where rates remained stable.

The average in-place and committed base rent for our U.S. portfolio was US\$3.93 per square foot at December 31, 2018, compared to US\$4.08 per square foot at December 31, 2017, which reflects the in-place rent for all our U.S. properties, including properties acquired in 2018.

**Renewal spreads for the quarter and year** – Strong renewal spreads in Ontario. In Ontario, the average renewal spread on occupied space in the quarter was 9.3%. Subsequent to December 31, 2018, the Trust signed over 200,000 square feet of leases taking occupancy in 2019 at an average spread of approximately 16% above expiring or prior in-place rates, along with 3.1% annual rent increases over the term of the leases. Notably, the Trust signed a 101,000 square foot lease deal in the Greater Toronto Area at a 14.6% spread to the expiring rate, along with 3.2% annual contractual rent increases built into the lease.

During the year, renewal and relocation spreads on occupied space in Ontario, Québec, Eastern Canada and Western Canada were 3.6%, 5.5%, -2.0% and -4.6%, respectively.

**Estimated market rents (year-end)** – As at December 31, 2018, estimated market rents for the Canadian portfolio were \$7.58 per square foot while estimated market rents for the U.S. portfolio were US\$3.98 per square foot compared to \$7.39 per square foot and US\$4.11 per square foot, respectively, in 2017. In our Canadian portfolio, market rents were 4.4% above our in-place and committed rents, representing an opportunity for us to surface additional value as leases roll over.

**Investment properties** – As at December 31, 2018, the Trust's investment property portfolio, excluding a property held for sale consisted of 223 properties, valued at \$2.1 billion, compared to \$1.7 billion at December 31, 2017. Acquisitions totalling \$248.2 million were completed in 2018. The fair value of the Trust's Ontario and Québec properties increased by \$141.3 million compared to December 31, 2017, reflecting higher underlying cash flows and market rents and lower capitalization and discount rates. The fair values in Western Canada and Eastern Canada remained relatively stable. For our U.S. portfolio, the U.S. dollar strengthened against the Canadian dollar, which resulted in an unrealized foreign exchange gain of \$20.6 million for the year ended December 31, 2018.

During the quarter, the Trust acquired a 121,000 square foot Class A distribution facility located in the Greater Montreal Area for a purchase price of \$13.6 million, excluding transaction costs.

**Continued U.S. expansion** – On February 4, 2019, the Trust announced the waiver of all conditions on the acquisition of a U.S. logistics portfolio in the Midwest U.S., totalling approximately 3.5 million square feet of GLA for a purchase price of US\$179.1 million, excluding transaction costs. The portfolio comprises 21 buildings located in five cities (Chicago, Cincinnati, Columbus, Indianapolis and Louisville) and, subject to customary closing conditions, is scheduled to close in the first quarter of 2019.

**Acquisition funding** – To partially fund the U.S. logistics portfolio acquisition, the Trust completed a public offering on February 13, 2019 of 13.8 million REIT Units at a price of \$10.45 per unit for gross proceeds of \$144.2 million, including 1.8 million REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

**Enhanced liquidity** – On January 23, 2019, the Trust received lender approval to amend its existing revolving credit facility, increasing its borrowing capacity from \$125.0 million to \$150.0 million and increasing the number of properties secured under the facility from 30 to 33 properties. The amendment is subject to customary closing conditions.

(1) NAV per Unit, net debt-to-assets, interest coverage ratio, net debt-to-adjusted EBITDAFV, diluted FFO per Unit and comparative properties NOI are non-GAAP measures. See "Non-GAAP measures and other disclosures" for a description of these non-GAAP measures.

## OUR PROPERTIES

Dream Industrial REIT owns and operates a diversified portfolio of industrial distribution and warehousing properties located in key markets across Canada and in the U.S.

As at December 31, 2018, our portfolio consists of 223 properties comprising 20.2 million square feet of GLA. Our properties are located in desirable business parks, situated close to highways and generally considered functional and well suited for their respective markets. The occupancy rate across our portfolio is 97.1%. Our occupancy rate includes lease commitments totalling approximately 279,000 square feet for space that is currently being readied for occupancy but for which rental revenue is not yet being recognized.

Our properties are geographically diversified as follows:

	December 31, 2018 <sup>(1)</sup>			December 31, 2017 <sup>(1)</sup>		
	Number of properties	Owned GLA (thousands of sq. ft.)	% of owned GLA	Number of properties	Owned GLA (thousands of sq. ft.)	% of owned GLA
Western Canada	83	5,058	25.0	83	5,058	29.4
Ontario	59	5,099	25.3	57	4,795	27.9
Québec	37	3,888	19.3	36	3,765	21.9
Eastern Canada	37	2,661	13.2	37	2,660	15.5
U.S.	7	3,488	17.2	2	910	5.3
<b>Total</b>	<b>223</b>	<b>20,194</b>	<b>100.0</b>	<b>215</b>	<b>17,188</b>	<b>100.0</b>

(1) Excludes property or properties held for sale.

Our portfolio, totalling 20.2 million square feet, consists of 12.7 million square feet, or 63% of total GLA, of multi-tenant buildings, and 7.5 million square feet, or 37% of total GLA, of single-tenant buildings. Of the 7.5 million square feet of single-tenant space, 2.7 million square feet is located in Ontario, 2.2 million square feet is located in Québec and 1.8 million square feet is located in the U.S. Multi-tenant space is distributed more evenly throughout the portfolio, with a relatively higher concentration of 4.3 million square feet in Alberta and Saskatchewan. The differences between single- and multi-tenant buildings can be seen in the following operating metrics:

- Average tenant size – single tenants typically occupy significantly more space on an individual basis than those tenants in multi-tenant buildings;
- Average lease term – single tenants typically have lease terms that are significantly longer than those for multi-tenant buildings, which tends to offset the concentration risk of having a large single tenant in a building; and
- Average in-place rents per square foot – they are typically moderately higher in multi-tenant buildings.

Multi-tenant buildings with shorter lease terms allow a landlord to bring rents to market rates on a more frequent basis, thereby taking advantage of supply-constrained market conditions. Small-bay multi-tenant buildings tend to have higher construction costs and tend to be located in denser urban markets, which increases the barriers to competition from new supply. Selective ownership of single-tenant buildings provides a source of stable cash flow with relatively less management effort required. In addition to the geographic distribution, maintaining a balance of the two building types in the portfolio is part of our diversification strategy.

## SECTION II – EXECUTING THE STRATEGY

### OUR OPERATIONS

The following key performance indicators related to our operations influence the cash generated from operating activities:

#### Total and comparative portfolio occupancy

The following table details our total and comparative portfolio in-place and committed occupancy by region.

Our in-place and committed occupancy includes lease commitments for space that is being prepared for occupancy but for which rent is not yet being recognized.

(percentage)	Total portfolio <sup>(1)</sup>			Comparative portfolio <sup>(2)</sup>		
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	September 30, 2018	December 31, 2017
Western Canada	95.2	94.2	95.1	95.0	94.3	95.2
Ontario	98.0	98.7	99.7	97.9	98.7	97.7
Québec	98.1	97.3	96.3	98.0	97.3	96.3
Eastern Canada	93.7	93.1	93.3	93.7	93.1	93.3
<b>Total Canada</b>	<b>96.5</b>	<b>96.1</b>	<b>96.4</b>	<b>96.4</b>	<b>96.1</b>	<b>95.9</b>
<b>U.S.</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>97.1</b>	<b>96.8</b>	<b>96.6</b>	<b>96.4</b>	<b>96.1</b>	<b>95.9</b>

(1) Excludes property or properties held for sale at the end of each period.

(2) Excludes properties acquired after October 1, 2017 and excludes a property held for sale at December 31, 2018.

Total portfolio in-place and committed occupancy at December 31, 2018 remained high at 97.1%, an increase of 0.3% and 0.5%, respectively, compared to September 30, 2018 and December 31, 2017.

The increase in overall in-place and committed occupancy was mainly driven by multi-tenants within Western Canada, Québec and Eastern Canada, with approximately 238,000 square feet of vacant space committed for future occupancy. The increase in overall occupancy was offset by negative absorption in Ontario. Despite the negative absorption, we are seeing strong leasing activity in this region, enabling us to bring rental rates to market. At December 31, 2018, we have approximately 41,000 square feet of vacant space committed for future occupancy in Ontario. Included within our total portfolio are the properties acquired in 2018 and 2017. In-place and committed occupancy for the newly acquired properties was at 100.0% at December 31, 2018, compared to 99.6% at September 30, 2018 and 98.8% at December 31, 2017.

On a comparative portfolio basis, in-place and committed occupancy at December 31, 2018 remained high at 96.4%, with an increase of 0.3% and 0.5%, respectively, compared to September 30, 2018 and December 31, 2017. The increase in overall occupancy was mainly driven by the same reasons as previously mentioned.

## Occupancy continuity

The following table details the change in occupancy (including committed) for the three months and year ended December 31, 2018:

	Weighted average rate per sq. ft.	For the three months ended December 31, 2018 (thousands of sq. ft.)	As a % of total GLA	Weighted average rate per sq. ft.	For the year ended December 31, 2018 (thousands of sq. ft.)	As a % of total GLA
Occupancy (including committed) at beginning of period		19,426	96.8%		16,609	96.6%
Vacancy committed for future occupancy		(263)	(1.3%)		(154)	(0.9%)
Occupancy in-place at beginning of period		19,163	95.5%		16,455	95.7%
Acquired occupancy		121	—%		2,904	0.6%
Reclassification from assets held for sale		—	—		98	—
Occupancy in-place after the above adjustments		19,284	95.5%		19,457	96.3%
Expiries (all leases)	\$ 7.61	(760)	(3.8%)	\$ 7.18	(3,298)	(16.3%)
Early terminations and bankruptcies	\$ 8.09	(30)	(0.1%)	\$ 7.28	(290)	(1.4%)
New leases	\$ 7.27	268	1.3%	\$ 7.39	878	4.3%
Renewals and relocations	\$ 7.60	568	2.8%	\$ 7.01	2,583	12.8%
Occupancy in-place – December 31, 2018		19,330	95.7%		19,330	95.7%
Vacancy committed for future occupancy		279	1.4%		279	1.4%
<b>Occupancy (including committed) – December 31, 2018</b>		<b>19,609</b>	<b>97.1%</b>		<b>19,609</b>	<b>97.1%</b>

Vacancy committed for future occupancy is approximately 279,000 square feet, all of which will be occupied in the next two quarters.

## Tenant retention ratio

The following table details the tenant retention ratio, along with corresponding renewal and relocation rates and expiring rates on retained tenants space, that commenced for the three months and year ended December 31, 2018.

As a result of when leases are executed, the renewal rates shown below reflect committed deals signed in prior periods. These rates may not be reflective of the renewal rates on leases executed during the current period.

	For the three months ended December 31, 2018	For the year ended December 31, 2018
Tenant retention ratio <sup>(1)</sup>	74.7%	78.3%
Renewal and relocation rate (per sq. ft.)	\$ 7.60	\$ 7.01
Expiring rate on retained tenants space (per sq. ft.)	\$ 7.56	\$ 6.97
Renewal to expiring rate spread (per sq. ft.) <sup>(2)</sup>	\$ 0.04	\$ 0.04
Renewal to expiring rate spread (%) <sup>(3)</sup>	0.5%	0.6%

(1) Tenant retention ratio is calculated as the ratio of total square feet of renewals and relocated space over expiries (excluding early terminations and bankruptcies).

(2) Renewal to expiring rate spread (per sq. ft.) is calculated as the difference between the renewal and expiring rates upon commencement of the renewed or relocated space.

(3) Renewal to expiring rate spread (%) is calculated as the ratio of renewal to expiring rate spread (per sq. ft.) on the renewed or relocated space.

For the three months ended December 31, 2018, renewal spreads were 0.5% higher than the expiring rates, led by an average renewal spread of 9.3% in Ontario and 3.9% in Québec. Average renewal spreads in Eastern Canada declined by 6.7% due to one 20,000 square foot tenant coming off a ten-year lease with induced and above-market rents. Renewal spreads were flat in Western Canada, where we continue to be focused on occupancy, including built-in growth on lease deals through contractual rent bumps, and controlling leasing costs.



For the year ended December 31, 2018, renewal spreads were 0.6% higher than the expiring rates. Renewal spreads across our Canadian portfolio increased by 3.6% in Ontario and 5.5% in Québec, and decreased by 4.6% in Western Canada and 2.0% in Eastern Canada. The renewal spreads in Ontario and Québec reflect deals which were signed last year, when our focus was on retention and occupancy. Renewal spreads in Western Canada and Eastern Canada decreased for similar reasons as discussed above.

## Rental rates

The following table details the average in-place and committed base rent, estimated market rent and average remaining lease term for our total portfolio as at December 31, 2018 and December 31, 2017.

	December 31, 2018 <sup>(1)</sup>			December 31, 2017 <sup>(1)</sup>		
	Average in-place and committed base rent	Estimated market rent <sup>(2)</sup>	Average remaining lease term (years)	Average in-place and committed base rent	Estimated market rent <sup>(2)</sup>	Average remaining lease term (years)
Total portfolio						
Western Canada	\$ 8.93	\$ 9.06	3.5	\$ 8.87	\$ 9.11	3.7
Ontario	6.39	7.03	4.0	6.18	6.48	3.6
Québec	6.28	6.42	4.0	6.16	6.23	4.4
Eastern Canada	7.26	7.61	3.2	7.26	7.49	3.4
<b>Total Canada</b>	<b>7.26</b>	<b>7.58</b>	<b>3.7</b>	<b>7.17</b>	<b>7.39</b>	<b>3.8</b>
<b>U.S. (US\$)</b>	<b>3.93</b>	<b>3.98</b>	<b>5.7</b>	<b>4.08</b>	<b>4.11</b>	<b>7.6</b>
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>4.1</b>	<b>\$ —</b>	<b>\$ —</b>	<b>4.0</b>

(1) Excludes property or properties held for sale at the end of each period.

(2) Estimate only; based on current market rents with no allowance for increases in future years. Subject to changes in market conditions in each market.

The average in-place and committed base rent for our Canadian portfolio increased to \$7.26 per square foot at December 31, 2018, compared to \$7.17 per square foot at December 31, 2017, mainly driven by rent steps and new leases that commenced during the year. Average in-place and committed base rent has increased across our Canadian portfolio with the exception of Eastern Canada, where rates remained stable.

The average in-place and committed base rent for our U.S. portfolio was US\$3.93 per square foot at December 31, 2018, compared to US\$4.08 per square foot at December 31, 2017, which reflects the in-place rent for all our U.S. properties, including the properties acquired in 2018.

Estimated market rent represents management's best estimate of the base rent that would be achieved in a new arm's length lease in the event that a unit becomes vacant after a reasonable marketing period with an inducement and lease term appropriate for the particular space. Market rent by property is reviewed regularly by our leasing and portfolio management teams. Market rents may differ by property or by unit and depend upon a number of factors. Some of the factors considered include the condition of the space, the location within the building, the amount of office build-out for the units, lease term and a normal level of tenant inducements. Market rental rates are also compared against the external appraisal information that is gathered on a quarterly basis as well as other external market data sources.

As a result of when leases are executed, there is typically a lag between estimated market rents and average in-place and committed base rent.

As at December 31, 2018, our Canadian portfolio's estimated market rents were \$0.32 per square foot, or 4.4% higher than average in-place and committed base rents, presenting an opportunity for us to surface additional value as leases roll over. For our U.S. portfolio, estimated market rents were US\$0.05, or 1.3% higher than average in-place and committed base rents.

## Lease maturity profile, net of lease commitments

Overall, the average remaining lease term in our portfolio is 4.1 years and our average tenant size is 14,600 square feet. Our single-tenant buildings have an average remaining lease term of 4.9 years and our multi-tenant buildings have an average remaining lease term of 3.6 years.

The following table details our lease maturity profile by region, net of renewals and new leases completed, and excluding properties held for sale at December 31, 2018:

(in thousands of sq. ft., except %)	Vacancy, net of commitments	2019	2020	2021	2022	2023	2024+	Total
Western Canada	243	428	889	719	1,007	915	857	5,058
Ontario	101	681	865	638	742	571	1,501	5,099
Québec	74	246	369	604	797	584	1,214	3,888
Eastern Canada	167	413	341	506	498	289	447	2,661
U.S.	—	—	—	—	450	1,137	1,901	3,488
<b>Total portfolio</b>								
Total GLA	585	1,768	2,464	2,467	3,494	3,496	5,920	20,194
Percentage of total GLA (%)	2.9	8.8	12.2	12.2	17.3	17.3	29.3	100.0

Our lease maturity profile, net of renewals and new leases completed, remains staggered. Lease expiries, net of committed occupancy as a percentage of total GLA between 2019 and 2023, range from 8.8% to 17.3%.

### 2019 lease expiry profile

The following table details our 2019 lease maturity profile by region, net of renewals and new leases completed on vacant space, and excludes properties held for sale at December 31, 2018:

(in thousands of sq. ft., except %)	Western Canada	Ontario	Québec	Eastern Canada	Total portfolio
2019 expiries (as at December 31, 2018) <sup>(1)</sup>	(689)	(1,131)	(663)	(691)	(3,174)
Expiries committed for renewals	261	450	417	278	1,406
Expiries, net of renewals (as at December 31, 2018)	(428)	(681)	(246)	(413)	(1,768)
2019 vacancy (as at December 31, 2018)	(373)	(142)	(123)	(226)	(864)
Vacancy committed for future occupancy	130	41	49	59	279
2019 vacancy, net of commitments for occupancy (as at December 31, 2018)	(243)	(101)	(74)	(167)	(585)
Total commitments as a % of expiries (as at December 31, 2018)	56.7%	43.4%	70.3%	48.8%	53.1%

(1) There are no 2019 expiries for the U.S. portfolio.

### Lease incentives and initial direct leasing costs

Lease incentives include costs incurred to make leasehold improvements to tenant spaces, landlord works and cash allowances. Initial direct leasing costs include leasing fees and related costs and broker commissions incurred in negotiating and arranging tenant leases. Lease incentives and initial direct leasing costs are dependent upon asset type, lease terminations and expiries, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions. Short-term leases generally have lower costs than long-term leases.

For the three months ended December 31, 2018, leasing costs for space leased and occupied during the year was \$3.48 per square foot (December 31, 2017 – \$1.83 per square foot). Leasing costs increased primarily in Western Canada, where we are focused on building occupancy.

For the year ended December 31, 2018, leasing costs for space leased and occupied during the year were \$2.98 per square foot (December 31, 2017 – \$2.32 per square foot). Excluded from these costs are fully recoverable leasing costs, in addition to our contractual base rent, which comprise of \$3.0 million for an early renewal in Ontario on a single-tenant building, \$0.7 million for a ten-year renewal in Ontario on a single-tenant building, and \$0.4 million on a single-tenant building in Eastern Canada. A significant portion of the leasing costs increase is due to a 210,000 square foot tenant that we early renewed for a lease term of 15 years with a 13% rent increase starting in 2019.

Performance indicators for leases that commenced during the year	For the three months ended December 31,		For the year ended December 31,	
	2018	2017	2018	2017
Square footage leased and occupied (in thousands of sq. ft.)	<b>836</b>	666	<b>3,461</b>	3,088
Average lease term (years)	<b>3.7</b>	4.2	<b>4.7</b>	4.0
Lease incentives and initial direct leasing costs	\$ <b>2,906</b>	\$ 1,220	\$ <b>10,304</b>	\$ 7,154
Per square foot	\$ <b>3.48</b>	\$ 1.83	\$ <b>2.98</b>	\$ 2.32

## Tenant base profile

Our tenant base consists of a diverse range of high-quality businesses and, with 1,339 tenants, we believe our exposure to any single large lease or tenant is low. The average size of our tenants is 14,600 square feet, averaging 104,800 square feet across our single-tenant buildings and 9,600 square feet across our multi-tenant buildings.

The following table outlines the contributions of our top ten tenants to our annualized gross rental revenue as of December 31, 2018:

Rank	Tenant	Annualized gross rental revenue (%)	Owned area (sq. ft.)	Owned area (%)	Weighted average remaining lease term (years)
1.	Nissan North America Inc.	3.6	1,189	5.9	6.0
2.	Spectra Premium Industries Inc.	2.3	656	3.3	6.4
3.	TC Transcontinental	2.1	523	2.6	3.2
4.	Gienow Windows & Doors Inc.	2.0	371	1.8	3.8
5.	Accel Inc.	1.4	417	2.1	7.5
6.	United Agri Products Canada Inc.	1.4	275	1.4	4.8
7.	Molson Breweries Properties	1.3	225	1.1	4.0
8.	West Marine Products, Inc.	1.1	472	2.3	4.0
9.	Coca-Cola Refreshments USA	0.9	267	1.3	6.5
10.	Solae LLC	0.9	413	2.0	7.3
	<b>Total</b>	<b>17.0</b>	<b>4,808</b>	<b>23.8</b>	<b>5.5</b>

No single tenant represents more than 5% of the annualized gross rental revenue of the overall portfolio. The weighted average remaining lease term for the top ten tenants is 5.5 years, which provides stability and predictability of income.

## OUR RESOURCES AND FINANCIAL CONDITION

### Investment properties

The following table summarizes our investment property values by region as at December 31, 2018 and December 31, 2017:

	Total portfolio <sup>(1)</sup>	
	December 31, 2018	December 31, 2017
Western Canada	\$ 627,354	\$ 638,535
Ontario	610,470	465,585
Québec	353,351	294,110
Eastern Canada	253,687	250,030
U.S.	293,549	74,728
<b>Total</b>	<b>\$ 2,138,411</b>	<b>\$ 1,722,988</b>

(1) Excludes property or properties held for sale at the end of each period.

### Significant assumptions used in the valuation of investment properties

The Trust values its investment properties using both the capitalization rate method and the discounted cash flow method. The results of both methods are evaluated by considering the range of values calculated under both methods on a property-by-property basis.

The significant valuation metrics used in the capitalization rate method are capitalization rates and stabilized net operating income.

The following table summarizes capitalization rates (“cap rates”) by region as at December 31, 2018 and December 31, 2017.

	December 31, 2018		Total portfolio <sup>(1)</sup> December 31, 2017	
	Range (%)	Weighted	Range (%)	Weighted
		average (%) <sup>(2)</sup>		average (%) <sup>(2)</sup>
Western Canada	6.00–8.00	6.62	6.00–8.00	6.64
Ontario	5.00–7.50	5.58	4.00–7.75	6.02
Québec	6.00–7.00	6.25	6.25–7.50	6.95
Eastern Canada	6.50–9.25	7.22	6.50–9.25	7.18
U.S.	6.00–6.60	6.33	6.30	6.30
<b>Total</b>	<b>5.00–9.25</b>	<b>6.29</b>	<b>4.00–9.25</b>	<b>6.59</b>

(1) Excludes property or properties held for sale at the end of each period.

(2) Weighted average based on investment property fair value.

In addition to the cap rates noted above, the weighted average stabilized net operating income used in the capitalization rate method as at December 31, 2018 and December 31, 2017 was \$138.4 million and \$117.6 million, respectively.

The significant valuation metrics used in the discounted cash flow method as at December 31, 2018 and December 31, 2017 are set out in the table below:

	December 31, 2018		Total portfolio <sup>(1)</sup> December 31, 2017	
	Range (%)	Weighted	Range (%)	Weighted
		average (%) <sup>(2)</sup>		average (%) <sup>(2)</sup>
Discount rate	6.00–9.00	7.16	5.00–9.00	7.47
Terminal rate	5.50–8.00	6.55	4.50–8.00	6.73

(1) Excludes property or properties held for sale at the end of each period.

(2) Weighted average based on investment property fair value.

In addition to the assumptions noted above, the weighted average market rent per square foot was \$7.38 (December 31, 2017 – \$7.19). The average leasing cost per square foot was \$4.17 (December 31, 2017 – \$3.52). The weighted average vacancy rate assumption was 3.11% (December 31, 2017 – 3.62%).

### Valuations of externally appraised properties

For the year ended December 31, 2018, there were 47 investment properties valued by qualified external valuation professionals with a fair value of \$655.6 million, representing 30.7% of the total investment property values, excluding properties classified as assets held for sale (for the year ended December 31, 2017 – 82 investment properties with an aggregate fair value of \$605.9 million, representing 35.2% of the total investment property values, excluding properties classified as assets held for sale).

### Fair value adjustments to investment properties

For the three months ended December 31, 2018, the Trust recorded a fair value gain of \$38.8 million, mainly driven by fair value gains of \$21.6 million and \$15.5 million, respectively, in the Ontario and Québec regions, reflecting higher market rent assumptions along with lower capitalization rates on select properties in the Québec region. The fair values in the Western Canada, Eastern Canada and U.S. regions remained relatively stable.

For the year ended December 31, 2018, the Trust recorded a fair value gain of \$107.9 million, primarily due to the same reasons noted above, as well as fair value losses of \$19.9 million in Western Canada, reflecting slower leasing activity.

### Building improvements and leasing costs

Building improvements represent investments made to our investment properties to ensure optimal building performance, to improve the experience of our tenants, as well as to reduce operating costs. In order to retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand.

Recoverable capital expenditures are recovered from tenants in accordance with their leases over the useful life of the building improvements plus an imputed interest charge and management fee. Approximately 90% of eligible capital expenditure recoveries are collected annually.

Non-recoverable capital expenditures are not recovered from tenants and are costs incurred to repair or maintain the property's structural condition.

Other capital expenditures include upgrades completed on certain properties that are expected to increase the Trust's ability to attract tenants and obtain higher rental rates.

Leasing costs include landlord's work, broker commissions and tenant improvements. For tenancies commenced during the year ended December 31, 2018, leasing costs include accrued committed costs over the full lease term.

The following table summarizes building improvements and leasing costs incurred for the three months and years ended December 31, 2018 and December 31, 2017:

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
<b>Building improvements</b>				
Recoverable capital expenditures	\$ 1,475	\$ 1,205	\$ 10,012	\$ 8,982
Non-recoverable capital expenditures	176	893	799	1,793
Other capital expenditures	1,481	1,197	3,013	4,255
<b>Total building improvements</b>	<b>3,132</b>	<b>3,295</b>	<b>13,824</b>	<b>15,030</b>
Lease incentives and initial direct leasing costs	2,396	2,101	14,061	9,390
<b>Total building improvements and lease incentives and initial direct leasing costs</b>	<b>\$ 5,528</b>	<b>\$ 5,396</b>	<b>\$ 27,885</b>	<b>\$ 24,420</b>

Included in leasing costs for the year ended December 31, 2018 are fully recoverable leasing costs of \$4.1 million (December 31, 2017 – \$1.0 million).

### Foreign currency translation

For the three months and year ended December 31, 2018, the foreign currency translation impact on our U.S. portfolio was a gain of \$14.9 million and \$20.6 million, respectively, due to the strengthening of the U.S. dollar against the Canadian dollar.

### Acquisitions

The following acquisitions were completed during the year ended December 31, 2018:

	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Weighted average remaining lease term at acquisition	Purchase price allocated to investment properties <sup>(1)</sup>	Date acquired
860 Marine Drive, Charlotte, North Carolina	471,744	100.0	5.0	\$ 35,766	January 16, 2018
4770 Southpoint Drive, Memphis, Tennessee	500,000	100.0	6.1	32,343	January 16, 2018
5605 Holmescrest Lane, Memphis, Tennessee	885,000	100.0	6.5	47,349	January 16, 2018
161 The West Mall, Etobicoke, Ontario	205,000	100.0	7.5	37,382	August 2, 2018
8860 Smith's Mill Road, Columbus, Ohio	304,318	100.0	4.4	35,949	September 6, 2018
9000 Smith's Mill Road, Columbus, Ohio	417,049	100.0	7.9	45,246	September 6, 2018
10555 Henri-Bourassa Boulevard West, Saint-Laurent, Québec	120,817	100.0	2.3	14,150	October 24, 2018
<b>Total</b>	<b>2,903,928</b>			<b>\$ 248,185</b>	

(1) Includes transaction costs and assumed capital expenditures obligations.

During the year ended December 31, 2017, the Trust acquired one property in Western Canada for a purchase price of \$17.3 million including transaction costs and two properties in the U.S. for a purchase price of \$78.0 million including transaction costs and an assumed mortgage of \$29.7 million.

### Subsequent events

On February 4, 2019, the Trust announced the waiver of all conditions on the acquisition of a U.S. logistics portfolio in the Midwest U.S., totalling approximately 3.5 million square feet of gross leasable area, for a purchase price of US\$179.1 million, excluding transaction costs. The portfolio comprises 21 buildings located in five cities (Chicago, Cincinnati, Columbus, Indianapolis and Louisville) and, subject to customary closing conditions, is scheduled to close in the first quarter of 2019.

## OUR FINANCING

Our debt strategy includes managing our maturity schedule to help mitigate interest rate risk and limit exposure in any given year, as well as fixing the rates and extending loan terms as long as possible when interest rates are favourable.

### Summary of debt

The key performance indicators in the management of our debt are as follows:

	As at	
	December 31, 2018	December 31, 2017
<b>Financing metrics</b>		
Total debt	\$ 937,730	\$ 889,796
Weighted average effective interest rate <sup>(1)</sup>	3.74%	3.88%
Weighted average face interest rate <sup>(1)</sup>	3.65%	3.75%
Interest coverage ratio (times) <sup>(2)</sup> – year-to-date	3.5	3.3
Net debt-to-adjusted EBITDAFV (years) <sup>(2)(3)</sup>	7.2	7.3
Level of debt (net debt-to-assets ratio) <sup>(2)(3)</sup>	43.5%	47.9%
<b>Liquidity metrics</b>		
Maximum proportion of debt maturities and principal repayments due in any one year	17.8% (2021)	20.5% (2019)
Weighted average remaining term to maturity (years)	4.4	3.8
Unencumbered assets <sup>(3)</sup>	\$ 194,594	\$ 113,191
Cash and cash equivalents	4,968	54,651
Undrawn revolving credit facility	98,194	123,000

(1) Weighted average effective interest rate is calculated as the weighted average face rate of interest net of amortization of fair value adjustments and financing costs of all interest bearing debt. Weighted average face interest rate is calculated as the weighted average face interest rate of all interest bearing debt.

(2) Interest coverage ratio, net debt-to-adjusted EBITDAFV and level of debt (net debt-to-assets ratio) are non-GAAP measures. The calculation of these measures is included under the heading “Non-GAAP measures and other disclosures”.

(3) Level of debt (net debt-to-assets ratio) and net debt-to-adjusted EBITDAFV, have been restated in the comparative periods to conform to current period presentation. For further details, please refer to “Non-GAAP Measures and Other Disclosures” under the headings “Level of debt (net debt-to-assets ratio)” and “Net debt-to-adjusted EBITDAFV”.

(4) Unencumbered assets includes property or properties held for sale at the end of each period.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio is 3.5 times, demonstrating our ability to more than adequately cover interest expense requirements. At December 31, 2018, our weighted average face rate of interest is 3.65% and, after accounting for market adjustments and financing costs, the weighted average effective interest rate for our outstanding debt is 3.74%.

### Liquidity and capital resources

Dream Industrial REIT’s primary sources of capital are cash generated from (utilized in) operating activities, credit facilities, mortgage financing and refinancing, and equity and debt issues. Our primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, major property improvements, debt principal repayments, interest payments and property acquisitions. We expect to meet all of our ongoing obligations with current cash and cash equivalents, cash generated from operations, draws on the revolving credit facility, conventional mortgage refinancings and, as growth requires and when appropriate, new equity or debt issues.

In our consolidated financial statements, our current liabilities exceed our current assets by \$93.3 million. Typically, real estate entities seek to address liquidity needs by having a balanced debt maturity schedule, undrawn credit facilities and a pool of unencumbered assets. We are able to use our revolving credit facility on short notice, which eliminates the need to hold a significant amount of cash and cash equivalents on hand. Working capital balances fluctuate significantly from period-to-period depending on the timing of receipts and payments. Scheduled principal repayments that are due within one year amount to \$25.8 million, and debt maturities that are due within one year amount to \$52.0 million. The debt maturities are typically refinanced with mortgages of terms between five and ten years. Amounts payable outstanding at the end of any reporting period depend primarily on the timing of leasing costs and capital expenditures incurred, as well as the impact of transaction costs incurred on any acquisitions or dispositions completed during the reporting period. Our unencumbered assets pool as at December 31, 2018 is \$194.6 million. With our balanced debt maturity schedule, undrawn revolving credit facility of \$98.2 million, cash and cash equivalents of \$5.0 million and unencumbered assets pool, we have sufficient liquidity and capital resources as at December 31, 2018.

## Financing activities

The following table highlights new mortgage financing activities in 2018:

Date of financing	Location of secured properties	Amount <sup>(1)</sup>	Year ended December 31, 2018		
			Term to maturity (years) <sup>(2)</sup>	Weighted average face interest rate	Weighted average effective interest rate
January 12, 2018	Western Canada	\$ 48,000	5.0	3.58%	3.83%
January 17, 2018	Western Canada, Eastern Canada	47,000	5.2	3.73%	3.94%
April 20, 2018	Western Canada, Ontario	18,363	5.7	3.96%	4.18%
May 22, 2018	U.S.	85,666	9.0	3.96%	4.24%
November 7, 2018	Ontario	21,000	10.1	4.15%	4.27%
December 13, 2018	Ontario	21,000	11.1	4.03%	4.16%
<b>Total</b>		<b>\$ 241,029</b>	<b>7.5</b>	<b>3.86%</b>	<b>4.09%</b>

(1) Excludes financing costs.

(2) Term to maturity from date of initial financing.

During the year ended December 31, 2017, new mortgage financing totalled \$111.9 million with an average term to maturity of 6.2 years, weighted average face interest rate of 3.72% and weighted average effective interest rate of 3.83%. New mortgage financing includes an assumed mortgage on an acquired property of \$29.7 million and a loan extension of \$3.3 million.

## Revolving credit facility

The following table summarizes certain details of the Trust's revolving credit facility as at December 31, 2018:

	Maturity date	December 31, 2018				
		Borrowing capacity	Letter of credit and forward agreement amount	Principal outstanding	Other adjustments	Amounts available to be drawn
Revolving credit facility <sup>(1)(2)(3)</sup>	June 30, 2020	\$ 125,000	\$ —	\$ (27,375)	\$ 569	\$ 98,194

(1) Bankers' acceptance ("BA") rate plus 1.70% or Canadian prime rate plus 0.70% or U.S. LIBOR rate plus 1.70% or U.S. base rate plus 0.70%.

(2) Thirty properties are secured as first-ranking on the revolving credit facility.

(3) The revolving credit facility has the ability to be drawn in Canadian and U.S. dollars. At December 31, 2018, principal outstanding amounts include US\$16.0 million which has been converted in accordance with the Trust's accounting policies. Other adjustments represent foreign exchange differences between the lender and the Trust. The lender uses an internal foreign exchange rate to determine the amounts available to be drawn.

As at December 31, 2017, no amounts were borrowed against the revolving credit facility and the total amount available to be drawn was \$123.0 million.

## Convertible debentures

On August 2, 2018, the Trust early redeemed all of its outstanding 5.25% Convertible Debentures at par. The Trust paid \$111.8 million in aggregate, representing \$111.3 million in principal outstanding on the redemption date and \$0.5 million in accrued interest.

## Composition and continuity of total debt

The composition of total debt as at December 31, 2018 and the continuity of total debt for the three months and year ended December 31, 2018 are as follows:

	Weighted average face interest rate	Three months ended December 31, 2018			
		Mortgages	Revolving credit facility <sup>(1)</sup>	Convertible debentures <sup>(2)</sup>	Total
Total debt as at September 30, 2018	3.62%	\$ 882,242	\$ 43,966	\$ —	\$ 926,208
New debt placed		42,000	26,459	—	68,459
Scheduled repayments		(6,622)	—	—	(6,622)
Lump sum repayments		(12,517)	(45,005)	—	(57,522)
Other adjustments <sup>(3)</sup>		5,867	1,340	—	7,207
<b>Total debt as at December 31, 2018</b>	<b>3.65%</b>	<b>\$ 910,970</b>	<b>\$ 26,760</b>	<b>\$ —</b>	<b>\$ 937,730</b>

(1) Amounts drawn against the revolving credit facility during the year are denominated in both Canadian and U.S. dollars. U.S. dollar amounts have been converted at foreign exchange rates in accordance with the Trust's accounting policies as disclosed in the December 31, 2018 consolidated financial statements.

(2) Convertible debentures were redeemed in the third quarter of 2018.

(3) Other adjustments include financing cost additions, amortization of financing costs, amortization of fair value adjustments on assumed debt and foreign exchange adjustments.

	Weighted average face interest rate	Year ended December 31, 2018			
		Mortgages	Revolving credit facility <sup>(1)</sup>	Convertible debentures <sup>(2)</sup>	Total
Total debt as at January 1, 2018	3.75%	\$ 782,254	\$ (1,025)	\$ 108,567	\$ 889,796
New debt placed		241,029	133,400	—	374,429
Scheduled repayments		(25,400)	—	—	(25,400)
Lump sum repayments		(92,490)	(108,166)	(111,250)	(311,906)
Other adjustments <sup>(3)</sup>		5,577	2,551	2,683	10,811
<b>Total debt as at December 31, 2018</b>	<b>3.65%</b>	<b>\$ 910,970</b>	<b>\$ 26,760</b>	<b>\$ —</b>	<b>\$ 937,730</b>

(1) Amounts drawn against the revolving credit facility during the year are denominated in both Canadian and U.S. dollars. U.S. dollar amounts have been converted at foreign exchange rates in accordance with the Trust's accounting policies as disclosed in the December 31, 2018 consolidated financial statements.

(2) Convertible debentures were redeemed in the third quarter of 2018.

(3) Other adjustments include financing cost additions, amortization of finance costs, amortization of fair value adjustments on assumed debt and foreign exchange adjustments. Other adjustments also include a \$1.9 million write-off of finance costs and fair value adjustments due to early redemption of convertible debentures.

Our current total debt profile is balanced with maturities well-distributed over the next 11 years. The following is our total debt maturity profile as at December 31, 2018:

	Debt maturities	Scheduled principal repayments on non-maturing debt	Amount	%	Weighted average effective interest rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2019	\$ 51,975	\$ 25,786	\$ 77,761	8.3	3.56	3.40
2020	118,923	24,525	143,448	15.2	3.74	3.43
2021	145,331	21,956	167,287	17.8	3.73	4.10
2022	103,160	16,535	119,695	12.7	3.31	3.20
2023	138,704	10,337	149,041	15.8	3.82	3.63
2024 and thereafter	258,019	26,642	284,661	30.2	3.91	3.73
<b>Total</b>	<b>\$ 816,112</b>	<b>\$ 125,781</b>	<b>\$ 941,893</b>	<b>100.0</b>	<b>3.74</b>	<b>3.65</b>
Unamortized financing costs			(5,804)			
Unamortized fair value adjustments			1,641			
<b>Total</b>			<b>\$ 937,730</b>			



## Subsequent events

On January 11, 2019, the Trust closed on a US\$36.6 million mortgage secured by a portfolio of two U.S. properties in Columbus, Ohio. The mortgage has a term of ten years at a fixed face interest rate of 4.57% per annum.

On January 23, 2019, the Trust received lender approval to amend its existing revolving credit facility, increasing the borrowing capacity from \$125.0 million to \$150.0 million and increasing the number of properties secured under the facility from 30 to 33 properties.

## Commitments and contingencies

We are contingently liable with respect to guarantees that are issued in the normal course of business and with respect to litigation and claims that may 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 our consolidated financial statements.

## OUR EQUITY

### Total equity

Our discussion of equity includes LP B Units, which are economically equivalent to REIT Units. However, pursuant to IFRS, the LP B Units are classified as a liability in our consolidated financial statements.

	December 31, 2018		Unitholders' equity December 31, 2017	
	Number of Units	Amount	Number of Units	Amount
REIT Units	92,062,659	\$ 887,757	75,104,843	\$ 720,437
Retained earnings (deficit)	—	90,621	—	(7,056)
Accumulated other comprehensive income (loss)	—	10,947	—	(1,135)
Equity per consolidated financial statements	92,062,659	989,325	75,104,843	712,246
Add: LP B Units	18,551,855	176,613	18,551,855	163,256
<b>Total equity (including LP B Units)<sup>(1)</sup></b>	<b>110,614,514</b>	<b>\$ 1,165,938</b>	<b>93,656,698</b>	<b>\$ 875,502</b>
NAV per Unit <sup>(1)</sup>		\$ 10.54		\$ 9.35

(1) Total equity (including LP B Units) and NAV per Unit are non-GAAP measures defined in the section "Non-GAAP measures and other disclosures".

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special Trust Units.

The Special Trust Units may only be issued to holders of LP B Units, are not transferable separately from these Units and are used to provide voting rights with respect to Dream Industrial REIT to persons holding LP B Units. The LP B Units are held by wholly owned subsidiaries of Dream Office REIT. Both the REIT Units and the Special Trust Units entitle the holder to one vote for each Unit at all meetings of the unitholders. The LP B Units are exchangeable on a one-for-one basis for REIT Units at the option of the holder. The LP B Units and corresponding Special Trust Units together have economic and voting rights equivalent in all material respects to REIT Units. The REIT Units have economic and voting rights equivalent in all material respects to each other.

During the three months ended December 31, 2018, under the Distribution Reinvestment and Unit Purchase Plan ("DRIP") and the distribution reinvestment provisions of the amended and restated limited partnership agreement governing Dream Industrial LP, for LP B Units and REIT Units, the Trust issued 468,373 REIT Units (1,769,595 REIT Units for the year ended December 31, 2018) to the subsidiaries of Dream Office REIT for a total cost of \$4.6 million (\$17.5 million for the year ended December 31, 2018). As at December 31, 2018, Dream Office REIT, directly and indirectly through its wholly owned subsidiaries, held 7,200,736 REIT Units and 18,551,855 LP B Units, representing approximately 23.3% ownership in the Trust (25.6% at December 31, 2017).

## Continuity of equity

The following table summarizes the changes in our outstanding equity:

	REIT Units	LP B Units	Total Units
Total Units outstanding on January 1, 2018	75,104,843	18,551,855	93,656,698
Units issued pursuant to public offering on June 29, 2018	13,915,000	—	13,915,000
Units issued pursuant to DRIP	2,863,035	—	2,863,035
Units issued pursuant to Unit Purchase Plan	1,017	—	1,017
Units issued pursuant to Deferred Unit Incentive Plan (“DUIP”)	178,764	—	178,764
<b>Total Units outstanding on December 31, 2018</b>	<b>92,062,659</b>	<b>18,551,855</b>	<b>110,614,514</b>
Percentage of all Units	83.2%	16.8%	100.0%
Units issued pursuant to DRIP on January 15, 2019	276,032	—	276,032
Units issued pursuant to DUIP on January 25, 2019	152	—	152
Units issued pursuant to DUIP on February 6, 2019	10,725	—	10,725
Units issued to public offering on February 13, 2019	13,800,000	—	13,800,000
Units issued pursuant to DRIP on February 15, 2019	258,424	—	258,424
<b>Total Units outstanding on February 19, 2019<sup>(1)</sup></b>	<b>106,407,992</b>	<b>18,551,855</b>	<b>124,959,847</b>
Percentage of all Units	85.2%	14.8%	100.0%

(1) The date of this report.

On June 29, 2018, the Trust completed a public offering of 13,915,000 REIT Units, at a price of \$10.35 per unit for gross proceeds of \$144.0 million including 1,815,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

On February 13, 2019, the Trust completed a public offering of 13,800,000 REIT Units at a price of \$10.45 per unit for gross proceeds of \$144.2 million, including 1,800,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

## Short form base shelf prospectus

On September 15, 2017, the Trust filed and obtained receipts for a final short form base shelf prospectus which is valid for a 25-month period, during which time the Trust may, from time to time, offer and issue REIT Units, subscription receipts, and debt securities convertible into or exchangeable for REIT Units of the Trust, or any combination thereof, having an aggregate offering price of up to \$1 billion. As at December 31, 2018, \$230.6 million (December 31, 2017 – \$86.5 million) of REIT Units have been issued under the short form base shelf prospectus.

## Distribution policy

Dream Industrial REIT’s Declaration of Trust provides the Board of Trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust.

We currently pay monthly distributions of \$0.05833 per unit, or \$0.70 per unit on an annual basis. Similar to other non-GAAP measures such as total equity (including LP B Units), our discussion of distributions includes LP B Units, which are economically equivalent to REIT Units. However, pursuant to IFRS, the LP B Units are classified as a liability in our consolidated financial statements.

The following table summarizes the total distributions and DRIP participation rate for the three months and year ended December 31, 2018 and December 31, 2017:

	Three months ended December 31, 2018		Three months ended December 31, 2017	
	Amount	% of total	Amount	% of total
Distributions reinvested less 3% bonus distribution (DRIP Participation Rate) <sup>(1)</sup>	\$ 7,939	41.1%	\$ 5,845	37.5%
Distributions paid in cash	11,369	58.9%	9,753	62.5%
Total distributions excluding 3% bonus distribution	19,308	100.0%	15,598	100.0%
3% bonus distribution	229		169	
<b>Total distributions<sup>(1)</sup></b>	<b>\$ 19,537</b>		<b>\$ 15,767</b>	

(1) Total distributions and DRIP participation rate are non-GAAP measures. See “Non-GAAP measures and other disclosures” for a description of these non-GAAP measures.

	Year ended December 31, 2018		Year ended December 31, 2017	
	Amount	% of total	Amount	% of total
Distributions reinvested less 3% bonus distribution (DRIP Participation Rate) <sup>(1)</sup>	\$ 28,207	39.0%	\$ 20,791	36.3%
Distributions paid in cash	44,196	61.0%	36,412	63.7%
Total distributions excluding 3% bonus distribution	72,403	100.0%	57,203	100.0%
3% bonus distribution	824		615	
<b>Total distributions<sup>(1)</sup></b>	<b>\$ 73,227</b>		<b>\$ 57,818</b>	

(1) Total distributions and DRIP participation rate are non-GAAP measures. See “Non-GAAP measures and other disclosures” for a description of these non-GAAP measures.

### Cash flows from operating activities and total distributions (a non-GAAP measure)

The Trust anticipates that future cash flows generated from (utilized in) operating activities may be less than total distributions (a non-GAAP measure). With a conservative balance sheet, significant liquidity and a plan to improve and grow our portfolio, the Trust does not anticipate suspending the cash distributions in the foreseeable future.

To the extent that cash generated from (utilized in) operating activities may be less than the total distributions (a non-GAAP measure), the Trust will fund the shortfalls with cash and cash equivalents on hand and with the amounts available on the revolving credit facility. The use of the revolving credit facility may involve risks compared with using cash and cash equivalents on hand as a source of funding, such as the risk that interest rates may rise in the future which may make it more expensive for the Trust to borrow under the revolving credit facility, and the risk associated with increasing the overall indebtedness of the Trust. In the event that shortfalls exist, the Trust does not anticipate cash distributions will be suspended in the foreseeable future but does expect that there could be timing differences between the execution of our acquisition strategy and asset recycling opportunities and the redeployment of capital raised from equity offerings. Accordingly, to the extent there are shortfalls, distributions may be considered an economic return of capital. The Trust determines the distribution rate by, among other considerations, its assessment of cash flows generated from (utilized in) operating activities. Dream Industrial REIT’s Declaration of Trust provides the Board of Trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust.

In any given period, the Trust anticipates that net income will continue to vary from total distributions (a non-GAAP measure) as net income includes non-cash items such as fair value adjustments to investment properties and financial instruments. Accordingly, the Trust does not use net income as a proxy for determining distributions.

In any given period, actual cash flows generated from (utilized in) operating activities may differ from total distributions (a non-GAAP measure), primarily due to fluctuations in non-cash working capital and the impact of leasing costs, which fluctuate with lease maturities, renewal terms, the type of asset being leased, and when tenants fulfill the terms of their respective lease agreements. These seasonal fluctuations or the unpredictability of when leasing costs are incurred are funded with our cash and cash equivalents on hand and, if necessary, with our existing revolving credit facility.

The following table summarizes net income, cash flows generated from (utilized in) operating activities (per consolidated financial statements) and total distributions (a non-GAAP measure) for the three months and years ended December 31, 2018 and December 31, 2017:

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Net income	\$ 66,455	\$ 19,466	\$ 157,528	\$ 34,659
Cash generated from (utilized in) operating activities	23,673	15,385	77,854	67,121
Total distributions <sup>(1)</sup>	19,537	15,767	73,227	57,818

(1) Total distributions is a non-GAAP measure. See “Non-GAAP measures and other disclosures” under the heading “Total distributions”.

As required by National Policy 41-201, “Income Trusts and Other Indirect Offerings”, the following table outlines the differences between cash generated from (utilized in) operating activities and total distributions (a non-GAAP measure), as well as the differences between net income and total distributions (a non-GAAP measure), in accordance with the guidelines.

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Excess (shortfall) of net income over total distributions <sup>(1)</sup>	\$ 46,918	\$ 3,699	\$ 84,301	\$ (23,159)
Excess (shortfall) of cash generated from (utilized in) operating activities over total distributions <sup>(1)</sup>	4,136	(382)	4,627	9,303

(1) Total distributions is a non-GAAP measure. See “Non-GAAP measures and other disclosures” under the heading “Total distributions”.

For the three months and year ended December 31, 2018, net income exceeded total distributions (a non-GAAP measure) by \$46.9 million and \$84.3 million, respectively, primarily as a result of non-cash items such as fair value adjustments to investment properties and financial instruments, partially offset by interest expense on subsidiary redeemable units which is included in net income. For the three months and year ended December 31, 2017, net income exceeded total distributions (a non-GAAP measure) by \$3.7 million and total distributions (a non-GAAP measure) exceeded net income by \$23.2 million, respectively, primarily as a result of the same reasons noted above. Since the shortfall in 2017 was primarily driven by non-cash items which do not affect cash generated from operating activities, the Trust does not believe that the distributions for the affected period represent a return of capital.

For the three months ended December 31, 2018 and for the years ended December 31, 2018 and December 31, 2017, cash generated from (utilized in) operating activities exceeded total distributions (a non-GAAP measure) by \$4.1 million, \$4.6 million and \$9.3 million, respectively. For the three months ended December 31, 2017, cash generated from (utilized in) operating activities was less than total distributions (a non-GAAP measure) by \$0.4 million, mainly due to timing differences between the realization of working capital, investment in lease incentives and initial direct leasing costs, and the declaration of distributions, and thus, did not constitute an economic return of capital.

Of the total distributions (a non-GAAP measure) declared for the three months and year ended December 31, 2018, \$8.2 million and \$29.0 million, respectively, were reinvested into the DRIP. Over time, reinvestments pursuant to the DRIP will increase the number of units outstanding, which may result in upward pressure on the total amount of cash distributions. Our Declaration of Trust provides our Board of Trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust, which allows for any unforeseen expenditures and the variability in cash distributions as a result of additional units issued pursuant to the Trust’s DRIP.

## OUR RESULTS OF OPERATIONS

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Investment properties revenue	\$ 50,090	\$ 44,728	\$ 193,548	\$ 172,350
Investment properties operating expenses	(15,084)	(14,324)	(59,804)	(55,572)
<b>Net rental income</b>	<b>35,006</b>	<b>30,404</b>	<b>133,744</b>	<b>116,778</b>
<b>Other income</b>				
Interest and fee income	50	390	657	995
	50	390	657	995
<b>Other expenses</b>				
General and administrative	(2,586)	(2,483)	(10,807)	(9,052)
Interest:				
Interest expense on debt <sup>(1)</sup>	(8,769)	(8,996)	(37,070)	(34,871)
Subsidiary redeemable units	(3,344)	(3,344)	(13,376)	(13,376)
Depreciation and amortization	(9)	(12)	(59)	(52)
	(14,708)	(14,835)	(61,312)	(57,351)
<b>Fair value adjustments and other items</b>				
Fair value adjustments to investment properties	38,794	(1,476)	107,875	(17,491)
Fair value adjustments to financial instruments	8,876	5,499	(17,120)	(4,869)
Net losses on transactions and other activities	(820)	(822)	(5,080)	(3,275)
	46,850	3,201	85,675	(25,635)
<b>Income before income taxes</b>	<b>67,198</b>	<b>19,160</b>	<b>158,764</b>	<b>34,787</b>
Current and deferred income taxes recovery (expense), net	(743)	306	(1,236)	(128)
<b>Net income</b>	<b>\$ 66,455</b>	<b>\$ 19,466</b>	<b>\$ 157,528</b>	<b>\$ 34,659</b>

(1) Mark-to-market amortization included in interest expense is a \$0.2 million gain for the three months ended December 31, 2018 (\$0.1 million gain for the three months ended December 31, 2017). Mark-to-market amortization included in interest expense is a \$0.3 million gain for the year ended December 31, 2018 (\$0.4 million gain for the year ended December 31, 2017).

### Investment properties revenue

Investment properties revenue includes base rent from investment properties, recovery of operating costs, property taxes and capital expenditures from tenants, the impact of straight-line rent adjustments, lease termination fees and other adjustments as well as fees earned from property management.

Investment properties revenue increased by \$5.4 million, or 12.0%, compared to the prior year comparative quarter and increased by \$21.2 million, or 12.3%, compared to the prior year. The increase is mainly due to the impact of acquired properties in 2018 and in the fourth quarter of 2017, rental rate growth, higher average occupancy across our comparative portfolio and higher recovery of operating expenses.

### Investment properties operating expenses

Investment properties operating expenses comprise operating costs and property taxes as well as certain expenses that are not recoverable from tenants. Operating expenses fluctuate with changes in occupancy levels, expenses that are seasonal in nature, and the level of repairs and maintenance incurred during the period.

Investment properties operating expenses increased by \$0.8 million, or 5.3%, compared to the prior year comparative quarter and increased \$4.2 million, or 7.6%, compared to the prior year. The increase is primarily due to the impact of acquired properties in 2018 and in the fourth quarter of 2017 and an increase in operating costs and realty taxes.

## General and administrative expenses

The following table summarizes our general and administrative (“G&A”) expenses for the three months and years ended December 31, 2018 and December 31, 2017:

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Asset management fee	\$ (1,210)	\$ (1,039)	\$ (4,621)	\$ (4,047)
Deferred compensation expenses	(426)	(577)	(2,181)	(1,785)
Professional fees	(252)	(265)	(1,067)	(1,176)
General corporate expenses <sup>(1)</sup>	(698)	(602)	(2,938)	(2,044)
<b>Total</b>	<b>\$ (2,586)</b>	<b>\$ (2,483)</b>	<b>\$ (10,807)</b>	<b>\$ (9,052)</b>

(1) Includes corporate management and overhead related costs, public reporting, and Board of Trustees’ fees and expenses.

G&A expenses for the three months and year ended December 31, 2018 increased by \$0.1 million, or 4.1%, compared to the prior year comparative quarter and increased \$1.8 million, or 19.4%, compared to the prior year.

The increase in G&A expenses for the three months ended December 31, 2018 was mainly attributable to higher asset management fees due to the acquisitions completed in 2018 and in the fourth quarter of 2017, higher general corporate expenses driven by higher overhead costs and business taxes applicable to the newly acquired properties in the U.S., partially offset by deferred compensation expenses related to the acceleration of the DUIP vesting terms for one executive in the prior year.

The increase in G&A expenses for the year ended December 31, 2018 was mainly attributable to the same reasons noted above along with higher deferred compensation expenses due to a change in the vesting terms of the Board of Trustees’ DUIP Units from a five-year vesting term to immediate vesting.

## Interest expense on debt

Interest expense on debt decreased by \$0.2 million, or 2.5%, for the three months ended December 31, 2018 compared to the prior year comparative quarter, and increased \$2.2 million, or 6.3%, for the year ended December 31, 2018 compared to the prior year.

The decrease in interest expense on debt for the three months ended December 31, 2018 was primarily due to repayment of the 6.75% convertible debentures in the fourth quarter of 2017 and the redemption of the 5.25% convertible debentures in the third quarter of 2018, partially offset by new mortgages placed on acquired properties.

The increase in interest expense on debt for the year ended December 31, 2018 was primarily due to the same reasons noted above along with drawings on the revolving credit facility to fund acquired properties and new mortgages placed on existing properties.

## Fair value adjustments to investment properties

Refer to the section “Investment Properties” under the heading “Fair value adjustments to investment properties” for a discussion of fair value changes to investment properties for the three months and year ended December 31, 2018.

## Fair value adjustments to financial instruments

The following table summarizes our fair value adjustments to financial instruments for the three months and years ended December 31, 2018 and December 31, 2017:

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Fair value adjustment on conversion feature of convertible debentures <sup>(1)</sup>	\$ —	\$ (489)	\$ (2,305)	\$ (1,024)
Remeasurement of carrying value of subsidiary redeemable units	10,946	5,566	(13,357)	(5,009)
Remeasurement of carrying value of DUIP	237	18	(829)	(648)
Fair value adjustment on interest rate swaps	(2,307)	404	(629)	1,812
<b>Total</b>	<b>\$ 8,876</b>	<b>\$ 5,499</b>	<b>\$ (17,120)</b>	<b>\$ (4,869)</b>

(1) On August 2, 2018, the conversion feature was derecognized as the Trust redeemed all outstanding convertible debentures.

## Net losses on transactions and other activities

Net losses on transactions and other activities mainly comprise of internal leasing costs and activities that are non-recurring in nature.

Net losses on transactions and other activities remained stable at \$0.8 million compared to the prior year comparative quarter and increased \$1.8 million compared to the prior year, primarily driven by the write-off of unamortized financing costs and mark-to-market adjustments associated with the early repayment of the 5.25% convertible debentures.

## Current and deferred income taxes recovery (expense), net

Current and deferred income taxes expense, net for the three months ended December 31, 2018 was \$0.7 million (for the year ended December 31, 2018 – \$1.2 million). The current quarter and year-to-date movements were driven by additional deferred tax expense attributed to the increase in investment property fair values.

## Related party transactions

From time to time, Dream Industrial REIT and its subsidiaries enter into transactions with related parties that are generally conducted on a cost-recovery basis or under normal commercial terms.

## Agreements with Dream Asset Management Corporation (“DAM”)

Effective October 4, 2012, Dream Industrial REIT has an asset management agreement (the “Asset Management Agreement”) with DAM, a subsidiary of Dream Unlimited Corp., pursuant to which DAM provides certain asset management services to Dream Industrial REIT and its subsidiaries. The agreement is in effect until October 4, 2022. The Asset Management Agreement provides the Trust and DAM the opportunity to agree on additional services to be provided to the Trust for which DAM is to be reimbursed for its costs.

The Trust and DAM are party to an amended Shared Services and Cost Sharing Agreement as of January 1, 2016. According to the terms of the amended arrangement, DAM will continue to provide administrative and support services on an as-needed basis and will be reimbursed on a cost recovery basis for any expenses incurred. The Trust will continue to reimburse DAM for any shared costs allocated in each calendar year. This amended agreement provides for the automatic reappointment of DAM for additional one-year terms commencing on January 1 unless and until terminated in accordance with its terms or by mutual agreement of the parties.

Effective November 30, 2016, Dream Industrial Management LP (“DIMLP”), a wholly owned subsidiary of the Trust, entered into a Property Management Agreement with a subsidiary of DAM for DIMLP to manage one property on behalf of DAM.

The following table summarizes our fees paid to or received from DAM for the three months and years ended December 31, 2018 and December 31, 2017:

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Incurred under the Asset Management Agreement:				
Asset management fee (included in general and administrative expenses)	\$ 1,210	\$ 1,039	\$ 4,621	\$ 4,047
Acquisition fee (included in acquisition related costs/investment properties) <sup>(1)</sup>	136	934	1,556	934
Expense reimbursements related to financing arrangements	75	117	369	391
<b>Total costs incurred under the Asset Management Agreement</b>	<b>\$ 1,421</b>	<b>\$ 2,090</b>	<b>\$ 6,546</b>	<b>\$ 5,372</b>
Incurred under the Shared Services and Cost Sharing Agreement:				
Strategic services and other services	161	174	657	681
<b>Total costs incurred under the Shared Services and Cost Sharing Agreement</b>	<b>\$ 161</b>	<b>\$ 174</b>	<b>\$ 657</b>	<b>\$ 681</b>
Received under the Property Management Agreement:				
Property management fee	22	22	87	87
<b>Total revenue under the Property Management Agreement</b>	<b>\$ 22</b>	<b>\$ 22</b>	<b>\$ 87</b>	<b>\$ 87</b>

(1) A portion of this fee is paid by DAM to an affiliate of PAULS Corp for any U.S. acquisitions it is involved in. PAULS Corp is another related party of the Trust.

### Agreements with Dream Hard Assets Alternatives Trust (“DHAAT”)

Effective May 21, 2015, Dream Industrial LP (“DILP”) entered into a co-ownership agreement to jointly own six properties at 50% ownership interest with Dream Alternatives Master LP, a subsidiary of DHAAT. On the same day, DIMLP entered into a Property Management Agreement to manage the co-owned properties.

Effective July 7, 2015 and September 5, 2015, DIMLP entered into lease agreements with a subsidiary of DHAAT to lease roof-top space.

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Received under lease agreements	\$ 27	\$ 27	\$ 109	\$ 109
Received under the Property Management Agreement	10	10	42	44
<b>Total revenue under lease agreements and the Property Management Agreement</b>	<b>\$ 37</b>	<b>\$ 37</b>	<b>\$ 151</b>	<b>\$ 153</b>

### Agreements with Dream Office REIT

Effective October 4, 2012, Dream Industrial REIT, DILP, DIMLP, Dream Industrial Management Corp. and Dream Office Management Corp. (“DOMC”), a subsidiary of Dream Office REIT, are parties to an administrative services agreement (the “Services Agreement”) where DOMC provides certain services to Dream Industrial REIT on a cost recovery basis. The Services Agreement is automatically renewed on October 4 of every year for additional one-year terms unless terminated by any party.

The following table summarizes the costs reimbursed to Dream Office REIT for the three months and years ended December 31, 2018 and December 31, 2017:

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Incurring under the Services Agreement	\$ 919	\$ 728	\$ 3,304	\$ 2,726
<b>Total costs incurred under the Services Agreement</b>	<b>\$ 919</b>	<b>\$ 728</b>	<b>\$ 3,304</b>	<b>\$ 2,726</b>

As discussed in “Our Equity”, subsidiaries of Dream Office REIT are the holders of 100% of the outstanding LP B Units. Generally, each subsidiary redeemable unit entitles the holder to a distribution equal to distributions declared on our REIT Units. In our consolidated financial statements, distributions are included as interest expense.

The following table summarizes our distributions paid and payable to subsidiaries of Dream Office REIT on its subsidiary redeemable units for the three months and years ended December 31, 2018 and December 31, 2017:

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Distributions paid and payable to Dream Office REIT on subsidiary redeemable units	\$ 3,344	\$ 3,344	\$ 13,376	\$ 13,376
<b>Distributions paid and payable to Dream Office REIT</b>	<b>\$ 3,344</b>	<b>\$ 3,344</b>	<b>\$ 13,376</b>	<b>\$ 13,376</b>

### Agreements with PAULS Corp, LLC (“PAULS Corp”)

Effective December 28, 2017, Dream Industrial US Holdings Inc., a wholly owned subsidiary of DILP, entered into a Property Management Agreement with an affiliate of PAULS Corp to manage several of the Trust’s U.S. properties and to provide portfolio management services.

Effective December 27, 2018, the Property Management Agreement was assigned to Pauls Realty Services, LLC (“PRS”), an affiliate of PAULS Corp.

The following table summarizes our fees and cost reimbursements paid to PRS for the three months and years ended December 31, 2018 and December 31, 2017:

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Incurring under the Property Management Agreement	\$ 155	\$ —	\$ 507	\$ —
<b>Total costs incurred under the Property Management Agreement</b>	<b>\$ 155</b>	<b>\$ —</b>	<b>\$ 507</b>	<b>\$ —</b>



## Net rental income

Net rental income is defined by the Trust as the total investment property revenue less investment property operating expenses.

For a detailed discussion about investment properties revenue and operating expenses for the three months and years ended December 31, 2018 and December 31, 2017, refer to the “Our Results of Operations” section.

	Three months ended December 31,				Year ended December 31,			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Western Canada	\$ 10,622	30%	\$ 11,252	37%	\$ 43,348	32%	\$ 44,580	38%
Ontario	8,706	25%	8,130	27%	33,349	25%	31,301	27%
Québec	5,925	17%	5,518	18%	22,476	17%	22,402	19%
Eastern Canada	4,863	14%	4,755	16%	19,509	15%	17,746	15%
U.S.	4,890	14%	749	2%	15,062	11%	749	1%
<b>Net rental income</b>	<b>\$ 35,006</b>	<b>100%</b>	<b>\$ 30,404</b>	<b>100%</b>	<b>\$ 133,744</b>	<b>100%</b>	<b>\$ 116,778</b>	<b>100%</b>

For the three months and year ended December 31, 2018, net rental income increased by \$4.6 million, or 15.1%, compared to the prior year comparative quarter and increased by \$17.0 million, or 14.5%, over the prior year. The increase in the respective periods was due to higher comparative properties NOI and the impact of acquired properties in 2018 and in the fourth quarter of 2017.

## Comparative properties NOI

Comparative properties NOI is a non-GAAP measure. See “Non-GAAP measures and other disclosures” section of the MD&A. Comparative properties NOI excludes properties acquired after January 1, 2017 and excludes the property classified as held for sale as at December 31, 2018. Comparative properties NOI excludes lease termination fees, other rental income, net rental income from acquired properties, straight-line rent, bad debt expenses and amortization of lease incentives.

Comparative properties NOI is an important measure used by management in evaluating the performance of properties fully owned by the Trust in the current and comparative periods presented; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

The table below details comparative and other items to assist in understanding the impact each component has on net rental income.

	Three months ended December 31,				Year ended December 31,			
	2018	2017	Change		2018	2017	Change	
			\$	%			\$	%
Western Canada	\$ 10,682	\$ 11,097	\$ (415)	(4)	\$ 42,827	\$ 44,581	\$ (1,754)	(4)
Ontario	8,227	8,115	112	1	32,660	31,402	1,258	4
Québec	5,865	5,550	315	6	22,744	22,528	216	1
Eastern Canada	5,008	4,792	216	5	20,032	18,052	1,980	11
<b>Comparative properties NOI</b>	<b>29,782</b>	<b>29,554</b>	<b>228</b>	<b>1</b>	<b>118,263</b>	<b>116,563</b>	<b>1,700</b>	<b>1</b>
Lease termination fees	—	30	(30)		6	90	(84)	
Other rental income	38	273	(235)		181	379	(198)	
Net rental income from acquired properties	5,594	983	4,611		16,457	983	15,474	
Straight-line rent	182	112	70		968	490	478	
Bad debt expenses	(174)	(164)	(10)		(478)	(346)	(132)	
Amortization of lease incentives	(374)	(334)	(40)		(1,426)	(1,155)	(271)	
<b>Net rental income before property held for sale</b>	<b>\$ 35,048</b>	<b>\$ 30,454</b>	<b>\$ 4,594</b>	<b>15</b>	<b>\$ 133,971</b>	<b>\$ 117,004</b>	<b>\$ 16,967</b>	<b>15</b>
Net rental income from property held for sale	(42)	(50)	8		(227)	(226)	(1)	
<b>Net rental income</b>	<b>\$ 35,006</b>	<b>\$ 30,404</b>	<b>\$ 4,602</b>	<b>15</b>	<b>\$ 133,744</b>	<b>\$ 116,778</b>	<b>\$ 16,966</b>	<b>15</b>
Average occupancy (comparative properties)	94.5%	95.2%			94.9%	94.4%		
In-place rental rates (per sq. ft.) at period-end (comparative properties)	\$ 7.25	\$ 7.18			\$ 7.25	\$ 7.18		

For the three months ended December 31, 2018, comparative properties NOI increased by \$0.2 million, or 0.8%, compared to the prior year comparative quarter. The increase is due to higher average occupancy and higher rental rates in Québec and higher capital recoveries in Eastern Canada, partially offset by lower average occupancy in Western Canada.

For the year ended December 31, 2018, comparative properties NOI increased by \$1.7 million, or 1.5%, compared to the prior year due to higher average occupancy and higher rental rates in Ontario and higher average occupancy in Eastern Canada, partially offset by lower average occupancy and lower rental rates in Western Canada.

#### Comparative properties NOI prior quarter comparison

The comparative properties discussed in the following table excludes properties owned by the Trust after July 1, 2018 and excludes the property classified as held for sale at December 31, 2018.

For the three months ended December 31, 2018, comparative properties NOI increased by \$0.3 million, or 0.9%, compared to the prior quarter due to higher average occupancy and higher rental rates in Western Canada, higher average occupancy in Québec and lower average occupancy in Eastern Canada.

	December 31, 2018	September 30, 2018	Three months ended	
			Change \$	%
Western Canada	\$ 10,969	\$ 10,806	\$ 163	2
Ontario	8,227	8,233	(6)	—
Québec	5,865	5,683	182	3
Eastern Canada	5,008	5,079	(71)	(1)
U.S.	3,354	3,327	27	1
<b>Comparative properties NOI</b>	<b>33,423</b>	<b>33,128</b>	<b>295</b>	<b>1</b>
Lease termination fees	—	3	(3)	
Other rental income	38	50	(12)	
Net rental income from acquired properties	1,953	681	1,272	
Straight-line rent	182	192	(10)	
Bad debt expenses	(174)	15	(189)	
Amortization of lease incentives	(374)	(364)	(10)	
<b>Net rental income before property held for sale</b>	<b>\$ 35,048</b>	<b>\$ 33,705</b>	<b>\$ 1,343</b>	<b>4</b>
Net rental income from property held for sale	(42)	(40)	(2)	
<b>Net rental income</b>	<b>\$ 35,006</b>	<b>\$ 33,665</b>	<b>\$ 1,341</b>	<b>4</b>
Average occupancy (comparative properties)	95.3%	95.3%		
In-place rental rates (per sq. ft.) at period-end (comparative properties) – Canada	\$ 7.23	\$ 7.20		
In-place rental rates (per sq. ft.) at period-end (comparative properties) – U.S. (US\$)	3.52	3.52		

## Funds from operations (“FFO”)

FFO is a non-GAAP measure. See “Non-GAAP measures and other disclosures” section of the MD&A. FFO is an important measure used by management in evaluating operating 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 income trusts.

The following table presents a reconciliation of net income to FFO:

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
<b>Net income</b>	\$ 66,455	\$ 19,466	\$ 157,528	\$ 34,659
Add (deduct):				
Amortization of lease incentives	374	334	1,426	1,155
Interest expense on subsidiary redeemable units	3,344	3,344	13,376	13,376
Fair value adjustments to investment properties	(38,794)	1,476	(107,875)	17,491
Fair value adjustments to financial instruments	(8,876)	(5,499)	17,120	4,869
Fair value adjustments of DUIP included in general and administrative expenses	26	19	155	46
5.25% Convertible Debentures redemption write-off	—	—	1,932	—
Internal leasing costs	820	822	3,299	3,125
Transaction cost recovery	—	—	(151)	—
Deferred income taxes (recovery)	711	(307)	1,356	(98)
<b>FFO</b>	\$ 24,060	\$ 19,655	\$ 88,166	\$ 74,623

## Funds from operations

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
FFO	\$ 24,060	\$ 19,655	\$ 88,166	\$ 74,623
FFO per Unit – diluted <sup>(1)</sup>	\$ 0.22	\$ 0.23	\$ 0.86	\$ 0.91

(1) The LP B Units are included in the calculation of diluted FFO per Unit.

Diluted FFO per Unit for the three months and year ended December 31, 2018 decreased as overall net rental income growth was offset by lower leverage during the year, the timing of the equity raise in June 2018 and the subsequent capital deployment.

## SELECTED ANNUAL INFORMATION

The following table provides selected financial information for the past three years:

	2018		2017		2016	
Investment properties revenue	\$	193,548	\$	172,350	\$	174,689
Income (loss) before income taxes		158,764		34,787		(3,239)
Net income (loss)		157,528		34,659		(2,690)
Total assets		2,160,575		1,807,751		1,658,076
Non-current financial liabilities		1,059,289		957,650		956,389
Distributions per Unit	\$	0.70	\$	0.70	\$	0.70
Distributions declared <sup>(1)</sup>	\$	73,227	\$	57,818	\$	54,617
Units outstanding						
REIT Units		92,062,659		75,104,843		59,633,238
LP B Units		18,551,855		18,551,855		18,551,855

(1) Includes distributions on LP B Units.

## QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2017:

### Key portfolio, leasing, financing and capital information

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Portfolio</b>								
Number of properties <sup>(1)</sup>	223	222	219	219	215	212	212	213
GLA (in millions of sq. ft.)	20.2	20.1	19.1	19.1	17.2	16.1	16.1	16.2
<b>Leasing</b>								
Occupancy rate – in-place and committed (period-end)	97.1%	96.8%	96.6%	97.1%	96.6%	96.7%	96.8%	96.0%
Occupancy rate – in-place (period-end)	95.7%	95.5%	95.2%	96.0%	95.7%	95.6%	94.9%	93.9%
Tenant retention ratio	74.7%	78.2%	75.4%	82.7%	77.6%	81.8%	76.1%	85.7%
Average in-place and committed base rent per sq. ft. (period-end) – Canada	\$ 7.26	\$ 7.22	\$ 7.16	\$ 7.16	\$ 7.17	\$ 7.19	\$ 7.19	\$ 7.19
Average in-place and committed base rent per sq. ft. (period-end) – U.S. (US\$)	\$ 3.93	\$ 3.93	\$ 3.55	\$ 3.55	\$ 4.08	\$ —	\$ —	\$ —
Estimated market rent in excess of in-place and committed base rent (%) – Canada	4.4%	3.7%	3.8%	4.1%	3.1%	1.0%	1.0%	1.4%
Estimated market rent in excess of in-place and committed base rent (%) – U.S.	1.3%	0.8%	—	—	0.7%	—	—	—
<b>Financing</b>								
Weighted average face interest rate <sup>(2)</sup>	3.65%	3.62%	3.80%	3.77%	3.75%	3.81%	3.81%	3.81%
Interest coverage ratio (times) <sup>(3)</sup> – quarter-to-date	3.8	3.6	3.3	3.4	3.3	3.3	3.3	3.2
Net debt-to-adjusted EBITDAFV (years) <sup>(3)(4)</sup>	7.2	7.0	6.8	7.8	7.3	8.0	8.0	8.2
Level of debt (net debt-to-assets ratio) <sup>(3)(4)</sup>	43.5%	44.3%	41.4%	49.4%	47.9%	52.5%	52.2%	52.1%
<b>Capital</b>								
Total number of REIT Units and LP B Units (in millions) <sup>(5)</sup>	110.6	109.8	109.1	94.6	93.7	80.1	79.5	78.9
Net asset value (“NAV”) per Unit <sup>(3)</sup>	\$ 10.54	\$ 10.12	\$ 10.05	\$ 9.85	\$ 9.35	\$ 9.49	\$ 9.42	\$ 9.54

(1) Excludes property or properties held for sale at the end of each period.

(2) Weighted average face interest rate is calculated as the weighted average face interest rate of all interest bearing debt.

(3) Interest coverage ratio, net debt-to-adjusted EBITDAFV, level of debt (net debt-to-assets ratio) and NAV per Unit are non-GAAP measures. See “Non-GAAP measures and other disclosures” for a description of these non-GAAP measures.

(4) Level of debt (net debt-to-assets ratio) and net debt-to-adjusted EBITDAFV have been restated in the comparative periods to conform to current period presentation. For further details, please refer to “Non-GAAP measures and other disclosures” under the headings “Level of debt (net debt-to-assets ratio)” and “Net debt-to-adjusted EBITDAFV”.

(5) Total number of REIT Units and LP B Units includes 18.6 million LP B Units which are classified as a liability under IFRS.

## Results of operations

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment properties revenue	\$ 50,090	\$ 47,597	\$ 47,534	\$ 48,327	\$ 44,728	\$ 42,091	\$ 42,664	\$ 42,867
Investment properties operating expenses	(15,084)	(13,932)	(14,964)	(15,824)	(14,324)	(13,054)	(13,728)	(14,466)
<b>Net rental income</b>	<b>35,006</b>	<b>33,665</b>	<b>32,570</b>	<b>32,503</b>	<b>30,404</b>	<b>29,037</b>	<b>28,936</b>	<b>28,401</b>
Other income	50	343	170	94	390	548	32	25
Other expenses	(14,708)	(15,039)	(16,392)	(15,173)	(14,835)	(14,331)	(14,094)	(14,091)
Fair value adjustments and other items	46,850	10,213	846	27,766	3,201	(5,214)	(22,627)	(995)
<b>Income (loss) before income taxes</b>	<b>67,198</b>	<b>29,182</b>	<b>17,194</b>	<b>45,190</b>	<b>19,160</b>	<b>10,040</b>	<b>(7,753)</b>	<b>13,340</b>
Current and deferred income taxes recovery (expense), net	(743)	778	(952)	(319)	306	(949)	645	(130)
<b>Net income (loss)</b>	<b>\$ 66,455</b>	<b>\$ 29,960</b>	<b>\$ 16,242</b>	<b>\$ 44,871</b>	<b>\$ 19,466</b>	<b>\$ 9,091</b>	<b>\$ (7,108)</b>	<b>\$ 13,210</b>
<b>Other comprehensive income (loss)</b>								
Unrealized gain (loss) on foreign currency translation, net of taxes	7,703	(2,375)	3,631	3,031	(1,079)	—	—	—
Unrealized gain on effective interest rate hedge, net of taxes	6	39	6	41	70	358	310	75
	<b>7,709</b>	<b>(2,336)</b>	<b>3,637</b>	<b>3,072</b>	<b>(1,009)</b>	<b>358</b>	<b>310</b>	<b>75</b>
<b>Comprehensive income (loss)</b>	<b>\$ 74,164</b>	<b>\$ 27,624</b>	<b>\$ 19,879</b>	<b>\$ 47,943</b>	<b>\$ 18,457</b>	<b>\$ 9,449</b>	<b>\$ (6,798)</b>	<b>\$ 13,285</b>

## Calculation of funds from operations

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Net income (loss) for the period</b>	<b>\$ 66,455</b>	<b>\$ 29,960</b>	<b>\$ 16,242</b>	<b>\$ 44,871</b>	<b>\$ 19,466</b>	<b>\$ 9,091</b>	<b>\$ (7,108)</b>	<b>\$ 13,210</b>
Add (deduct):								
Amortization of lease incentives	374	364	374	314	334	300	278	243
Interest expense on subsidiary redeemable units	3,344	3,344	3,344	3,344	3,344	3,344	3,344	3,344
Fair value adjustments to investment properties	(38,794)	(8,337)	(17,346)	(43,398)	1,476	(3,651)	13,606	6,060
Fair value adjustments to financial instruments	(8,876)	(4,462)	15,615	14,843	(5,499)	8,145	8,219	(5,996)
Fair value adjustments of DUIP included in general and administrative expenses	26	49	49	31	19	34	6	(13)
5.25% Convertible Debentures redemption write-off	—	1,932	—	—	—	—	—	—
Internal leasing costs	820	805	885	789	822	720	802	781
Transaction cost recovery	—	(151)	—	—	—	—	—	—
Deferred income taxes (recovery)	711	(755)	962	438	(307)	725	(645)	130
<b>FFO<sup>(3)</sup></b>	<b>\$ 24,060</b>	<b>\$ 22,749</b>	<b>\$ 20,125</b>	<b>\$ 21,232</b>	<b>\$ 19,655</b>	<b>\$ 18,708</b>	<b>\$ 18,502</b>	<b>\$ 17,759</b>
FFO per Unit – diluted <sup>(1)(2)</sup>	\$ 0.22	\$ 0.21	\$ 0.21	\$ 0.22	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.22
FFO payout ratio <sup>(3)</sup>	80.6%	85.0%	82.9%	78.1%	77.8%	76.1%	76.1%	78.8%

(1) The LP B Units are included in the calculation of diluted FFO per Unit.

(2) Diluted FFO per Unit excludes \$0.6 million interest on convertible debentures for the third quarter of 2018, \$1.8 million for each preceding quarter in 2018, \$1.9 million for the fourth quarter of 2017 and \$2.0 million for each preceding quarter.

(3) FFO and FFO payout ratio are non-GAAP measures. See the “Non-GAAP measures and other disclosures” for a description of these non-GAAP measures.

## NON-GAAP MEASURES AND OTHER DISCLOSURES

The following non-GAAP measures are important measures used by management in evaluating the Trust's underlying operating performance and debt management. These non-GAAP measures are not defined by IFRS, do not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

### Funds from operations ("FFO")

Management believes FFO (including diluted FFO per Unit) is an important measure of our operating performance. This non-GAAP measurement is a commonly used measure of performance of real estate operations; however, it does not represent net income nor cash flows generated from (utilized in) operating activities, as defined by IFRS, and is not necessarily indicative of cash available to fund the Trust's needs. FFO is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

The Trust's reported FFO is consistent with the REALPAC definition of FFO, except for the add-back of certain non-cash costs associated with the convertible debenture redemption in the third quarter of 2018. These non-cash costs represent the accelerated write-off of unamortized financing costs and mark-to-market adjustments due to the early redemption of the convertible debentures. The Trust is of the view that this non-cash item, which is non-recurring in nature, has no impact on the Trust's ongoing operations and therefore should not be included in the Trust's reported FFO.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", FFO has been reconciled to net income under the heading "Funds from operations".

### FFO payout ratio (diluted)

The FFO payout ratio is calculated as the ratio of the distribution rate to diluted FFO per Unit. Management believes it is an important measure of the Trust's ability to pay distributions with its funds from operations. However, FFO payout ratio is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

### Weighted average number of Units

The diluted weighted average number of Units outstanding used in the FFO per Unit calculation includes the weighted average of all REIT Units, LP B Units, deferred trust units and income deferred trust units, and assumes the conversion of the convertible debentures. As at December 31, 2018, there were 827,815 vested and unvested deferred trust units and income deferred trust units outstanding (December 31, 2017 – 761,924).

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Weighted average Units outstanding for diluted per Unit amounts (in thousands)	<b>111,033</b>	96,025	<b>107,788</b>	91,196

### Adjusted funds from operations

The Trust had previously included AFFO, a non-GAAP measure, for the periods up to December 31, 2017 as an important measure of our economic performance. However, management reconsidered factors such as: the Trust's expansion of its operations into the U.S.; comparability of performance against both Canadian and U.S. industrial peers; the Trust's method of determining AFFO; the key drivers of value for the Trust; and the ability to increase the return to our unitholders. After taking these factors into account, effective January 1, 2018, the Trust decided not to use AFFO as one of its performance measures as it focuses on FFO and net asset value.

We will continue to disclose the relevant information for unitholders who wish to make their own estimates of AFFO. Information on the capital expenditure costs is included in the MD&A section "Our resources and financial condition" under the heading "Building improvements and leasing costs".

### Comparative properties net operating income (“NOI”)

Comparative properties NOI includes the net rental income of the same properties owned by the Trust in (i) the current and prior year comparative periods and (ii) the current and prior quarter, and excludes lease termination fees, other rental income, net income of acquired properties and properties held for sale, straight-line rent, bad debt expenses, and amortization of lease incentives. Comparative properties NOI is an important non-GAAP measure used by management to evaluate the performance of the same properties owned by the Trust in the current period, comparative periods and prior quarter as presented. This non-GAAP measure is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, comparative properties NOI has been reconciled to net rental income under the headings “Comparative properties NOI” and “NOI prior quarter comparison”.

### Net asset value (“NAV”) per Unit

NAV per Unit is calculated as the total equity (including LP B Units) divided by the total number of REIT Units and LP B Units. This non-GAAP measure is an important measure reflecting management’s view of the intrinsic value of the Trust. However, NAV per Unit is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts. The calculation of NAV per Unit is included under the heading “Our equity”.

### Total equity (including LP B Units or subsidiary redeemable units)

One of the components used to determine the Trust’s NAV per Unit is total equity (including LP B Units). Total equity (including LP B Units) is calculated as the sum of equity per consolidated financial statements and the subsidiary redeemable units. Management believes it is important to include the subsidiary redeemable units for the purpose of determining the Trust’s capital management. Management does not consider the subsidiary redeemable units to be debt or borrowings of the Trust, but rather a component of the Trust’s equity. However, total equity (including LP B Units) is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the table within the section “Our equity” under the heading “Total equity” reconciles total equity (including LP B Units) to equity (as per consolidated financial statements).

### Total distributions

Total distributions is calculated as the sum of the distributions on REIT Units and interest on subsidiary redeemable units. Management believes it is important to include interest on subsidiary redeemable units for the purpose of determining the Trust’s total distributions to all of its unitholders. Management does not consider the interest on subsidiary redeemable units to be an interest expense of the Trust, but rather a component of the Trust’s total distributions. However, total distributions is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the table below reconciles total distributions to amounts as included in the consolidated financial statements for the three months and years ended December 31, 2018 and December 31, 2017.

Amounts included in consolidated financial statements	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Distributions on REIT Units	\$ 16,193	\$ 12,423	\$ 59,851	\$ 44,442
Interest on subsidiary redeemable units	3,344	3,344	13,376	13,376
<b>Total distributions</b>	<b>\$ 19,537</b>	<b>\$ 15,767</b>	<b>\$ 73,227</b>	<b>\$ 57,818</b>

### Distribution Reinvestment and Unit Purchase Plan (“DRIP”) participation rate

The DRIP allows holders of REIT Units or subsidiary redeemable units, other than unitholders who are resident of or present in the U.S., to elect to have all cash distributions from the Trust reinvested in additional units. Unitholders under the DRIP are eligible to receive a bonus distribution of Units equal to 3% of the cash distribution reinvested.

The DRIP participation rate is the ratio of total distributions reinvested less bonus distribution over total distributions. Management believes it is an important measure in evaluating the impact the distribution reinvestment plan will have on the Trust's ability to sustain current distribution levels during the current and future periods. Over time, reinvestments pursuant to the DRIP will increase the number of units outstanding, which may result in upward pressure on the total amount of cash distributions.

The calculation of the DRIP participation rate has been included under the heading "Distribution Policy". DRIP participation rate is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", total distributions reinvested and total distributions paid in cash have been reconciled to amounts as included in the consolidated financial statements for the three months and years ended December 31, 2018 and December 31, 2017.

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Distributions reinvested as included in consolidated financial statements	\$ 7,874	\$ 5,815	\$ 28,292	\$ 21,110
Less: distributions reinvested pertaining to prior period	(2,442)	(1,798)	(1,997)	(1,701)
Add: distributions reinvested on January 15	2,736	1,997	2,736	1,997
Less: 3% bonus distribution	(229)	(169)	(824)	(615)
<b>Distributions reinvested less 3% bonus distribution</b>	<b>\$ 7,939</b>	<b>\$ 5,845</b>	<b>\$ 28,207</b>	<b>\$ 20,791</b>

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Distributions paid in cash as included in consolidated financial statements	\$ 11,615	\$ 9,160	\$ 43,946	\$ 35,804
Less: distributions paid in cash pertaining to prior period	(3,994)	(2,905)	(3,498)	(2,890)
Add: distributions paid in cash on January 15	3,748	3,498	3,748	3,498
<b>Distributions paid in cash</b>	<b>\$ 11,369</b>	<b>\$ 9,753</b>	<b>\$ 44,196</b>	<b>\$ 36,412</b>

## Liquidity

Liquidity is defined as the sum of cash and cash equivalents and undrawn revolving credit facilities at period-end. Management believes that liquidity, a non-GAAP measurement, is an important measure in determining our resources available to meet all of our ongoing obligations. This non-GAAP measure does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles liquidity to cash and cash equivalents included in the consolidated financial statements as at December 31, 2018 and December 31, 2017:

	December 31,	December 31,
Amounts per consolidated financial statements	2018	2017
Cash and cash equivalents	\$ 4,968	\$ 54,651
Undrawn revolving credit facility	98,194	123,000
<b>Liquidity</b>	<b>\$ 103,162</b>	<b>\$ 177,651</b>

## Level of debt (net debt-to-assets ratio)

Management believes that level of debt (net debt-to-assets ratio) is an important non-GAAP measure in the management of our debt levels. This non-GAAP measure does not have a standard meaning and may not be comparable with similar measures presented by other income trusts. Net debt-to-assets ratio as shown below is determined as total debt at principal amount outstanding (total debt plus unamortized financing costs, less unamortized fair value adjustments), less cash and cash equivalents, all divided by total assets (net of cash and cash equivalents).

At December 31, 2017, level of debt was calculated as total debt divided by total assets. Effective June 30, 2018, the Trust has chosen to revise its calculation for the level of debt to be calculated as net debt divided by total assets net of cash and cash equivalents. Management is of the view that this is a commonly used measure across the industry and this method of presentation is more representative of the Trust's current debt levels. Accordingly, level of debt (net debt-to-assets ratio) for the comparative periods has been restated to conform to the current period presentation.



In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the following table calculates the level of debt (net debt-to-assets ratio) as at December 31, 2018 and December 31, 2017:

Amounts per consolidated financial statements	December 31, 2018	December 31, 2017 <sup>(1)</sup>
Non-current debt	\$ 860,789	\$ 776,459
Current debt	76,941	113,337
Total debt	937,730	889,796
Add (deduct):		
Unamortized financing costs	5,804	5,552
Unamortized fair value adjustments	(1,641)	(912)
<b>Total debt at principal amount outstanding</b>	<b>941,893</b>	<b>894,436</b>
Less: Cash and cash equivalents	(4,968)	(54,651)
<b>Net debt</b>	<b>\$ 936,925</b>	<b>\$ 839,785</b>
Total assets	2,160,575	1,807,751
Less: Cash and cash equivalents	(4,968)	(54,651)
<b>Total assets (net of cash and cash equivalents)</b>	<b>\$ 2,155,607</b>	<b>\$ 1,753,100</b>
<b>Net debt-to-assets ratio</b>	<b>43.5%</b>	<b>47.9%</b>

(1) Net debt-to-assets ratio has been restated in the comparative period to conform to current period presentation.

### Net debt-to-adjusted EBITDAFV

Management believes that net debt-to-adjusted EBITDAFV, a non-GAAP measurement, is an important measure in determining the time it takes the Trust, on a go-forward basis, based on its normalized operating performance, to repay our debt. This non-GAAP measurement does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

Net debt-to-adjusted EBITDAFV as shown below is calculated as total debt at principal amount outstanding (total debt plus unamortized financing costs, less unamortized fair value adjustments), less cash and cash equivalents, all divided by adjusted EBITDAFV – annualized. Adjusted EBITDAFV – annualized is calculated as the quarterly EBITDAFV plus normalized net rental income of properties acquired in the quarter. Quarterly EBITDAFV is defined by the Trust as income before income taxes for the period adjusted for: fair value adjustments to investment properties and financial instruments, net losses on transactions and other activities, interest expense on debt and subsidiary redeemable units, depreciation and amortization and other items included in investment properties revenue such as lease termination fees, other items that are non-recurring in nature, straight-line rent and amortization of lease incentives.

For the three months ended December 31, 2017, net debt-to-adjusted EBITDAFV was calculated as total debt at principal amount outstanding divided by adjusted EBITDAFV – annualized. Effective June 30, 2018, the Trust has chosen to revise its calculation for net debt-to-adjusted EBITDAFV to be calculated as total debt at principal amount outstanding, less cash and cash equivalents divided by adjusted EBITDAFV – annualized. Management is of the view that this is a commonly used measure across the industry and this method of presentation is more representative of the Trust’s current debt levels. Accordingly, net debt-to-adjusted EBITDAFV for the comparative periods has been restated to conform to the current period presentation.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the following table calculates the annualized net debt-to-adjusted EBITDAFV for the three months ended December 31, 2018 and December 31, 2017:

Amounts included in consolidated financial statements	Three months ended December 31, 2018	Three months ended December 31, 2017 <sup>(1)</sup>
Non-current debt	\$ 860,789	\$ 776,459
Current debt	76,941	113,337
Total debt	937,730	889,796
Add (deduct):		
Unamortized financing costs	5,804	5,552
Unamortized fair value adjustments	(1,641)	(912)
<b>Total debt at principal amount outstanding</b>	<b>941,893</b>	<b>894,436</b>
Less: Cash and cash equivalents	(4,968)	(54,651)
<b>Net debt</b>	<b>\$ 936,925</b>	<b>\$ 839,785</b>
Income before income taxes	67,198	19,160
Add (deduct):		
Fair value adjustments to investment properties	(38,794)	1,476
Fair value adjustments to financial instruments	(8,876)	(5,499)
Net losses on transactions and other activities	820	822
Interest – debt	8,769	8,996
Interest – subsidiary redeemable units	3,344	3,344
Depreciation and amortization	9	12
Other items included in investment properties revenues	154	(81)
<b>EBITDAFV – quarterly</b>	<b>32,624</b>	<b>28,230</b>
Add: Normalized net rental income of properties acquired in the quarter <sup>(2)</sup>	49	618
<b>Adjusted EBITDAFV – quarterly</b>	<b>32,673</b>	<b>28,848</b>
<b>Adjusted EBITDAFV – annualized</b>	<b>\$ 130,692</b>	<b>\$ 115,392</b>
<b>Net debt-to-adjusted EBITDAFV (years)</b>	<b>7.2</b>	<b>7.3</b>

(1) Net debt-to-adjusted EBITDAFV has been restated in the comparative period to conform to current period presentation.

(2) Represents the incremental net rental income had the acquisitions in the respective periods occurred for the full quarter, determined using the average daily net rental income times the number of days the Trust did not own the properties.

## Interest coverage ratio

Management believes that interest coverage ratio, a non-GAAP measurement, is an important measure in determining our ability to cover interest expense based on our operating performance. This non-GAAP measurement does not have a standard meaning and may not be comparable with similar measures presented by other income trusts. Interest coverage ratio as shown below is calculated as net rental income plus interest and fee income, less general and administrative expenses, plus deferred unit compensation expense, all divided by interest expense on total debt at the contractual rate (excluding amortization of financing costs and fair value adjustments). Interest expense on subsidiary redeemable units is excluded from this ratio as it represents distributions on units; however, pursuant to IFRS, the distributions are presented as interest expense.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the following table calculates the interest coverage ratio for the three months and years ended December 31, 2018 and December 31, 2017:

Amounts included in consolidated financial statements	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Net rental income	\$ 35,006	\$ 30,404	\$ 133,744	\$ 116,778
Add (deduct):				
Interest and fee income	50	390	657	995
General and administrative expenses	(2,586)	(2,483)	(10,807)	(9,052)
Deferred unit compensation expense	426	577	2,181	1,785
<b>Total</b>	<b>\$ 32,896</b>	<b>\$ 28,888</b>	<b>\$ 125,775</b>	<b>\$ 110,506</b>
Interest expense	8,769	8,996	37,070	34,871
Add (deduct):				
Amortization of financing costs	(383)	(429)	(1,821)	(1,655)
Amortization of fair value adjustments	176	69	307	434
<b>Interest expense incurred, at contractual rate</b>	<b>\$ 8,562</b>	<b>\$ 8,636</b>	<b>\$ 35,556</b>	<b>\$ 33,650</b>
<b>Interest coverage ratio (times)</b>	<b>3.8</b>	<b>3.3</b>	<b>3.5</b>	<b>3.3</b>

## SECTION III – DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

For the financial year ended December 31, 2018, the Chief Executive Officer and the Chief Financial Officer (the “Certifying Officers”), together with other members of management, have evaluated the design and operational effectiveness of Dream Industrial REIT’s disclosure controls and procedures, as defined in National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings (“NI 52-109”). The Certifying Officers have concluded that the disclosure controls and procedures 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 Dream Industrial and its consolidated subsidiary entities within the required time periods.

Dream Industrial REIT’s internal control over financial reporting (as defined in NI 52-109) is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the 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 Dream Industrial REIT’s internal control over financial reporting. Based on that evaluation, the Certifying Officers have concluded that Dream Industrial REIT’s internal control over financial reporting was effective as at December 31, 2018.

There were no changes in Dream Industrial REIT’s internal control over financial reporting during the financial year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, Dream Industrial REIT’s internal control over financial reporting.

## SECTION IV – RISKS AND OUR STRATEGY TO MANAGE

In addition to the specific risks discussed in this MD&A, 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. Unitholders should consider these risks and uncertainties when assessing our outlook in terms of investment potential. For a further discussion of the risks and uncertainties identified by Dream Industrial REIT, please refer to our latest Annual Report and Annual Information Form filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### REAL ESTATE OWNERSHIP

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit), local economic conditions (such as an oversupply of industrial properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our 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 for us to dispose of properties at lower prices in order to generate sufficient cash from operations and to make distributions and interest payments.

Certain significant expenditures (e.g., property taxes, maintenance costs, mortgage payments, insurance costs and related charges) must be made throughout the period of ownership of real property, regardless of whether the 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, we must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which we may not be able to pass on to our 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. In the course of acquiring a property, undisclosed defects in design or construction or other risks might not have been recognized or correctly evaluated during the pre-acquisition due diligence process. These circumstances could lead to additional costs and could have an adverse effect on our proceeds from sales and rental income of the relevant properties.

### ROLLOVER OF LEASES

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. Furthermore, the terms of any subsequent lease may be less favourable than those of the existing lease. Our cash flows and financial position would be adversely affected if our tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our 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. Furthermore, 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.

### CONCENTRATION OF PROPERTIES AND TENANTS

Currently, our properties are located in Canada and the U.S., and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in Canada and the U.S. These factors may differ from those affecting the real estate markets in other regions. Due to the concentrated nature of our properties, a number of our properties could experience any of the same conditions at the same time. If real estate conditions in Canada or the U.S. 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.

## **FINANCING**

We require access to capital to maintain our properties 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 current and expected future earnings; our cash flow and cash distributions and cash interest payments; and the market price of our REIT Units.

A significant portion of our financing is debt. Accordingly, we are subject to the risks associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest, and that, on maturities of such debt, we may not be able to refinance the outstanding principal under such debt or that the terms of such refinancing will be more onerous than those of the existing debt. If we are unable to refinance debt at maturity on terms acceptable to us or at all, we may be forced to dispose of one or more of our properties on disadvantageous terms, which may result in losses and could alter our debt-to-equity ratio or be dilutive to unitholders. Such losses could have a material adverse effect on our financial position or cash flows.

The degree to which we are leveraged could have important consequences to our operations. A high level of debt will: reduce the amount of funds available for the payment of distributions to unitholders and interest payments on our debentures; limit our flexibility in planning for and reacting to changes in the economy and in the industry, and increase our vulnerability to general adverse economic and industry conditions; limit our ability to borrow additional funds, dispose of assets, encumber our assets and make potential investments; place us at a competitive disadvantage compared to other owners of similar real estate assets that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing; make it more likely that a reduction in our borrowing base following a periodic valuation (or redetermination) could require us to repay a portion of then outstanding borrowings; and impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general trust or other purposes.

## **INTEREST RATES**

When entering into financing agreements or extending such agreements, we depend on our ability to agree on terms for interest payments that will not impair our desired profit, and on amortization schedules that do not restrict our ability to pay distributions on our REIT Units and interest payments on our debentures. In addition to existing variable rate portions of our financing agreements, we may enter into future financing agreements with variable interest rates. An increase in interest rates could result in a significant increase in the amount we pay to service debt, which could limit our ability to pay distributions to unitholders and could impact the market price of the REIT Units. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, could have a significant negative effect on our ability to sell any of our properties.

## **CURRENCY RISK**

Some of our investments and operations are conducted in U.S. dollars; however, we pay distributions to unitholders in Canadian dollars. As a result, fluctuations in the U.S. dollar against the Canadian dollar could have a material adverse effect on our financial results, which are denominated and reported in Canadian dollars, and on our ability to pay cash distributions to unitholders. The Trust's exposure to currency exchange risk could increase if the proportion of income from properties located in the U.S. increases as a result of future property acquisitions.

## **JOINT ARRANGEMENTS**

We are a participant in jointly controlled entities and co-ownerships, combined ("joint arrangements") with third parties. A joint arrangement involves certain additional risks, including:

- (i) the possibility that such third parties may at any time have economic or business interests or goals that will be inconsistent with ours, or take actions contrary to our instructions or requests or to our policies or objectives with respect to our real estate investments;
- (ii) the risk that such third parties could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands on us to maintain and operate such properties or repay the third parties' share of property debt guaranteed by us or for which we will be liable, and/or result in our suffering or incurring delays, expenses and other problems associated with obtaining court approval of the joint arrangement;
- (iii) the risk that such third parties may, through their activities on behalf of or in the name of the joint arrangements, expose or subject us to liability; and

- (iv) the need to obtain third parties' consents with respect to certain major decisions, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the joint arrangements may be subject to rights of first refusal or first offer, and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not desire to sell but may be forced to do so because we do not have the cash to purchase the other party's interests. Such rights may also inhibit our ability to sell an interest in a property or a joint arrangement within the time frame or otherwise on the basis we desire.

Our investment in properties through joint arrangements is subject to the investment guidelines set out in our Declaration of Trust.

## **CHANGES IN LAW**

We are subject to applicable federal, provincial or state, municipal, local and common laws and regulations governing the ownership and leasing of real property, 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 us (including with retroactive effect). In addition, the political conditions in the jurisdictions in which we operate are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely affect our investments. Any changes in the laws to which we are subject in the jurisdictions in which we operate could materially affect our rights and title in and to the properties and the revenues we are able to generate from our investments.

## **TAX CONSIDERATIONS**

We intend to continue to qualify as a "unit trust" and a "mutual fund trust" for purposes of the *Income Tax Act* (Canada). There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the unitholders. If we cease to qualify as a "mutual fund trust" under the *Income Tax Act* (Canada), the income tax considerations applicable to us would be materially and adversely different in certain respects, including that the REIT Units may cease to be qualified investments for registered plans under the *Income Tax Act* (Canada).

Although we have been structured with the objective of maximizing after-tax distributions, tax charges and withholding taxes in various jurisdictions in which we invest will affect the level of distributions made to us by our subsidiaries. No assurance can be given as to the level of taxation suffered by us or our subsidiaries. Currently, our revenues are derived from our investments located in Canada and the U.S., which will subject us to legal and political risks specific to those countries, any of which could adversely impact our investments, cash flows, operating results or financial condition, our ability to make distributions on the REIT Units and our ability to implement our growth strategy. The taxable income portion of our distributions is affected by a variety of factors, including the amount of foreign accrual property income that we recognize annually, gains and losses, if any, from the disposition of properties and the results of our operations. These components will change each year and therefore, the taxable income allocated to our unitholders each year will also change accordingly.

## **ENVIRONMENTAL RISK**

As an owner of real property, we are subject to various federal, provincial or state, and municipal laws relating to environmental matters. Such laws provide a range of potential liability, including potentially significant penalties, and potential liability for the costs of removal or remediation of certain hazardous substances. The presence of such substances, if any, could adversely affect our ability to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against us. In order to obtain financing for the purchase of a new property through traditional channels, we may be requested to arrange for an environmental audit to be conducted. Although such an audit provides us and our lenders with some assurance, we may become subject to liability 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 have formal policies and procedures to review and monitor environmental exposure. These policies include the requirement to obtain a Phase I Environmental Site Assessment, conducted by an independent and qualified environmental consultant, before acquiring any real property or any interest therein.

## **COMPETITION**

The real estate markets in Canada and the U.S. are highly competitive and fragmented, and we compete for real property acquisitions with individuals, corporations, institutions and other entities that may seek real property investments similar to those we desire. An increase in the availability of investment funds or an increase in interest in real property investments may increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them. If competing properties of a similar type are built in the area where one of our properties is located or if similar properties located in the vicinity of one of our properties are substantially refurbished, the net operating income derived from and the value of such property could be reduced.

Numerous other developers, managers and owners of properties will compete with us in seeking tenants. To the extent that our competitors own properties that are in better locations, of better quality or less leveraged than the properties owned by us, they may be in a better position to attract tenants who might otherwise lease space in our properties. To the extent that our competitors are better capitalized or financially stronger, they would be in a better position to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on our ability to lease space in our properties and on the rents charged or concessions granted, and could materially and adversely affect our cash flows, operating results and financial condition.

## **INSURANCE**

We carry general liability, umbrella liability and excess liability insurance with limits that are typically obtained for similar real estate portfolios in Canada and the U.S. and otherwise acceptable to our trustees. For the property risks, we carry "All Risks" property insurance including, but not limited to, flood, earthquake and loss of rental income insurance (with at least a 24-month indemnity period). We also carry boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. However, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. We partially self-insure against terrorism risk for our entire portfolio. We have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. We do not carry title insurance on all of our properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

## **CYBER SECURITY RISKS**

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 security risks include attacks on information technology and infrastructure by hackers, damage or loss of information due to viruses, the unintended disclosure of confidential information, the misuse or loss of control over computer control systems, and breaches due to employee error. 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.

## **SECTION V – CRITICAL ACCOUNTING POLICIES**

### **CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES**

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amount of the asset or liability affected.

## Critical accounting judgments

The following are the critical judgments used in applying the Trust's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

### Investment properties

Critical judgments are made with respect to the fair values of investment properties. The fair values of investment properties are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuers are experienced, nationally recognized and qualified in the professional valuation of industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of properties, determined on a rotational basis, will be valued by qualified external valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

The Trust makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property.

### Business combinations

Accounting for business combinations under IFRS 3, "Business Combinations" ("IFRS 3"), only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgment is used by management in determining whether the acquisition of an individual property qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, the Trust applies judgment when considering the following:

- Whether the investment property or properties are capable of producing outputs;
- Whether the market participant could produce outputs if missing elements exist.

In particular, the Trust considers the following:

- Whether employees were assumed in the acquisition;
- Whether an operating platform has been acquired.

Currently, the Trust classifies an acquisition as an asset acquisition when it acquires properties or a portfolio of properties, and does not assume employees or does not acquire an operating platform.

### Estimates and assumptions

The Trust makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results could differ from those estimates. The estimates and assumptions that are critical in determining the amounts reported in the consolidated financial statements relate to the following:

### Valuation of investment properties

Critical assumptions relating to the valuation of investment properties at fair value include the receipt of contractual rents, expected future market rents, renewal rates, capital expenditures, discount rates that reflect current market uncertainties, capitalization rates and recent investment property transactions. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.



### Valuation of financial instruments

The Trust makes estimates and assumptions relating to the fair value measurement of the subsidiary redeemable units, the DUIP, the conversion feature of the convertible debenture and the fair value disclosure of the mortgages, revolving credit facility and convertible debentures. The critical assumptions underlying the fair value measurements and disclosures include the market price of REIT Units and market interest rates.

For certain financial instruments, including cash and cash equivalents, amounts receivable, amounts payable and accrued liabilities, deposits, distributions payable and the revolving credit facility, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of mortgages are determined based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair value of convertible debentures uses quoted market prices from an active market.

### CHANGES IN ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

The following are the accounting policy changes to be implemented by the Trust in future years:

#### Leases

IFRS 16, “Leases” (“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 all 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. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Trust will adopt the new standard on the required effective date using the modified retrospective method.

Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged and will therefore not be impacted by the adoption. As part of the transition to IFRS 16, the Trust focused on identifying and reviewing contracts in which the Trust is a lessee. Management has determined that this standard has no material impact on the consolidated financial statements.

#### Uncertainty over income tax treatments

The IASB issued IFRIC Interpretation 23, “Uncertainty over Income Tax Treatments” (“IFRIC 23”), in June 2017. IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12, “Income Taxes” (“IAS 12”), when there is uncertainty over income tax treatments, including whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The interpretation is applicable for financial years commencing on or after January 1, 2019. Management has determined that this standard has no material impact on the consolidated financial statements.

#### Business combinations

The IASB issued narrow-scope amendments to IFRS 3, “Business Combinations”, to improve the definitions of a business. The amendments are to be applied to transactions for which the acquisition date is on or after January 1, 2020. The Trust will consider the narrow-scope amendment for future acquisitions.

#### Additional information

Additional information relating to Dream Industrial REIT, including the latest Annual Information Form of Dream Industrial REIT, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## SECTION VI – SUPPLEMENTARY INFORMATION

The tables in this section include supplementary information on our portfolio as at December 31, 2018.

### PROPERTY LIST AND SELECTED DATA

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	Owned share of site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
7140 40th Street SE, Calgary	100%	351,306	351,306	1978/2007	30.0	13.8	13.8	1	3.8	100.0%
1919 84th Avenue (Park 19), Edmonton	100%	48,365	48,365	1975/1987	21.0	3.7	3.7	0	-	0.0%
2721 Hopewell Place NE, Calgary	100%	37,690	37,690	2006	22.0	1.9	1.9	1	3.8	100.0%
204 26229 Township Road 531A (Parkland County), Edmonton	100%	34,904	34,904	2005	24.0	9.0	9.0	1	1.2	100.0%
6908 6th Street SE (Glenmore Business Park), Calgary	100%	31,467	31,467	1978	18.0	3.2	3.2	1	5.8	100.0%
3917 81st Avenue, Edmonton	100%	30,353	30,353	2006	28.0	5.5	5.5	1	2.3	100.0%
2876 Sunridge Way NE (Sunridge Business Park), Calgary	100%	30,000	30,000	2000	16.0	2.3	2.3	1	1.9	100.0%
3250 Sunridge Way NE (Sunridge Business Park), Calgary	100%	27,180	27,180	2000	24.0	2.1	2.1	1	1.6	100.0%
9601 156th Avenue, Grand Prairie	100%	27,058	27,058	2005	24.0	27.3	27.3	1	1.2	100.0%
2240 Premier Way (GE Turbine), Edmonton	100%	26,381	26,381	2003	30.0	1.5	1.5	1	3.6	100.0%
1802 Stock Road, Regina	50%	46,157	23,079	2012	28.0	3.6	1.8	1	4.4	100.0%
7121 6th Street SE (Glenmore Business Park), Calgary	100%	19,274	19,274	1984	20.0	0.9	0.9	1	2.9	100.0%
120 Pond Street East, Brooks	100%	14,305	14,305	2006	24.0	5.2	5.2	1	2.8	100.0%
363 and 345 Maxwell Crescent, Regina	50%	23,415	11,708	1984/1997	24.0	3.4	1.7	1	2.2	100.0%
1105 Pettigrew Avenue, Regina	50%	12,150	6,075	1980/2012	18.0	2.1	1.1	1	4.3	100.0%
2190 Industrial Drive, Regina	50%	11,677	5,839	2006	18.0	2.7	1.4	0	-	0.0%
1640 Broder Street, Regina	50%	11,169	5,585	1989/1997	16.0	1.1	0.5	1	5.1	100.0%
<b>Western Canada Single-tenant</b>		<b>782,851</b>	<b>730,569</b>		<b>26.1</b>	<b>89.3</b>	<b>82.9</b>	<b>15</b>	<b>3.4</b>	<b>92.6%</b>
310 Henderson Drive, Regina	100%	373,284	373,284	1976	24.0	24.0	24.0	2	4.8	100.0%
7803 35th Street SE, Calgary	100%	189,064	189,064	1977	20.0	10.2	10.2	6	3.5	100.0%
15303 128th Avenue, Edmonton	100%	177,058	177,058	1977/2004	25.0	12.4	12.4	3	5.1	100.0%
611-615 71st Avenue SE & 7515 6th Street SE (Glenmore Business Park), Calgary	100%	167,779	167,779	1979	20.0	6.5	6.5	13	4.0	83.3%
628 668 Henderson Drive (Chestermere), Regina	100%	164,178	164,178	1975	19.0	9.1	9.1	20	2.0	93.2%
7504 30th Street SE, Calgary	100%	138,729	138,729	1976	22.0	6.0	6.0	2	3.7	100.0%
11445 163rd Street (Alberta Park), Edmonton	100%	131,227	131,227	1981	22.0	5.2	5.2	8	3.1	88.1%
9603-9699 45th Avenue NW, Edmonton	100%	110,360	110,360	1975	22.0	6.0	6.0	21	1.9	94.4%
603 Park Street, Regina	100%	109,704	109,704	1978	19.0	6.8	6.8	18	4.3	79.8%
3916 61st Avenue, Calgary	100%	99,978	99,978	1976	26.0	5.1	5.1	2	2.8	100.0%
7004-7042 30th Street SE, Calgary	100%	94,435	94,435	1976	18.0	5.3	5.3	9	5.8	100.0%
651 Henderson Drive (Henderson Business Centre), Regina	100%	90,265	90,265	1982	19.0	5.0	5.0	16	2.9	89.3%
26229 Township Road 531, Parkland County	100%	88,886	88,886	1968	24.7	6.5	6.5	11	2.8	93.6%
7008 5th Street SE (Glenmore Business Park), Calgary	100%	86,023	86,023	1975	17.0	3.7	3.7	7	1.9	100.0%
11404 Winterburn Rd NW, Edmonton	100%	80,815	80,815	2004	23.8	6.3	6.3	12	2.4	77.8%
7004 5th Street SE (Glenmore Business Park), Calgary	100%	79,414	79,414	1975	20.0	3.4	3.4	10	3.0	94.6%
9451 45th Avenue (Southwood Centre), Edmonton	100%	75,172	75,172	1998	28.0	4.5	4.5	2	2.0	100.0%
4710-4760 14th Street NE (McCall Industrial Park), Calgary	100%	73,032	73,032	1976	18.0	4.0	4.0	22	2.9	100.0%
2777 23rd Avenue NE (Sunridge Business Park), Calgary	100%	67,379	67,379	2001	24.0	3.8	3.8	2	6.3	100.0%
3510 29th Street NE (ACC Centre), Calgary	100%	65,022	65,022	1998	24.0	3.0	3.0	7	1.6	100.0%
7111 6th Street SE (Glenmore Business Park), Calgary	100%	64,939	64,939	1985	20.0	2.9	2.9	4	3.4	100.0%
3401 19th Street, Calgary	100%	63,950	63,950	1976	22.0	4.1	4.1	6	3.3	100.0%
2150 29th Street NE (Sunridge Business Park), Calgary	100%	59,751	59,751	1999	24.0	3.3	3.3	7	3.5	100.0%
7710 5th Street SE (Glenmore Business Park), Calgary	100%	58,696	58,696	1980	20.0	2.3	2.3	23	3.3	71.3%
550 71st Avenue SE (Glenmore Business Park), Calgary	100%	58,290	58,290	1982	12.0	2.6	2.6	8	3.3	97.4%
2175 29th Street NE (Sunridge Business Park), Calgary	100%	58,184	58,184	2000	24.0	3.5	3.5	3	3.4	100.0%
2256 29th Street NE (Sunridge Business Park), Calgary	100%	57,898	57,898	1998	24.0	3.5	3.5	4	4.7	100.0%
4403-4435 97th Street NW, Edmonton	100%	57,813	57,813	1975	24.0	3.2	3.2	5	3.4	100.0%
1139-1165 40th Avenue NE, Calgary	100%	57,479	57,479	1974	20.0	2.9	2.9	6	5.5	100.0%
2151 32nd Street NE (Sunridge Business Park), Calgary	100%	57,225	57,225	1999	24.0	3.4	3.4	6	3.1	100.0%

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	Owned share of site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
501-529 36th Avenue SE, Calgary	100%	57,219	57,219	1974	18.0	2.9	2.9	7	4.0	100.0%
2928 Sunridge Way NE (Sunridge Business Park), Calgary	100%	57,223	57,223	2003	24.0	4.1	4.1	3	3.3	100.0%
4504-4576 14th Street NE, Calgary	100%	57,128	57,128	1976	16.0	4.1	4.1	30	2.1	97.5%
6812 6th Street SE (Glenmore Business Park), Calgary	100%	57,089	57,089	1978	20.0	5.7	5.7	6	2.3	100.0%
2121 29th Street NE (Sunridge Business Park), Calgary	100%	56,889	56,889	2000	24.0	3.8	3.8	3	2.8	100.0%
402 McDonald Street (Imperial Business Centre), Regina	100%	56,116	56,116	1984	18.0	2.8	2.8	15	1.7	90.4%
2985 23rd Avenue NE (Sunridge Business Park), Calgary	100%	53,998	53,998	2000	24.0	3.0	3.0	3	6.0	79.6%
4402-4434 10th Street NE, Calgary	100%	54,004	54,004	1974	16.0	3.1	3.1	6	3.3	86.7%
7003 5th Street SE (Glenmore Business Park), Calgary	100%	52,825	52,825	1975	20.0	2.7	2.7	14	3.8	100.0%
16134 114th Avenue NW, Edmonton	100%	47,925	47,925	2006	26.8	4.4	4.4	9	1.8	100.0%
2886 Sunridge Way NE (Sunridge Business Park), Calgary	100%	44,460	44,460	2001	24.0	3.5	3.5	5	8.0	100.0%
610 70th Avenue SE (Glenmore Business Park), Calgary	100%	44,246	44,246	1985	20.0	3.5	3.5	11	2.4	92.5%
1512-1514 8th Street, Edmonton	100%	42,670	42,670	1980	20.0	10.2	10.2	1	1.3	83.5%
535-561 36th Avenue SE, Calgary	100%	41,440	41,440	1974	16.0	1.9	1.9	2	7.2	100.0%
5824 Burbank Road SE, Calgary	100%	39,845	39,845	1972	20.0	2.4	2.4	6	4.7	100.0%
310 Hoffer Drive (McDonald Business Centre), Regina	100%	38,050	38,050	1985	18.0	2.8	2.8	5	1.3	100.0%
4001 19th Street, Calgary	100%	37,014	37,014	1978	22.0	2.5	2.5	7	3.1	88.3%
6810 6th Street SE (Glenmore Business Park), Calgary	100%	31,726	31,726	1978	19.0	3.2	3.2	3	2.2	100.0%
6804-6818 30th Street SE, Calgary	100%	29,986	29,986	1976	16.0	1.2	1.2	4	2.5	100.0%
7131 6th Street SE (Glenmore Business Park), Calgary	100%	29,002	29,002	1982	20.0	1.3	1.3	2	2.6	100.0%
6023-6039 Centre Street South, Calgary	100%	28,795	28,795	1973	15.0	1.5	1.5	6	3.8	100.0%
4502-4516 10th Street NE, Calgary	100%	28,648	28,648	1974	16.0	1.4	1.4	7	2.0	100.0%
16104 114th Avenue NW, Edmonton	100%	29,224	29,224	1972	20.0	4.4	4.4	7	3.0	97.9%
3030 Sunridge Way NE (Sunridge Business Park), Calgary	100%	27,010	27,010	2000	24.0	2.1	2.1	6	2.4	100.0%
6043-6055 Centre Street South, Calgary	100%	25,234	25,234	1973	15.0	1.3	1.3	5	3.0	100.0%
530-544 38A Avenue SE, Calgary	100%	24,005	24,005	1974	16.0	1.2	1.2	7	3.0	87.5%
7007 5th Street SE (Glenmore Business Park), Calgary	100%	23,265	23,265	1974	19.0	1.2	1.2	3	1.0	100.0%
616 71st Avenue SE (Glenmore Business Park), Calgary	100%	21,957	21,957	1985	21.0	1.0	1.0	3	4.4	100.0%
1135-1149 45th Avenue NE, Calgary	100%	21,589	21,589	1974	16.0	1.3	1.3	6	3.1	100.0%
6910 6th Street SE (Glenmore Business Park), Calgary	100%	21,268	21,268	1978	16.0	2.1	2.1	4	0.6	100.0%
4620-4640 11th Street NE, Calgary	100%	21,164	21,164	1971	16.0	1.4	1.4	10	2.1	90.8%
102-114 61st Avenue SW, Calgary	100%	18,890	18,890	1973	14.0	1.1	1.1	3	4.5	85.8%
4001-4019 23rd Street NE, Calgary	100%	15,764	15,764	1976	16.0	1.1	1.1	5	5.4	100.0%
2915-2925 58th Avenue SE, Calgary	100%	15,610	15,610	1976	16.0	1.0	1.0	5	2.0	100.0%
3503-3521 62nd Avenue SE, Calgary	100%	13,420	13,420	1975	13.0	1.2	1.2	9	2.7	100.0%
125 McDonald Street, Regina	50%	14,084	7,042	1975	13.0	1.2	0.6	2	3.7	71.9%
<b>Western Canada Multi-tenant</b>		<b>4,334,811</b>	<b>4,327,769</b>		<b>21.1</b>	<b>262.1</b>	<b>261.5</b>	<b>495</b>	<b>3.5</b>	<b>95.6%</b>
<b>Western Canada</b>		<b>5,117,662</b>	<b>5,058,338</b>		<b>21.9</b>	<b>351.4</b>	<b>344.4</b>	<b>510</b>	<b>3.5</b>	<b>95.2%</b>
275 Wellington Street East, Aurora	100%	317,000	317,000	1986	27.0	16.3	16.3	1	3.2	100.0%
45 Progress Avenue, Toronto	100%	209,754	209,754	1965/2000	24.0	10.3	10.3	1	15.5	100.0%
3230 Mainway Drive, Burlington	100%	207,703	207,703	1965	21.0	9.9	9.9	1	6.8	100.0%
290 Humberline Drive, Etobicoke	100%	180,329	180,329	1981/2010	20.0	6.9	6.9	1	4.1	100.0%
750 Creditstone Road, Vaughan	100%	176,535	176,535	1999	24.0	9.0	9.0	1	6.0	100.0%
121 Pippin Road, Vaughan	100%	169,500	169,500	1999	24.0	8.6	8.6	1	1.0	100.0%
580 Industrial Road, London	100%	113,595	113,595	1972/2002	24.0	12.7	12.7	1	9.1	100.0%
441 Chrislea Road, Vaughan	100%	100,626	100,626	1998	22.0	4.1	4.1	1	0.8	100.0%
2130 South Service Road West, Oakville	100%	98,175	98,175	1986/2005	24.0	4.4	4.4	1	4.2	100.0%
970 Fraser Drive, Burlington	100%	95,444	95,444	1999	28.0	6.9	6.9	1	9.0	100.0%
3 & 5 Blair Drive, Brampton	100%	82,232	82,232	2001	28.0	6.4	6.4	1	0.5	100.0%
274 Humberline Drive, Etobicoke	100%	80,540	80,540	1981	20.0	3.9	3.9	1	1.3	100.0%
2226 South Service Road West, Oakville	100%	79,174	79,174	1980	22.0	3.5	3.5	1	2.0	100.0%
439 Sovereign, London	100%	77,877	77,877	1988	22.0	5.6	5.6	0	-	0.0%
9305 Twin Oaks Drive, Windsor	100%	74,239	74,239	1996	28.0	5.2	5.2	1	1.6	100.0%
2 Lone Oak Court, Toronto	100%	72,197	72,197	2001	24.0	4.4	4.4	1	3.5	100.0%
6885-6895 Menway Court, Mississauga	100%	66,383	66,383	1988	20.0	3.4	3.4	1	1.2	100.0%
896 Meyerside Drive, Mississauga	100%	46,774	46,774	1986	20.0	2.4	2.4	1	7.4	100.0%
880 Rangeview Road, Mississauga	100%	45,600	45,600	1977/2005	24.0	3.2	3.2	1	3.8	100.0%
135 Pinebush Road, Cambridge	100%	44,470	44,470	2001	60.0	5.6	5.6	1	1.5	100.0%
5905 Kennedy Road, Mississauga	100%	38,158	38,158	1988	22.0	2.1	2.1	1	2.1	100.0%

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	Owned share of site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
6045 Kestrel Road, Mississauga	100%	34,879	34,879	1986	20.0	1.8	1.8	1	5.3	100.0%
2946 Walker Road, Windsor	100%	32,264	32,264	1960	22.0	4.0	4.0	1	1.0	100.0%
781 Westgate Road, Oakville	100%	29,850	29,850	1985	22.0	4.2	4.2	1	1.7	100.0%
6520 Gottardo Court, Mississauga	100%	25,932	25,932	1987	18.0	1.2	1.2	1	3.0	100.0%
750 Barmac Drive, Toronto	100%	23,959	23,959	1979	18.0	1.5	1.5	1	0.2	100.0%
7420 Pacific Circle, Mississauga	100%	23,777	23,777	1987	18.0	1.2	1.2	1	0.5	100.0%
1300 Fewster Road, Mississauga	100%	23,500	23,500	1969	14.0	1.2	1.2	1	2.5	100.0%
5805 Kennedy Road, Mississauga	100%	21,780	21,780	1986	18.0	1.0	1.0	1	4.8	100.0%
5380 Timberlea Boulevard, Mississauga	100%	19,988	19,988	1986	18.0	1.0	1.0	1	1.1	100.0%
5462 Timberlea Boulevard, Mississauga	100%	17,708	17,708	1977	18.0	1.0	1.0	1	1.4	100.0%
5370 Timberlea Boulevard, Mississauga	100%	16,693	16,693	1986	18.0	0.8	0.8	1	1.2	100.0%
5750 Coopers Avenue, Mississauga	100%	16,366	16,366	1987	18.0	0.9	0.9	1	2.2	100.0%
5444 Timberlea Boulevard, Mississauga	100%	15,316	15,316	1977	18.0	0.9	0.9	1	1.6	100.0%
<b>Ontario Single-tenant</b>		<b>2,678,317</b>	<b>2,678,317</b>		<b>23.7</b>	<b>155.5</b>	<b>155.5</b>	<b>33</b>	<b>4.7</b>	<b>97.1%</b>
6581-6601 Kitimat Road, Mississauga	100%	318,363	318,363	1986	25.0	16.9	16.9	15	2.3	100.0%
161 West Mall, Toronto	100%	205,000	205,000	1965	50.0	10.5	10.5	2	7.1	100.0%
2360 Cornwall Road, Oakville	100%	199,736	199,736	2004	28.0	10.3	10.3	3	2.9	100.0%
45 A & B West Wilmot Street, Richmond Hill	100%	189,128	189,128	1986	19.0	8.0	8.0	39	3.2	100.0%
255 Wicksteed Avenue, Toronto	100%	177,562	177,562	1955	24.0	8.0	8.0	3	4.7	100.0%
2140-2150 Winston Park Drive, Mississauga	100%	172,490	172,490	1987	19.0	7.5	7.5	43	2.5	96.7%
90 Nolan Court, Markham	100%	124,897	124,897	1982	18.0	7.0	7.0	30	2.9	100.0%
55 Horner Avenue, Etobicoke	100%	95,519	95,519	1988	22.0	6.2	6.2	3	3.5	82.7%
4515/4525 Rhodes Drive, Windsor	100%	92,089	92,089	1999	22.0	9.0	9.0	7	1.3	100.0%
1111 Tristar Drive, Mississauga	100%	77,726	77,726	1986	22.0	3.7	3.7	2	2.2	100.0%
903-951 Matheson Boulevard, Mississauga	100%	77,420	77,420	1977	18.0	3.8	3.8	8	3.2	100.0%
1100 Courtney Park Drive, Mississauga	100%	72,393	72,393	1981	22.0	3.4	3.4	4	2.5	100.0%
100 Lingard Road, Cambridge	100%	70,154	70,154	2003	46.0	5.4	5.4	1	4.1	100.0%
5825-5895 Kennedy Road, Mississauga	100%	67,846	67,846	1988	15.0	3.4	3.4	8	4.0	100.0%
6400 Shawson Drive, Mississauga	100%	61,715	61,715	1981	22.0	2.9	2.9	3	5.0	100.0%
5554 Tomken Road, Mississauga	100%	61,245	61,245	1979	18.0	3.2	3.2	10	3.9	100.0%
6300 Viscount Road, Mississauga	100%	59,982	59,982	1966	16.0	4.3	4.3	4	2.2	100.0%
845 Harrington Court, Burlington	100%	56,496	56,496	1982	15.0	4.0	4.0	10	4.6	99.3%
5716-5730 Coopers Avenue, Mississauga	100%	53,695	53,695	1987	14.0	3.4	3.4	23	2.0	100.0%
855 Matheson Boulevard, Mississauga	100%	46,652	46,652	1986	18.0	2.0	2.0	12	1.8	100.0%
5448 Timberlea Boulevard, Mississauga	100%	32,025	32,025	1977	16.0	1.8	1.8	2	0.8	100.0%
5430 Timberlea Boulevard, Mississauga	100%	31,448	31,448	1977	17.0	1.8	1.8	2	3.5	100.0%
5466 Timberlea Boulevard, Mississauga	100%	28,657	28,657	1977	18.0	1.6	1.6	2	4.8	100.0%
135 East Beaver Creek, Richmond Hill	100%	28,506	28,506	1986	17.0	1.8	1.8	5	0.8	100.0%
5420 Timberlea Boulevard, Mississauga	100%	19,816	19,816	1977	18.0	1.1	1.1	2	2.3	100.0%
<b>Ontario Multi-tenant</b>		<b>2,420,560</b>	<b>2,420,560</b>		<b>24.2</b>	<b>131.0</b>	<b>131.0</b>	<b>243</b>	<b>3.3</b>	<b>99.1%</b>
<b>Ontario</b>		<b>5,098,877</b>	<b>5,098,877</b>		<b>23.9</b>	<b>286.5</b>	<b>286.5</b>	<b>276</b>	<b>4.0</b>	<b>98.0%</b>
1411, 1421 and 1451 Rue Ampère, Boucherville	100%	457,875	457,875	1998/2002	27.0	21.6	21.6	1	6.4	100.0%
1900 Dickson Street (Molson Distribution Centre), Montreal	100%	225,000	225,000	2003	26.0	17.1	17.1	1	4.0	100.0%
2350 de la Province, Longueuil	100%	222,464	222,464	1967	20.0	11.5	11.5	1	3.1	100.0%
1125 50th Avenue, Montréal	100%	210,710	210,710	2000	26.0	13.3	13.3	1	5.8	100.0%
8000 Avenue Blaise-Pascal, Montréal	100%	206,345	206,345	1993	23.0	13.8	13.8	1	3.2	100.0%
1313 Autoroute Chomedey, Laval	100%	184,493	184,493	1999	26.0	8.1	8.1	1	6.4	100.0%
650 Rue Bergeron, Drummondville	100%	181,000	181,000	2007	28.0	10.5	10.5	1	4.0	100.0%
10555 Boulevard Henri-Bourassa Ouest, St-Laurent	100%	120,817	120,817	1972/2007	22.0	10.5	10.5	1	2.1	100.0%
2340 St. Laurent Blvd., Ottawa	100%	114,724	114,724	1989	24.0	6.2	6.2	1	6.3	100.0%
101 Autoroute 440, Laval	100%	68,444	68,444	1977	22.0	4.6	4.6	1	4.4	100.0%
1805 50 <sup>e</sup> Avenue, Lachine	100%	60,750	60,750	1986	19.0	2.3	2.3	1	2.4	100.0%
1421 Rue Nobel, Sainte-Julie	100%	50,878	50,878	1998	22.0	4.3	4.3	1	2.8	100.0%
3700-3720 AutoRoute des Laurentides, Laval	100%	49,500	49,500	2002	24.0	3.6	3.6	1	3.6	100.0%
1870 Boulevard Saint-Régis, Dollard-des-Ormeaux	100%	40,231	40,231	1984	22.0	1.8	1.8	1	2.4	100.0%
29 Rue de Varennes, Gatineau	100%	23,959	23,959	2006	20.0	3.4	3.4	1	2.1	100.0%
361 Boulevard Montpellier, St. Laurent	100%	19,220	19,220	1987	18.0	1.2	1.2	1	7.8	100.0%
<b>Québec Single-tenant</b>		<b>2,236,410</b>	<b>2,236,410</b>		<b>24.5</b>	<b>133.8</b>	<b>133.8</b>	<b>16</b>	<b>4.6</b>	<b>100.0%</b>

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	Owned share of site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
2995 Boulevard le Corbusier, Laval	100%	130,824	130,824	1975	24.0	4.7	4.7	6	3.7	99.6%
5000 Rue Fairway & 1645 50 <sup>e</sup> Avenue, Lachine	100%	108,292	108,292	1978	18.0	5.5	5.5	4	4.3	95.1%
1700-1764 50 <sup>e</sup> Avenue, Lachine	100%	94,569	94,569	1989	24.0	4.2	4.2	1	2.8	96.8%
1100-1154 Rue Berlier, Laval	100%	91,843	91,843	1975	18.0	4.5	4.5	9	2.1	100.0%
9090-9100 Boulevard Cavendish, St-Laurent	100%	89,322	89,322	1987	18.0	7.5	7.5	3	3.0	71.2%
333 Chemin du Tremblay, Boucherville	100%	86,842	86,842	1987	18.0	3.8	3.8	4	3.8	100.0%
1876-1936 32 <sup>e</sup> Avenue, Lachine	100%	84,659	84,659	1987	18.0	4.7	4.7	3	5.1	100.0%
1500 Rue Nobel, Boucherville	100%	82,081	82,081	1989	18.0	4.1	4.1	7	1.4	100.0%
2000 32 <sup>e</sup> Avenue, Lachine	100%	81,288	81,288	1985	18.0	4.8	4.8	4	1.7	89.4%
1624-1692 50 <sup>e</sup> Avenue, Lachine	100%	79,094	79,094	1975	19.0	4.3	4.3	5	2.0	81.6%
1151-1179 Autoroute 440, Laval	100%	78,938	78,938	1975	19.0	3.9	3.9	14	2.8	100.0%
10001-10091 Renaude-Lapointe, Montréal	100%	77,846	77,846	1987	18.0	3.7	3.7	3	4.0	96.5%
2101 Rue Nobel, Sainte-Julie	100%	73,411	73,411	1992	20.0	4.8	4.8	5	1.7	88.1%
1950 32 <sup>e</sup> Avenue, Montréal	100%	71,923	71,923	1988	18.0	4.5	4.5	7	2.6	100.0%
1825-1865 32 <sup>e</sup> Avenue, Montréal	100%	71,616	71,616	1986	18.0	4.9	4.9	9	3.6	100.0%
4300-4400 Boulevard Bois-Franc, St Laurent	100%	68,575	68,575	1987	18.0	3.9	3.9	4	3.1	100.0%
4605-4645 Rue Fairway & 1405-1465 46 <sup>e</sup> Avenue, Lachine	100%	60,728	60,728	1974	19.0	4.0	4.0	5	4.1	100.0%
1010 Rue Berlier & 2854-2870 Boulevard Industriel, Laval	100%	58,622	58,622	1975	19.0	3.1	3.1	7	2.3	100.0%
1025-1087 Autoroute 440, Laval	100%	56,622	56,622	1979	18.0	2.8	2.8	10	2.0	100.0%
585-625 Avenue Meloche, Dorval	100%	54,667	54,667	1981	18.0	2.7	2.7	2	4.5	100.0%
135 Chemin du Tremblay, Boucherville	100%	49,808	49,808	1989	16.0	2.4	2.4	9	2.2	90.4%
<b>Québec Multi-tenant</b>		<b>1,651,570</b>	<b>1,651,570</b>		<b>19.0</b>	<b>88.8</b>	<b>88.8</b>	<b>121</b>	<b>3.1</b>	<b>95.5%</b>
<b>Québec</b>		<b>3,887,980</b>	<b>3,887,980</b>		<b>22.2</b>	<b>222.6</b>	<b>222.6</b>	<b>137</b>	<b>4.0</b>	<b>98.1%</b>
58 Wright Avenue (Burnside Business Park), Dartmouth	100%	43,000	43,000	1972	24.0	2.4	2.4	1	2.5	100.0%
50 Garland Avenue (Burnside Business Park), Dartmouth	100%	35,574	35,574	2006	10.0	2.5	2.5	1	8.3	90.1%
80 Thornhill Drive (Burnside Business Park), Dartmouth	100%	10,090	10,090	1984	20.0	1.1	1.1	1	0.8	100.0%
<b>Eastern Canada Single-tenant</b>		<b>88,664</b>	<b>88,664</b>		<b>17.9</b>	<b>6.0</b>	<b>6.0</b>	<b>3</b>	<b>4.5</b>	<b>96.0%</b>
202 Brownlow Avenue (Burnside Business Park), Dartmouth	100%	212,841	212,841	1986	18.0	13.8	13.8	55	3.2	87.2%
320-340 Wright Avenue (Burnside Business Park), Dartmouth	100%	170,329	170,329	2007	24.0	10.6	10.6	12	2.7	100.0%
201 Brownlow Avenue (Burnside Business Park), Dartmouth	100%	159,813	159,813	1988	16.0	10.7	10.7	33	3.3	100.0%
7 Mellor Avenue, Dartmouth	100%	122,490	122,490	2007	24.0	7.2	7.2	12	4.3	100.0%
10 Morris Drive (Burnside Business Park), Dartmouth	100%	118,741	118,741	1979	18.0	7.5	7.5	22	2.2	89.3%
71 Thornhill Drive, Dartmouth	100%	100,322	100,322	1980	28.0	5.2	5.2	2	2.1	100.0%
131-135 Ilsley Avenue (Burnside Business Park), Dartmouth	100%	98,461	98,461	1984	18.0	6.6	6.6	17	3.9	100.0%
121 Ilsley Avenue, Dartmouth	100%	96,982	96,982	1983	19.0	8.0	8.0	19	4.2	92.1%
75 Akerley Boulevard, Dartmouth	100%	96,300	96,300	1982	19.0	7.8	7.8	18	4.2	100.0%
222 Edinburgh Drive, Moncton	100%	94,411	94,411	1977/1999	22.0	7.7	7.7	5	2.7	51.6%
11 Morris Drive (Burnside Business Park), Dartmouth	100%	89,918	89,918	1977	18.0	5.0	5.0	19	2.9	93.1%
120 Troop Avenue (Burnside Business Park), Dartmouth	100%	87,214	87,214	2004	24.0	5.7	5.7	6	4.4	100.0%
100 Ilsley Avenue (Burnside Business Park), Dartmouth	100%	76,178	76,178	1984	14.0	6.1	6.1	15	2.3	97.2%
100 Wright Avenue (Burnside Business Park), Dartmouth	100%	76,141	76,141	1979	18.0	4.4	4.4	11	2.4	85.1%
55 Akerley Boulevard, Dartmouth	100%	75,398	75,398	1975	19.0	5.8	5.8	8	5.3	100.0%
51 Raddall Avenue (Burnside Business Park), Dartmouth	100%	70,204	70,204	1986	18.0	4.7	4.7	10	3.1	93.1%
170 Joseph Zatzman Drive (Burnside Business Park), Dartmouth	100%	67,177	67,177	1981	16.0	4.0	4.0	14	3.1	76.8%
50 Akerley Boulevard (Burnside Business Park), Dartmouth	100%	62,892	62,892	1983	18.0	1.6	1.6	11	2.7	93.4%
10 Vidito Drive, Dartmouth	100%	61,988	61,988	1980	22.0	2.7	2.7	2	4.2	100.0%
101 Thornhill Drive (Burnside Business Park), Dartmouth	100%	61,551	61,551	1982	18.0	3.8	3.8	8	4.4	100.0%
105 Akerley Boulevard (Burnside Business Park), Dartmouth	100%	57,949	57,949	1983	18.0	3.3	3.3	7	2.5	100.0%
30-58 Mosher Drive (Burnside Business Park), Dartmouth	100%	56,937	56,937	1972	18.0	2.6	2.6	3	2.6	80.1%
29-59 Mosher Drive (Burnside Business Park), Dartmouth	100%	54,739	54,739	1974	18.0	3.6	3.6	4	2.4	79.5%
50 Troop Avenue (Burnside Business Park), Dartmouth	100%	53,911	53,911	2001	24.0	3.6	3.6	3	2.4	100.0%
32 Troop Avenue (Burnside Business Park), Dartmouth	100%	47,790	47,790	2000	24.0	3.3	3.3	4	2.2	100.0%

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109 Ilsley Avenue (Burnside Business Park), Dartmouth	100%	45,081	45,081	1987	16.0	3.1	3.1	15	2.4	100.0%
81 Wright Avenue (Burnside Business Park), Dartmouth	100%	44,366	44,366	1986	20.0	3.6	3.6	4	1.7	100.0%
95 Akerley Boulevard, Dartmouth	100%	38,106	38,106	1980	14.0	2.1	2.1	14	1.8	100.0%
30 Simmonds Drive (Burnside Business Park), Dartmouth	100%	37,877	37,877	1982	16.0	2.8	2.8	7	2.1	100.0%
40 Thornhill Drive (Burnside Business Park), Dartmouth	100%	32,139	32,139	1982	16.0	3.8	3.8	10	1.8	100.0%
50 Thornhill Drive (Burnside Business Park), Dartmouth	100%	32,063	32,063	1983	16.0	3.8	3.8	11	2.4	100.0%
60 Thornhill Drive (Burnside Business Park), Dartmouth	100%	31,929	31,929	1986	16.0	2.0	2.0	6	4.7	89.9%
10 Thornhill Drive, Dartmouth	100%	28,640	28,640	1983	15.0	3.4	3.4	10	2.5	100.0%
16 Garland Avenue (Burnside Business Park), Dartmouth	100%	10,888	10,888	2008	14.0	1.5	1.5	4	2.6	100.0%
<b>Eastern Canada Multi-tenant</b>		<b>2,571,766</b>	<b>2,571,766</b>		<b>19.4</b>	<b>171.4</b>	<b>171.4</b>	<b>401</b>	<b>3.1</b>	
<b>Eastern Canada</b>		<b>2,660,430</b>	<b>2,660,430</b>		<b>19.3</b>	<b>177.4</b>	<b>177.4</b>	<b>404</b>	<b>3.2</b>	<b>93.7%</b>
<b>Total Canadian Portfolio</b>		<b>16,764,949</b>	<b>16,705,625</b>		<b>22.2</b>	<b>1,037.9</b>	<b>1,031</b>	<b>1,327</b>	<b>3.7</b>	<b>96.5%</b>
445 Couchville Industrial Blvd, Nashville, TN	100%	717,160	717,160	2010	32.0	58.6	58.6	1	7.3	100.0%
860 Marine Drive, Charlotte, NC	100%	471,744	471,744	1994	30.0	26.0	26.0	1	4.0	100.0%
9000 Smith's Mill Road, Columbus, OH	100%	417,049	417,049	2011	32.0	21.9	21.9	1	7.5	100.0%
7730 American Way, Orlando, FL	100%	193,133	193,133	1997	25.0	20.6	20.6	1	4.2	100.0%
<b>U.S. Single-tenant</b>		<b>1,799,086</b>	<b>1,799,086</b>		<b>30.7</b>	<b>127.1</b>	<b>127.1</b>	<b>4</b>	<b>6.1</b>	<b>100.0%</b>
5605 Holmescrest Lane, Memphis, TN	100%	885,000	885,000	2006	32.0	47.3	47.3	2	5.6	100.0%
4470 Southpoint Drive, Memphis, TN	100%	500,000	500,000	1997	32.0	23.3	23.3	2	5.1	100.0%
8860 Smith's Mill Road, Columbus, OH	100%	304,318	304,318	2011	32.0	17.0	17.0	4	4.1	100.0%
<b>U.S. Multi-tenant</b>		<b>1,689,318</b>	<b>1,689,318</b>		<b>32.0</b>	<b>87.6</b>	<b>87.6</b>	<b>8</b>	<b>5.2</b>	<b>100.0%</b>
<b>U.S.</b>		<b>3,488,404</b>	<b>3,488,404</b>		<b>31.3</b>	<b>214.7</b>	<b>214.7</b>	<b>12</b>	<b>5.7</b>	<b>100.0%</b>
<b>Total Portfolio Single-tenant buildings</b>		<b>7,585,328</b>	<b>7,533,046</b>		<b>25.8</b>	<b>511.7</b>	<b>505.3</b>	<b>71</b>	<b>4.9</b>	<b>98.2%</b>
<b>Total Portfolio Multi-tenant buildings</b>		<b>12,668,025</b>	<b>12,660,983</b>		<b>22.5</b>	<b>740.9</b>	<b>740.3</b>	<b>1,268</b>	<b>3.6</b>	<b>96.5%</b>
<b>Total Portfolio<sup>(1)</sup></b>		<b>20,253,353</b>	<b>20,194,029</b>		<b>23.8</b>	<b>1,252.6</b>	<b>1,245.6</b>	<b>1,339</b>	<b>4.1</b>	<b>97.1%</b>

(1) Excludes the property held for sale at December 31, 2018.

## Management's responsibility for the consolidated financial statements

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dream Industrial Real Estate Investment Trust. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments as appropriate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, which comprises trustees, 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 Trustees, 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 had full and unrestricted access to the Audit Committee, with or without management present.

*"Brian Pauls"*

**Brian Pauls**

Chief Executive Officer

Toronto, Ontario, February 19, 2019

*"Lenis Quan"*

**Lenis Quan**

Chief Financial Officer



## *Independent auditor's report*

To the Unitholders of Dream Industrial Real Estate Investment Trust

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### *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dream Industrial Real Estate Investment Trust and its subsidiaries, (together, the Trust) as at December 31, 2018 and 2017, 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 Trust's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of net income and 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.

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### *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 Trust 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.





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### *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.

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### *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 Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

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

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### *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 Trust'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 Trust'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 Trust 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 Trust 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 19, 2019

## Consolidated balance sheets

(in thousands of Canadian dollars)	Note	December 31, 2018	December 31, 2017
<b>Assets</b>			
NON-CURRENT ASSETS			
Investment properties	6	\$ 2,138,411	\$ 1,722,988
Other non-current assets	8	3,496	6,634
		<b>2,141,907</b>	<b>1,729,622</b>
CURRENT ASSETS			
Amounts receivable	9	4,310	3,143
Prepaid expenses and other assets		5,490	5,135
Cash and cash equivalents		4,968	54,651
		<b>14,768</b>	<b>62,929</b>
Assets held for sale	10	3,900	15,200
<b>Total assets</b>		<b>\$ 2,160,575</b>	<b>\$ 1,807,751</b>
<b>Liabilities</b>			
NON-CURRENT LIABILITIES			
Debt	11	\$ 860,789	\$ 776,459
Subsidiary redeemable units	12	176,613	163,256
Deferred Unit Incentive Plan ("DUIP")	13	6,608	5,278
Other non-current liabilities	14	15,279	12,657
		<b>1,059,289</b>	<b>957,650</b>
CURRENT LIABILITIES			
Debt	11	76,941	113,337
Amounts payable and accrued liabilities	15	35,020	24,518
		<b>111,961</b>	<b>137,855</b>
<b>Total liabilities</b>		<b>1,171,250</b>	<b>1,095,505</b>
<b>Equity</b>			
Unitholders' equity	16	887,757	720,437
Retained earnings (deficit)	16	90,621	(7,056)
Accumulated other comprehensive income (loss)	16, 18	10,947	(1,135)
<b>Total equity</b>		<b>989,325</b>	<b>712,246</b>
<b>Total liabilities and equity</b>		<b>\$ 2,160,575</b>	<b>\$ 1,807,751</b>

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Trustees of Dream Industrial Real Estate Investment Trust:

*"Vincenza Sera"*

Vincenza Sera  
Trustee

*"Sheldon Wiseman"*

Sheldon Wiseman  
Trustee

## Consolidated statements of net income and comprehensive income

(in thousands of Canadian dollars)	Note	Year ended December 31,	
		2018	2017
Investment properties revenue	19	\$ 193,548	\$ 172,350
Investment properties operating expenses		(59,804)	(55,572)
<b>Net rental income</b>		<b>133,744</b>	<b>116,778</b>
<b>Other income</b>			
Interest and fee income		657	995
		657	995
<b>Other expenses</b>			
General and administrative	20	(10,807)	(9,052)
Interest:			
Debt	21	(37,070)	(34,871)
Subsidiary redeemable units	21	(13,376)	(13,376)
Depreciation and amortization		(59)	(52)
		(61,312)	(57,351)
<b>Fair value adjustments and other items</b>			
Fair value adjustments to investment properties	6, 10	107,875	(17,491)
Fair value adjustments to financial instruments	22	(17,120)	(4,869)
Net losses on transactions and other activities	23	(5,080)	(3,275)
		85,675	(25,635)
<b>Income before income taxes</b>		<b>158,764</b>	<b>34,787</b>
Deferred and current income taxes, net	24	(1,236)	(128)
<b>Net income</b>		<b>\$ 157,528</b>	<b>\$ 34,659</b>
<b>Other comprehensive income (loss)</b>			
Items that will be reclassified subsequently to net income:			
Unrealized gain (loss) on foreign currency translation, net of taxes	18	\$ 11,990	\$ (1,079)
Unrealized gain on effective interest rate hedge, net of taxes	18	92	813
		12,082	(266)
<b>Comprehensive income</b>		<b>\$ 169,610</b>	<b>\$ 34,393</b>

See accompanying notes to the consolidated financial statements.

## Consolidated statements of changes in equity

(in thousands of Canadian dollars, except number of units)	Note	Attributable to unitholders of the Trust				
		Number of REIT Units	Unitholders' equity	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total equity
<b>Balance at January 1, 2018</b>		<b>75,104,843</b>	<b>\$ 720,437</b>	<b>\$ (7,056)</b>	<b>\$ (1,135)</b>	<b>\$ 712,246</b>
Net income		—	—	157,528	—	157,528
Distributions paid and payable	17	—	—	(59,851)	—	(59,851)
Public offering of REIT Units	16	13,915,000	144,020	—	—	144,020
Distribution Reinvestment Plan <sup>(1)</sup>	16	2,863,035	28,292	—	—	28,292
REIT Units issued for vested deferred trust units	13	178,764	1,680	—	—	1,680
Unit Purchase Plan	16	1,017	10	—	—	10
Issue costs and other		—	(6,682)	—	—	(6,682)
Other comprehensive income	18	—	—	—	12,082	12,082
<b>Balance at December 31, 2018</b>		<b>92,062,659</b>	<b>\$ 887,757</b>	<b>\$ 90,621</b>	<b>\$ 10,947</b>	<b>\$ 989,325</b>

(1) Includes REIT Units issued under the Distribution Reinvestment Plan for LP B Units.

(in thousands of Canadian dollars, except number of units)	Note	Attributable to unitholders of the Trust				
		Number of REIT Units	Unitholders' equity	Retained earnings (deficit)	Accumulated other comprehensive loss	Total equity
<b>Balance at January 1, 2017</b>		<b>59,633,237</b>	<b>\$ 589,252</b>	<b>\$ 2,727</b>	<b>\$ (869)</b>	<b>\$ 591,110</b>
Net income		—	—	34,659	—	34,659
Distributions paid and payable	17	—	—	(44,442)	—	(44,442)
Public offering of REIT Units	16	9,890,000	86,538	—	—	86,538
REIT Units issued from private placements	16, 27	2,973,000	26,014	—	—	26,014
Distribution Reinvestment Plan <sup>(1)</sup>	16	2,428,965	21,110	—	—	21,110
REIT Units issued for vested deferred trust units	13	178,250	1,557	—	—	1,557
Unit Purchase Plan	16	1,391	12	—	—	12
Issue costs and other		—	(4,046)	—	—	(4,046)
Other comprehensive loss	18	—	—	—	(266)	(266)
<b>Balance at December 31, 2017</b>		<b>75,104,843</b>	<b>\$ 720,437</b>	<b>\$ (7,056)</b>	<b>\$ (1,135)</b>	<b>\$ 712,246</b>

(1) Includes REIT Units issued under the Distribution Reinvestment Plan for LP B Units.

See accompanying notes to the consolidated financial statements.

## Consolidated statements of cash flows

(in thousands of Canadian dollars)	Note	Year ended December 31,	
		2018	2017
<b>Generated from (utilized in) operating activities</b>			
Net income for the year		\$ 157,528	\$ 34,659
Non-cash items:			
Depreciation and amortization	25	2,999	2,428
Other adjustments	25	(73,029)	36,933
Investment in lease incentives and initial direct leasing costs		(9,482)	(9,390)
Change in non-cash working capital	25	(162)	2,491
		<b>77,854</b>	<b>67,121</b>
<b>Generated from (utilized in) investing activities</b>			
Additions to property and equipment		(274)	(38)
Investment in building improvements		(13,744)	(15,030)
Acquisitions of investment properties	5	(236,259)	(63,819)
Deposit on acquisition of investment properties		(1,322)	(2,208)
Transaction costs paid		(5,345)	(2,216)
		<b>(256,944)</b>	<b>(83,311)</b>
<b>Generated from (utilized in) financing activities</b>			
Borrowings	11	374,429	119,400
Financing costs additions	11	(2,878)	(1,275)
Principal repayments	11	(25,400)	(24,019)
Lump sum repayments	11	(311,906)	(102,752)
Distributions paid on REIT Units	17	(43,946)	(35,804)
Cash proceeds on issuance of REIT Units	16	144,030	112,564
Issue costs paid on REIT Units		(6,852)	(3,706)
		<b>127,477</b>	<b>64,408</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(51,613)</b>	<b>48,218</b>
<b>Foreign exchange gain (loss) on cash held in foreign currency</b>		<b>1,930</b>	<b>(162)</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>54,651</b>	<b>6,595</b>
<b>Cash and cash equivalents, end of year</b>		<b>\$ 4,968</b>	<b>\$ 54,651</b>

See accompanying notes to the consolidated financial statements.

# Notes to the consolidated financial statements

(All dollar amounts in thousands of Canadian dollars, except as otherwise noted)

## Note 1

### ORGANIZATION

Dream Industrial Real Estate Investment Trust (“Dream Industrial REIT”, “Dream Industrial” or “the Trust”) is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The consolidated financial statements of Dream Industrial REIT include the accounts of Dream Industrial REIT and its subsidiaries. Dream Industrial REIT’s portfolio comprises industrial properties located in key markets across Canada and the U.S. A subsidiary of Dream Industrial performs the property management function in Canada.

The Trust’s registered office is 30 Adelaide Street East, Suite 301, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol “DIR.UN”. Dream Industrial REIT’s consolidated financial statements for the year ended December 31, 2018 were authorized for issuance by the Board of Trustees on February 19, 2019, after which they may only be amended with the Board of Trustees’ approval.

For simplicity, throughout the Notes, reference is made to the units of the Trust as follows:

- “REIT Units”, meaning units of the Trust, excluding Special Trust Units;
- “Special Trust Units”, meaning units issued in connection with subsidiary redeemable units;
- “LP B Units” or “subsidiary redeemable units”, meaning the Class B limited partnership units of Dream Industrial LP (“DILP”), a subsidiary of the Trust; and
- “Units”, meaning REIT Units and LP B Units.

## Note 2

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

#### Basis of presentation and statement of compliance

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

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of Dream Industrial REIT and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, which is the date on which the Trust obtains control, and continue to be consolidated until the date such control ceases. Control exists when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

#### Joint arrangements

The Trust enters into joint arrangements via joint operations and joint ventures. A joint arrangement is a contractual arrangement pursuant to which the Trust 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, and that is referred to as joint operations. Joint arrangements that involve the establishment of a separate entity or partnership in which each party to the venture has rights to the net assets of the arrangements are referred to as joint ventures. In a co-ownership arrangement, the Trust owns jointly one or more investment properties with another party, and has direct rights to the investment property and obligations for the liabilities relating to the co-ownership.

#### Business combinations

The purchase method of accounting is used for acquisitions meeting the definition of a business. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer.



Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Trust's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Trust's share of the net assets acquired, the difference is recognized directly in the profit or loss for the period as an acquisition gain. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

### **Investment properties**

Investment properties are initially recorded at cost, including related transaction costs in connection with asset acquisitions, and include industrial properties held to earn rental income and/or for capital appreciation. Subsequent to initial recognition, investment properties are accounted for at fair value. At the end of each reporting period, the Trust determines the fair value of investment properties by:

- 1) considering current contracted sales prices for properties that are available for sale;
- 2) obtaining appraisals from qualified external professionals applying the income approach on a rotational basis for select properties; and
- 3) using internally prepared valuations applying the income approach.

The income approach is derived from two methods: capitalization rate ("cap rate") method and discounted cash flow method. In applying the cap rate method, the stabilized net operating income ("stabilized NOI") of each property is divided by an appropriate cap rate with adjustments for items such as average lease up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. In applying the discounted cash flow method, the cash flows of each property are projected over an anticipated term, a terminal value is applied, and the cash flows are discounted using an appropriate discount rate. On a quarterly basis, the Trust uses both the cap rate method and discounted cash flow method to evaluate the fair value of its investment properties.

Building improvements are added to the carrying amount of investment properties only when it is probable that future economic benefits associated with the expenditure will flow to the Trust and the cost of the item can be measured reliably. Repairs and maintenance costs are recorded in investment properties operating expenses when incurred.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. 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 to investment properties revenue. Internal leasing costs are expensed in the period that they are incurred.

Investment properties and investment properties held for sale are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Any transaction costs arising on derecognition of an investment property are included in the consolidated statements of comprehensive income during the reporting period the asset is derecognized.

Straight-line rent receivables are added to the carrying amount of investment properties.

### **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.

### **Other non-current assets**

Other non-current assets include primarily financial assets, deposits on acquisitions of investment properties, and property and equipment. Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of property and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their expected useful lives of four to ten years. The residual values and useful lives of all property and equipment are reviewed and adjusted, if appropriate, at least once a year. Cost includes expenditures that are directly attributable to the purchase and expenditures for replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to consolidated statements of comprehensive income during the reporting period in which they are incurred.

Other non-current assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income during the reporting period the asset is derecognized.

## Financial instruments

Effective January 1, 2018, the Trust has adopted IFRS 9, “Financial Instruments” (“IFRS 9”), prospectively (see Note 3). The comparative period is reported under IAS 39, “Financial Instruments” (“IAS 39”). The adoption has no impact on the carrying amount of the Trust’s financial instruments. Primary changes as a result of the adoption include: new classification categories for financial assets and liabilities and the implementation of a forward-looking “expected loss” impairment model.

### Classification and measurement of financial instruments

The following summarizes the Trust’s classification and measurement of financial assets and financial liabilities:

	IFRS 9 – Classification and measurement	IAS 39 – Classification and measurement
<b>Financial assets</b>		
Amounts receivable	Financial asset at amortized cost	Loans and receivables at amortized cost
Cash and cash equivalents	Financial asset at amortized cost	Loans and receivables at amortized cost
<b>Financial liabilities</b>		
Mortgages <sup>(1)</sup>	Financial liability at amortized cost	Other liabilities at amortized cost
Revolving credit facility <sup>(1)</sup>	Financial liability at amortized cost	Other liabilities at amortized cost
Convertible debentures – host instrument <sup>(1)</sup>	Financial liability at amortized cost	Other liabilities at amortized cost
Subsidiary redeemable units	Financial liability at amortized cost	Other liabilities at amortized cost
DUIP	Financial liability at amortized cost	Other liabilities at amortized cost
Tenant security deposits <sup>(2)</sup>	Financial liability at amortized cost	Other liabilities at amortized cost
Amounts payable and accrued liabilities	Financial liability at amortized cost	Other liabilities at amortized cost
<b>Financial assets/financial liabilities</b>		
Interest rate swaps – designated as hedges <sup>(3)</sup>	Hedge through other comprehensive income	Cash flow hedge at fair value
Interest rate swaps – not designated as hedges <sup>(4)</sup>	Financial asset at fair value through profit and loss	Fair value through profit and loss
Convertible debentures – conversion feature <sup>(4)</sup>	Financial asset at fair value through profit and loss	Fair value through profit and loss

(1) Included in “Debt” in the consolidated balance sheets.

(2) Included in “Other non-current liabilities” in the consolidated balance sheets.

(3) Included in “Prepaid expenses and other assets” in the consolidated balance sheet (2018); included in “Other non-current liabilities” in the consolidated balance sheet (2017).

(4) Included in “Other non-current assets” in the consolidated balance sheets.

## Financial assets

### Classification (IFRS 9)

The Trust classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

## Measurement (IFRS 9)

At initial recognition, the Trust initially measures a financial asset at its fair value, less any related transaction costs. Subsequent measurement depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. There are three measurement categories in which the Trust classifies its financial assets:

- Amortized cost: Assets that are held for the collection of contractual cash flows and those cash flows represent solely payments of principal and interest;
- Fair value through other comprehensive income: Assets that are held for the collection of contractual cash flows and for selling the financial assets, and those cash flows represent solely payments of principal and interest; and
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

## Impairment

*IFRS 9:* The Trust recognizes an allowance for expected credit losses for all financial assets not held at fair value through profit or loss. For amounts receivable, the Trust applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized upon initial recognition of the receivables. To measure the expected credit losses, the Trust has established a provision matrix that is based on its historical credit loss experience based on days past due, adjusted for forward-looking factors specific to the tenant and the economic environment. The Trust considers a financial asset in default when contractual payment is over 90 days past due. However, in certain cases, the Trust may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full.

*IAS 39:* A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible.

A provision for impairment is recorded through an allowance account, and the amount of the loss is recognized in comprehensive income within investment properties operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment properties operating expenses in comprehensive income.

## Derecognition

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Trust transfers substantially all risks and rewards of ownership.

## Financial liabilities

### Classification (IFRS 9)

The Trust classifies its financial liabilities in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortized cost.

## Measurement (IFRS 9)

At initial measurement, financial liabilities are recognized at fair value, less any related transaction costs.

For financial liabilities measured subsequently at fair value, the liability is remeasured at fair value each reporting period, with changes in fair value recognized in comprehensive income.

For financial liabilities measured subsequently at amortized cost, the liability is amortized using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in comprehensive income over the expected life of the obligation.

## Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

### **Cash and cash equivalents**

Cash and cash equivalents include all short-term investments with an original maturity of three months or less and exclude cash subject to restrictions that prevent its use for current purposes. Deposits on acquisitions of investment properties are included in other non-current assets.

### **Amounts receivable**

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. The Trust holds the amounts receivable with the objective to collect the contractual cash flows.

### **Debt**

Mortgages are initially recognized at fair value less any related transaction costs, or at fair value when assumed in a business or asset acquisition. Subsequent to initial recognition, mortgages are recognized at amortized cost.

Convertible debentures are separated into two financial liability components: the host instrument and the conversion feature. This presentation is required because the conversion feature permits the holder to convert the debenture into REIT Units, which, except for the available exemption under International Accounting Standard 32, "Financial Instruments: Presentation" ("IAS 32"), would normally be presented as a financial liability because of the redemption feature attached to the REIT Units.

Both components are measured based on their respective estimated fair values at the date of issuance. The fair value of the host instrument is net of any related transaction costs. The fair value of the host instrument is estimated based on the present value of future interest and principal payments due under the terms of the debenture using a discount rate for similar debt instruments without a conversion feature. Subsequent to initial recognition, the host instrument is accounted for at amortized cost. The conversion feature is accounted for at fair value with changes in fair value recognized in comprehensive income each period. When the holder of a convertible debenture converts its interest into REIT Units, the host instrument and conversion feature are reclassified to unitholders' equity in proportion to the units converted over the total equivalent units outstanding.

### **Subsidiary redeemable units**

Subsidiary redeemable units are settled in REIT Units, which, in accordance with IAS 32, are considered financial liabilities (see above debt discussion). They are measured at amortized cost.

To give effect to measuring these units at amortized cost, IFRS 9 requires that the subsidiary redeemable units are remeasured each period based on the fair value of REIT Units, with changes in the liabilities recorded in comprehensive income. Distributions paid on subsidiary redeemable units are recorded as interest expense in comprehensive income and as a financing activity in the consolidated statements of cash flows.

### **Deferred Unit Incentive Plan ("DUIP")**

As described in Note 13, the Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the grant of deferred trust units and income deferred trust units to trustees, employees and affiliates and their service providers (including the asset manager).

Deferred units are settled in REIT Units, which, in accordance with IAS 32, are considered financial liabilities (see above debt discussion). They are measured at amortized cost.

To give effect to measuring these units at amortized cost, over the vesting period, compensation expense is recognized based on the fair value of the REIT Units. Once vested, the financial liability is remeasured each period based on the fair value of the REIT Units, with changes in fair value being recognized in comprehensive income as a fair value adjustment to financial instruments. Deferred trust units and income deferred units are only settled in REIT Units.

## Equity

The Trust presents REIT Units as equity, notwithstanding the fact that the Trust's REIT Units meet the definition of a financial liability. Under IAS 32, the REIT Units are considered a puttable financial instrument because of the holder's option to redeem REIT Units, generally at any time, subject to certain restrictions, at a redemption price per unit equal to the lesser of 90% of a 20-day weighted average closing price prior to the redemption date and 100% of the closing market price on the redemption date. The total amount payable by Dream Industrial in any calendar month will not exceed \$50 unless waived by Dream Industrial's Board of Trustees at their sole discretion. The Trust has determined that the REIT Units can be presented as equity and not financial liabilities because the REIT Units have all of the following features, as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- REIT Units entitle the holder to a pro rata share of the Trust's net assets in the event of its liquidation. Net assets are those assets that remain after deducting all other claims on the assets;
- REIT Units are the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Trust on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;
- All instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the Trust to redeem the REIT Units for cash or another financial asset, the REIT Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments;
- The total expected cash flows attributable to the REIT Units over their lives are based substantially on the profit or loss, and the change in the recognized net assets and unrecognized net assets of the Trust over the life of the REIT Units.
- REIT Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising on the issue of REIT Units are recognized directly in unitholders' equity as a reduction of the proceeds received.

## Distributions

Distributions to unitholders are recognized as a liability in the period in which the distributions are declared and are recorded as a reduction to retained earnings.

## Revenue recognition

Effective January 1, 2018, the Trust has adopted IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), on a modified retrospective basis with no restatement of comparatives (see Note 3). Base rental income and property tax recoveries earned from leases ("rental income") is outside the scope of IFRS 15 and is therefore not impacted by the new standard. The prior comparative period was reported under IAS 18, "Revenue" ("IAS 18"). The adoption has no impact on the timing and amount of revenue recognized.

## Rental income

The Trust accounts for tenant leases as operating leases, given that it has retained substantially all of the risks and benefits of ownership of its investment properties. Rental income includes base rents, property tax recoveries, lease termination fees, and other rental revenue including recoveries for landlord work and tenant improvement allowances. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in investment properties, is recorded for the difference between the rental revenue recognized and the contractual amount received. Property tax recoveries are recognized as revenues in the period in which the corresponding obligation arises and collectability is reasonably assured. Other revenues are recorded as earned.

*IAS 18:* The above discussion also applies to recoveries of operating expenses in the 2017 period.

## Revenue from contracts with customers (IFRS 15)

Revenue from contracts with customers primarily includes recoveries of operating expenses and recoveries of capital expenditures from tenants in accordance with their leases ("recoveries revenue").

Consideration received from tenants under lease agreements is allocated between rental income and recoveries revenue based on relative stand-alone selling prices. For recoveries revenue, our performance obligations are satisfied over time as tenants occupy the premises. Recoveries revenue is billed monthly to tenants based on budgeted estimates.

The Trust recognizes recoveries revenue for operating expenses based on actual costs incurred in accordance with the terms of the related leases. Actual costs reflect the services provided. The Trust recognizes recoveries revenue for capital expenditures over the asset's expected useful life in accordance with the terms of the related leases. The amount of recoveries revenue is determined by the actual costs incurred and any restrictions in lease agreements. If the services rendered exceed the monthly charges billed, a receivable is recognized; if the monthly charges billed exceed the service rendered, a payable is recognized.

### **Interest on debt**

Interest on debt includes coupon interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and amortization of fair value adjustments on assumed debt. Financing costs are amortized to interest expense.

### **Income taxes**

Dream Industrial REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to its unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholder, no provision for income taxes is required on such amounts. The Trust expects to continue to distribute its taxable income and to qualify as a real estate investment trust ("REIT") for the foreseeable future.

For all U.S. subsidiaries and one Canadian subsidiary, income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for the expected future tax consequences of temporary differences between the carrying value of balance sheet items and their corresponding tax values. Deferred income taxes are computed using substantively enacted income tax rates or laws for the years in which the temporary differences are expected to reverse or settle.

### **Foreign currencies**

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Trust and the presentation currency for the consolidated financial statements.

Assets and liabilities related to properties held in a foreign entity with a functional currency other than the Canadian dollar are translated at the exchange rates at the consolidated balance sheet dates. Revenue and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in other comprehensive income.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign currency denominated monetary assets are translated using the exchange rates at the consolidated balance sheet dates. Gains and losses on translation of monetary items are recognized in comprehensive income as other income, except for those intercompany loans to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future.

### **Provisions**

Provisions for legal claims are recognized when the Trust has a present legal or constructive obligation as a result of past events, it is probable an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## Segment reporting

A reportable operating segment is a distinguishable component of the Trust that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other reportable segments. The Trust's primary format for segment reporting is based on geographic segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, determined to be the Chief Executive Officer ("CEO") of the Trust. The operating segments derive their revenue primarily from rental income from lessees. All of the Trust's business activities and operating segments are reported within the geographic segments.

## Critical accounting judgments

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments, estimates and assumptions on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment in the future to the carrying amount of the asset or liability affected.

Following are the critical judgments used in applying the Trust's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

## Investment properties

Critical judgments are made in respect of the fair values of investment properties. The fair values of these investments are reviewed at least quarterly by management with reference to independent property appraisals and market conditions existing at the reporting date, using generally accepted market practices. The independent appraisers are experienced, nationally recognized and qualified in the professional valuation of industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of obtaining independent appraisals. At each reporting period, a select number of properties, determined on a rotational basis, are valued by independent appraisers. For properties not subject to independent appraisals, valuations are prepared internally during each reporting period.

Critical assumptions used in estimating the fair values of investment properties include cap rates, discount rates that reflect current market uncertainties, terminal cap rates and market rents. Other key assumptions relating to the estimates of fair values of investment properties include components of stabilized NOI, leasing costs and vacancy rates. The Trust examines the critical and key assumptions at the end of each reporting period and updates these assumptions based on recent leasing activity and external market data available at that time. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

The Trust makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property.

## Business combinations

Accounting for business combinations under IFRS 3, "Business Combinations" ("IFRS 3"), only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgment is used by management in determining whether the acquisition of an investment property or a portfolio of investment properties qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, the Trust applies judgment when considering the following:

- Whether the investment property or properties are capable of producing outputs;
- Whether the market participant could produce outputs if missing elements exist.

In particular, the Trust considers the following:

- Whether employees were assumed in the acquisition;
- Whether an operating platform has been acquired.

The Trust classifies an acquisition as an asset acquisition when it acquires a property or a portfolio of properties, and does not assume employees or does not acquire an operating platform.

### Estimates and assumptions

The Trust makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results could differ from those estimates. The estimates and assumptions that are critical in determining the amounts reported in the consolidated financial statements relate to the following:

#### Valuation of investment properties

Critical assumptions relating to the valuation of investment properties at fair value include the receipt of contractual rents, expected future market rents, renewal rates, capital expenditures, discount rates that reflect current market uncertainties, capitalization rates and recent investment property transactions. If there is any change in these assumptions or changes in regional, national or international economic conditions, the fair value of investment properties may change materially.

#### Valuation of financial instruments

The Trust makes estimates and assumptions relating to the fair value measurement of the subsidiary redeemable units, the DUIP, the conversion feature of the convertible debenture, the interest rate swaps and the fair value disclosure of the mortgages, revolving credit facility and convertible debentures. The critical assumptions underlying the fair value measurements and disclosures include the market price of REIT Units and market interest rates.

For certain financial instruments, including cash and cash equivalents, amounts receivable, and amounts payable and accrued liabilities, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of mortgages are determined based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair value of convertible debentures uses quoted market prices from an active market.

### Note 3

#### CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Trust has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

#### Revenue recognition — revenue from contracts with customers

Effective January 1, 2018, the Trust has applied IFRS 15. IFRS 15 provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise judgment and make estimates that affect revenue recognition.

The Trust has adopted IFRS 15 on a modified retrospective basis. In applying IFRS 15, the Trust used the practical expedient in the standard that permits contracts which were completed prior to the transition date to not be assessed.

As a result of adopting IFRS 15, there were no adjustments to the consolidated balance sheets as at January 1, 2018. The accounting policies applied under the new standard are disclosed in Note 2.

The new standard has no impact on the timing and amount of revenue recognized. Additional disclosures have been included in Note 19 to the consolidated financial statements. Revenue under the financial statement caption “Investment properties revenue” in the consolidated statements of net income (loss) and comprehensive income (loss) is now split out as “Revenue from contracts with customers” and “Rental income”.



## Financial instruments

Effective January 1, 2018, the Trust has applied IFRS 9. IFRS 9 introduces a model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting.

The Trust has applied IFRS 9 prospectively. The accounting policies applied under the new standard are disclosed in Note 2.

The new standard has no impact on the measurement of financial assets and financial liabilities. The implementation of a forward-looking “expected loss” impairment model has no impact on the carrying value of the Trust’s amounts receivable and cash and cash equivalents.

## Note 4

### FUTURE ACCOUNTING POLICY CHANGES

The following are the accounting policy changes to be implemented by the Trust in future years:

#### Leases

IFRS 16, “Leases” (“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 all 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. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Trust will adopt the new standard on the required effective date using the modified retrospective method.

Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged and will therefore not be impacted by the adoption. As part of the transition to IFRS 16, the Trust focused on identifying and reviewing contracts in which the Trust is a lessee. Management has determined that this standard has no material impact on the consolidated financial statements.

#### Uncertainty over income tax treatments

The IASB issued IFRIC Interpretation 23, “Uncertainty over Income Tax Treatments” (“IFRIC 23”), in June 2017. IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12, “Income Taxes” (“IAS 12”), when there is uncertainty over income tax treatments, including whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The interpretation is applicable for financial years commencing on or after January 1, 2019. Management has determined that this standard has no material impact on the consolidated financial statements.

#### Business combinations

The IASB issued narrow-scope amendments to IFRS 3, “Business Combinations”, to improve the definitions of a business. The amendments are to be applied to transactions for which the acquisition date is on or after January 1, 2020, with earlier application permitted. The Trust will consider the narrow-scope amendment for future acquisitions.

Note 5

**INVESTMENT PROPERTY ACQUISITIONS**

Detailed below are the investment property acquisitions completed for the years ended December 31, 2018 and December 31, 2017:

Year ended December 31, 2018	Purchase price allocated to investment properties <sup>(1)</sup>	Date acquired
860 Marine Drive, Charlotte, North Carolina	\$ 35,766	January 16, 2018
4770 Southpoint Drive, Memphis, Tennessee	32,343	January 16, 2018
5605 Holmescrest Lane, Memphis, Tennessee	47,349	January 16, 2018
161 The West Mall, Etobicoke, Ontario	37,382	August 2, 2018
8860 Smith's Mill Road, Columbus, Ohio	35,949	September 6, 2018
9000 Smith's Mill Road, Columbus, Ohio	45,246	September 6, 2018
10555 Henri-Bourassa Boulevard West, Saint-Laurent, Québec	14,150	October 24, 2018
<b>Total</b>	<b>\$ 248,185</b>	

(1) Includes transaction costs and assumed capital expenditure obligations.

Year ended December 31, 2017	Purchase price allocated to investment properties <sup>(1)</sup>	Date acquired
7803 35th Street SE, Calgary, Alberta	\$ 17,288	October 5, 2017
445 Couchville Industrial Boulevard, Nashville, Tennessee <sup>(2)</sup>	62,184	October 31, 2017
7730 American Way, Orlando, Florida	15,846	December 28, 2017
<b>Total</b>	<b>\$ 95,318</b>	

(1) Includes transaction costs.

(2) On October 31, 2017, the Trust completed the purchase of a single-tenant distribution centre from Dream Office REIT (see Note 27).

The consideration for the acquired properties and assumed net assets includes:

	December 31, 2018	December 31, 2017
Cash paid <sup>(1)</sup>	\$ 238,444	\$ 63,819
Transaction costs	5,093	1,894
Assumed capital expenditure obligations	2,804	—
Assumed mortgages at fair value	—	29,676
Assumed non-cash working capital	1,844	(71)
<b>Total consideration for investment properties</b>	<b>\$ 248,185</b>	<b>\$ 95,318</b>

(1) As at December 31, 2018, cash paid included acquisition deposits paid in the prior year totalling \$2,185 (December 31, 2017 – \$nil) that was released to the seller on closing.

## Note 6

### INVESTMENT PROPERTIES

	Note	Year ended December 31, 2018	Year ended December 31, 2017
<b>Balance at beginning of year</b>		<b>\$ 1,722,988</b>	<b>\$ 1,634,315</b>
Additions:			
Investment property acquisitions	5	248,185	95,318
Building improvements		13,824	15,030
Lease incentives and initial direct leasing costs		14,061	9,390
<b>Total additions to investment properties</b>		<b>276,070</b>	<b>119,738</b>
Investment property classified to assets held for sale	10	—	(8,700)
Investment property reclassified from assets held for sale	10	11,300	—
<b>Investment properties reclassified from (classified to) assets held for sale</b>		<b>11,300</b>	<b>(8,700)</b>
Gains (losses) included in net income:			
Fair value adjustments to investment properties <sup>(1)</sup>		107,875	(19,991)
Change in straight-line rent		968	490
Amortization of lease incentives		(1,426)	(1,155)
<b>Total gains (losses) included in net income</b>		<b>107,417</b>	<b>(20,656)</b>
Gains (losses) included in other comprehensive income:			
Foreign currency translation gains (losses)		20,636	(1,709)
<b>Total gains (losses) included in other comprehensive income</b>		<b>20,636</b>	<b>(1,709)</b>
<b>Balance at end of year</b>		<b>\$ 2,138,411</b>	<b>\$ 1,722,988</b>

(1) Fair value adjustments to investment properties represent unrealized gains (losses). In 2017, fair value adjustments to investment properties as presented in the consolidated statements of net income and comprehensive income includes fair value gains on assets held for sale of \$2,500 (see Note 10).

As at December 31, 2018, investment properties with a fair value of \$1,739,543 (December 31, 2017 – \$1,436,582) are pledged as first-ranking and/or second-ranking collateral for mortgages. As at December 31, 2018, investment properties with a fair value of \$208,174 (December 31, 2017 – \$188,415) are pledged as collateral for the revolving credit facility.

## Note 7

### JOINT ARRANGEMENTS

#### Co-owned investment properties

The Trust's interests in co-owned investment properties are accounted for based on the Trust's share of interest in the assets, liabilities, revenues and expenses of the investment properties. The co-owned investment properties are with a related party of the Trust (see Note 27).

Below are the co-owned investment properties for the years ended December 31, 2018 and December 31, 2017:

Property	Ownership interest (%)	
	December 31, 2018	December 31, 2017
1802 Stock Road, Regina, Saskatchewan	50	50
1105 Pettigrew Avenue, Regina, Saskatchewan	50	50
363 and 345 Maxwell Crescent, Regina, Saskatchewan	50	50
1640 Broder Street, Regina, Saskatchewan	50	50
2190 Industrial Drive, Regina, Saskatchewan	50	50
125 McDonald Street, Regina, Saskatchewan	50	50

The following amounts represent the ownership interest in the assets, liabilities, revenues and expenses of the co-owned properties in which the Trust participates.

	December 31, 2018	December 31, 2017
Non-current assets	\$ 8,020	\$ 9,085
Current assets	506	566
<b>Total assets</b>	<b>8,526</b>	<b>9,651</b>
Non-current liabilities	5,345	5,581
Current liabilities	503	732
<b>Total liabilities</b>	<b>5,848</b>	<b>6,313</b>
<b>Net assets</b>	<b>\$ 2,678</b>	<b>\$ 3,338</b>

	Year ended December 31,	
	2018	2017
Net rental income	\$ 672	\$ 727
Other revenue and expenses, fair value adjustments and net losses on transactions and other activities	(1,288)	(467)
<b>Share of net income (loss) from investments in co-owned properties</b>	<b>\$ (616)</b>	<b>\$ 260</b>

#### Note 8

#### OTHER NON-CURRENT ASSETS

	Note	December 31, 2018	December 31, 2017
Conversion feature on the convertible debentures <sup>(1)</sup>		\$ —	\$ 2,305
Fair value of interest rate swaps	30	1,507	1,675
Deposits on acquisitions of investment properties		1,364	2,208
Deferred income tax assets, net	24	—	122
Property and equipment and other		625	324
<b>Total</b>		<b>\$ 3,496</b>	<b>\$ 6,634</b>

(1) On August 2, 2018, the conversion feature was derecognized as the Trust redeemed all outstanding convertible debentures.

#### Note 9

#### AMOUNTS RECEIVABLE

	December 31, 2018	December 31, 2017
Trade receivables	\$ 1,540	\$ 2,011
Less: Provision for impairment of trade receivables	(578)	(911)
Trade receivables, net	962	1,100
Other amounts receivable	3,348	2,043
<b>Amounts receivable</b>	<b>\$ 4,310</b>	<b>\$ 3,143</b>

The movement in the provision for impairment of trade receivables for the years ended December 31, 2018 and December 31, 2017 is as follows:

	Year ended December 31,	
	2018	2017
As at beginning of year	\$ 911	\$ 830
Provision for impairment of trade receivables	478	346
Receivables written off during the year as uncollectible	(811)	(265)
<b>As at end of year</b>	<b>\$ 578</b>	<b>\$ 911</b>

The carrying value of amounts receivable approximates fair value due to their current nature. Information on credit risk exposures is disclosed in Note 31.

The Trust leases industrial properties to tenants under operating leases. Minimum rental commitments, including joint operations, on non-cancellable tenant operating leases over their remaining terms are as follows:

	December 31, 2018
2019	\$ 131,935
2020 to 2023	335,633
2024 to 2034	90,354
<b>Total</b>	<b>\$ 557,922</b>

#### Note 10

##### ASSETS HELD FOR SALE

As at December 31, 2018 and December 31, 2017, the Trust classified certain properties as assets held for sale. As at December 31, 2018 and December 31, 2017, management had committed to a plan to sell the underlying properties and the sales were considered to be highly probable.

	December 31, 2018	December 31, 2017
Investment properties	\$ 3,900	\$ 15,200
<b>Assets held for sale</b>	<b>\$ 3,900</b>	<b>\$ 15,200</b>

The following table summarizes the movements in investment properties classified as assets held for sale during the years ended December 31, 2018 and December 31, 2017:

	Note	Year ended December 31, 2018	Year ended December 31, 2017
<b>Balance at beginning of year</b>		<b>\$ 15,200</b>	<b>\$ 4,000</b>
Add/(deduct):			
Investment property classified as held for sale	6	—	8,700
Asset held for sale reclassified to investment properties	6	<b>(11,300)</b>	—
Fair value adjustments to investment properties		—	2,500
<b>Balance at end of year</b>		<b>\$ 3,900</b>	<b>\$ 15,200</b>

In 2018, one of the properties that was previously classified as held for sale was reclassified to investment properties due to a change in the purchaser's intention to lease the space instead of purchase the property.

#### Note 11

##### DEBT

	December 31, 2018	December 31, 2017
Mortgages <sup>(1)</sup>	\$ 910,970	\$ 782,254
Revolving credit facility <sup>(1)(2)</sup>	26,760	(1,025)
Convertible debentures	—	108,567
<b>Total debt</b>	<b>937,730</b>	<b>889,796</b>
Less: Current portion	<b>(76,941)</b>	<b>(113,337)</b>
<b>Non-current debt</b>	<b>\$ 860,789</b>	<b>\$ 776,459</b>

(1) Secured by charges on specific investment properties (see Note 6).

(2) No amounts were drawn on the revolving credit facility as at December 31, 2017; the balance consists of unamortized financing costs.

## Continuity of total debt

The following tables provide a continuity of total debt for the years ended December 31, 2018 and December 31, 2017:

	December 31, 2018			
	Mortgages	Revolving credit facility <sup>(1)</sup>	Convertible debentures	Total
<b>Total debt as at January 1, 2018</b>	\$ 782,254	\$ (1,025)	\$ 108,567	\$ 889,796
Cash items:				
Borrowings	241,029	133,400	—	374,429
Financing costs additions	(2,878)	—	—	(2,878)
Principal repayments	(25,400)	—	—	(25,400)
Lump sum repayments	(92,490)	(108,166)	(111,250)	(311,906)
Non-cash items:				
Foreign exchange adjustments	8,102	2,141	—	10,243
Other adjustments <sup>(2)</sup>	353	410	2,683	3,446
<b>Total debt as at December 31, 2018</b>	<b>\$ 910,970</b>	<b>\$ 26,760</b>	<b>\$ —</b>	<b>\$ 937,730</b>

(1) Amounts drawn against the revolving credit facility during the year are denominated in both Canadian and U.S. dollars. U.S. dollar amounts have been converted at foreign exchange rates in accordance with the Trust's accounting policies.

(2) Other adjustments include amortization of finance costs of \$1,821, amortization of fair value adjustments on assumed debt of (\$307) and write-off of finance costs and fair value adjustments of \$1,932 due to early redemption of the convertible debentures.

	December 31, 2017			
	Mortgages	Revolving credit facility	Convertible debentures	Total
<b>Total debt as at January 1, 2017</b>	\$ 741,890	\$ (625)	\$ 127,082	\$ 868,347
Cash items:				
Borrowings	79,000	40,400	—	119,400
Financing costs additions	(625)	(650)	—	(1,275)
Principal repayments	(24,019)	—	—	(24,019)
Lump sum repayments	(42,932)	(40,400)	(19,420)	(102,752)
Non-cash items:				
Borrowings assumed on investment property	29,676	—	—	29,676
Foreign exchange adjustments	(802)	—	—	(802)
Other adjustments <sup>(1)</sup>	66	250	905	1,221
<b>Total debt as at December 31, 2017</b>	<b>\$ 782,254</b>	<b>\$ (1,025)</b>	<b>\$ 108,567</b>	<b>\$ 889,796</b>

(1) Other adjustments include amortization of finance costs of \$1,655 and amortization of fair value adjustments on assumed debt of (\$434).

## Revolving credit facility

The amounts available and drawn under the revolving credit facility as at December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018					
	Maturity date	Borrowing capacity	Letter of credit and forward agreement amount	Principal outstanding	Other adjustments	Amounts available to be drawn
Revolving credit facility <sup>(1)(2)(3)</sup>	June 30, 2020	\$ 125,000	\$ —	\$ (27,375)	\$ 569	\$ 98,194

(1) Bankers' acceptance ("BA") rate plus 1.70% or Canadian prime rate plus 0.70% or U.S. LIBOR rate plus 1.70% or U.S. base rate plus 0.70%.

(2) Thirty properties are secured as first-ranking on the revolving credit facility.

(3) The revolving credit facility has the ability to be drawn in Canadian and U.S. dollars. At December 31, 2018, principal outstanding amounts include US\$16,000 which has been converted in accordance with the Trust's accounting policies. Other adjustments represent foreign exchange differences between the lender and the Trust. The lender uses an internal foreign exchange rate to determine the amounts available to be drawn.

On December 15, 2017, the Trust amended its revolving credit facility to increase the borrowing capacity from \$100,000 to \$125,000, add the ability to draw in U.S. dollars, increase the number of properties secured under the facility from 25 to 30, and extend the maturity date to June 30, 2020.

The following table summarizes certain details of the Trust's revolving credit facility as at December 31, 2017:

	December 31, 2017				
	Maturity date	Borrowing capacity	Letter of credit and forward agreement amount	Principal amount outstanding and other adjustments	Amount available
Revolving credit facility <sup>(1)(2)</sup>	June 30, 2020	\$ 125,000	\$ (2,000)	\$ —	\$ 123,000

(1) BA rate plus 1.70% or Canadian prime rate plus 0.70% or U.S. LIBOR rate plus 1.70% or U.S. base rate plus 0.70%.

(2) Thirty properties are secured as first-ranking on the revolving credit facility.

### Convertible debentures

The 5.25% Convertible Debentures were convertible at any time by the holder into 72.4638 REIT Units per one thousand dollars of face value, representing a conversion price of \$13.80 per unit. After December 31, 2017, the 5.25% Convertible Debentures were redeemable by the Trust at a price equal to the principal amount plus accrued and unpaid interest with no constraints on the traded price of the units. Interest on the 5.25% Convertible Debentures is payable at a rate of 5.25% semi-annually on June 30 and December 31.

On August 2, 2018, the Trust early redeemed all of its outstanding 5.25% Convertible Debentures at par. The Trust paid \$111,762 in aggregate, representing \$111,250 in principal outstanding on the redemption date and \$512 in accrued interest. As a result of the early redemption, the Trust wrote off \$1,932 of unamortized financing costs and mark-to-market adjustments (see Note 23).

On November 30, 2017, the Trust repaid the 6.75% Debentures with an aggregate principal amount of \$19,420.

### Debt weighted average effective interest rates and maturities

As at December 31, 2018, the weighted average effective interest rate on total debt was 3.74% (December 31, 2017 – 3.88%). The effective interest rate includes the impact of fair value adjustments on assumed debt and financing costs.

As at December 31, 2018, the Trust had fixed rate mortgages and a variable rate revolving credit facility. As at December 31, 2017, there were no variable rate debts outstanding.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Revolving credit facility	Total
2019	\$ 77,761	\$ —	\$ 77,761
2020	116,073	27,375	143,448
2021	167,287	—	167,287
2022	119,695	—	119,695
2023	149,041	—	149,041
2024 and thereafter	284,661	—	284,661
	914,518	27,375	941,893
Unamortized financing costs	(5,189)	(615)	(5,804)
Unamortized fair value adjustments	1,641	—	1,641
<b>Total</b>	<b>\$ 910,970</b>	<b>\$ 26,760</b>	<b>\$ 937,730</b>

## Note 12

### SUBSIDIARY REDEEMABLE UNITS

DILP, a subsidiary of Dream Industrial REIT, is authorized to issue an unlimited number of LP B Units. The subsidiary redeemable units, together with the accompanying Special Trust Units, have economic and voting rights equivalent in all material respects to the REIT Units. Generally, each subsidiary redeemable unit entitles the holder to a distribution equal to distributions declared on REIT Units. Subsidiary redeemable units may be surrendered or indirectly exchanged for REIT Units on a one-for-one basis at the option of the holder, generally at any time, subject to certain restrictions.

The Trust has the following subsidiary redeemable units outstanding:

	Note	Year ended December 31, 2018		Year ended December 31, 2017	
		Number of units issued and outstanding	Amount	Number of units issued and outstanding	Amount
<b>Balance at beginning of year</b>		<b>18,551,855</b>	<b>\$ 163,256</b>	18,551,855	\$ 158,247
Remeasurement of carrying value	22	—	<b>13,357</b>	—	5,009
<b>Balance at end of year</b>		<b>18,551,855</b>	<b>\$ 176,613</b>	18,551,855	\$ 163,256

For the years ended December 31, 2018 and December 31, 2017, the Trust recorded \$13,376 in distributions on the subsidiary redeemable units, which are included as interest expense in the consolidated statements of net income and comprehensive income (see Note 21). For the years ended December 31, 2018 and December 31, 2017, all subsidiary redeemable units that are held by the wholly owned subsidiaries of Dream Office REIT were enrolled in the DRIP.

Holders of the LP Class A Units are entitled to vote at meetings of the limited partners of DILP, and each unit entitles the holder to a distribution equal to distributions on the subsidiary redeemable units. All issued and outstanding LP Class A Units owned directly by Dream Industrial have been eliminated in the consolidated balance sheets.

Special Trust Units are issued in connection with subsidiary redeemable units. The Special Trust Units are not transferable separately from the subsidiary redeemable units to which they relate and will be automatically redeemed for a nominal amount and cancelled on surrender or exchange of such subsidiary redeemable units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT Units that may be obtained on the surrender or exchange of the subsidiary redeemable units to which they relate. As at December 31, 2018 and December 31, 2017, 18,551,855 Special Trust Units were issued and outstanding.

## Note 13

### DEFERRED UNIT INCENTIVE PLAN

The DUIP provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions.

Once issued, the deferred trust units have the following vesting terms: Deferred trust units granted to trustees in 2018 vest immediately upon issuance. Prior to 2018, deferred trust units granted to trustees vest evenly over a five-year period with one-fifth of the deferred trust units vesting each year on the anniversary date of the grant. Deferred trust units granted to officers vest evenly over a five-year period with one-fifth of the deferred trust units vesting each year on the anniversary date of the grant. Deferred trust units granted to employees vest evenly over a three-year period with one-third of the deferred trust units vesting each year on the anniversary date of the grant.

Subject to an election option available for certain participants to defer receipt of REIT Units, such REIT Units will be issued immediately on vesting. As at December 31, 2018, up to a maximum of 2,400,000 (December 31, 2017 – 1,500,000) deferred trust units were issuable under the DUIP.



The movement in DUIP balance was as follows:

	Note	December 31, 2018	December 31, 2017
<b>Balance at beginning of year</b>		\$ 5,278	\$ 4,350
Compensation expense	20	2,181	1,785
REIT Units issued for vested deferred trust units <sup>(1)</sup>		(1,680)	(1,505)
Remeasurement of carrying value	22	829	648
<b>Balance at end of year</b>		\$ 6,608	\$ 5,278

(1) For the year ended December 31, 2017, \$52 of REIT Units issued for vested deferred trust units was excluded from this amount as the obligation to issue these units was recorded in 2016 as part of the cost reduction program.

A continuity of the DUIP units outstanding is as follows:

	December 31, 2018	December 31, 2017
<b>Outstanding and payable at beginning of year</b>	<b>761,924</b>	718,046
Granted <sup>(1)</sup>	245,254	229,813
REIT Units issued	(178,764)	(178,250)
Cancelled upon termination	(557)	(7,622)
Fractional units paid in cash	(42)	(63)
<b>Outstanding and payable at end of year</b>	<b>827,815</b>	761,924

(1) Includes 54,913 of income deferred trust units granted during the year (December 31, 2017 – 62,231 income deferred trust units).

(2) Includes 378,668 of vested but not issued deferred trust units as at December 31, 2018 (December 31, 2017 – 283,996).

For the year ended December 31, 2018, 190,341 deferred trust units were granted to trustees, officers and employees with the grant price ranging from \$9.12 to \$10.75 per unit. Of the units granted, 153,792 deferred trust units relate to trustees and officers.

For the year ended December 31, 2017, 167,582 deferred trust units were granted to trustees, officers and employees with the grant price ranging from \$8.22 to \$9.15 per unit. Of the units granted, 114,532 deferred trust units relate to trustees and officers.

#### Note 14

#### OTHER NON-CURRENT LIABILITIES

	Note	December 31, 2018	December 31, 2017
Tenant security deposits		\$ 13,552	\$ 12,601
Deferred income tax liabilities, net	24	1,266	—
Fair value of interest rate swaps	30	461	56
<b>Total</b>		\$ 15,279	\$ 12,657

#### Note 15

#### AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	December 31, 2018	December 31, 2017
Trade payables and accrued liabilities		\$ 21,171	\$ 13,661
Accrued interest		3,746	3,404
Rent received in advance		4,733	3,072
Distributions payable	17	5,370	4,381
<b>Total</b>		\$ 35,020	\$ 24,518

## Note 16

### EQUITY

	Note	December 31, 2018		December 31, 2017	
		Number of REIT Units	Amount	Number of REIT Units	Amount
Unitholders' equity		92,062,659	\$ 887,757	75,104,843	\$ 720,437
Retained earnings (deficit)		—	90,621	—	(7,056)
Accumulated other comprehensive income (loss)	18	—	10,947	—	(1,135)
<b>Total equity</b>		<b>92,062,659</b>	<b>\$ 989,325</b>	<b>75,104,843</b>	<b>\$ 712,246</b>

#### Dream Industrial REIT Units

Dream Industrial REIT is authorized to issue an unlimited number of REIT Units and an unlimited number of Special Trust Units. The Special Trust Units may be issued only to holders of subsidiary redeemable units.

REIT Units represent an undivided beneficial interest in Dream Industrial REIT and in distributions made by Dream Industrial REIT. No REIT Unit has preference or priority over any other. Each REIT Unit entitles the holder to one vote at all meetings of unitholders.

#### Public offering and private placements of REIT Units

##### June 29, 2018 public offering

On June 29, 2018, the Trust completed a public offering of 13,915,000 REIT Units at a price of \$10.35 per unit for gross proceeds of \$144,020, including 1,815,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

Total costs related to the offering totalled \$6,388 and were charged directly to unitholders' equity.

##### November 21, 2017 public offering and private placement

On November 21, 2017, the Trust completed a public offering of 9,890,000 REIT Units, at a price of \$8.75 per unit for gross proceeds of \$86,538, including 1,290,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

On November 21, 2017, the Trust completed a private placement of 2,858,000 REIT Units to Dream Office LP, a subsidiary of Dream Office REIT, at a price of \$8.75 per unit for gross proceeds of \$25,008. On the same day, the Trust completed a private placement of 115,000 REIT Units to an affiliate of PAULS Corp, LLC ("PAULS Corp"), at a price of \$8.75 per unit for gross proceeds of \$1,006.

Total costs related to the offering and private placements totalled \$4,024 and were charged directly to unitholders' equity.

#### Distribution Reinvestment Plan and Unit Purchase Plan

The Distribution Reinvestment Plan ("DRIP") allows holders of REIT Units or subsidiary redeemable units, other than unitholders who are resident of or present in the U.S., to elect to have all cash distributions from Dream Industrial REIT reinvested in additional units. Unitholders who participate in the DRIP receive an additional distribution of units equal to 3.0% of each cash distribution that is reinvested. The price per unit is calculated by reference to a five-day weighted average closing price of the REIT Units on the Toronto Stock Exchange preceding the relevant distribution date, which typically is on or about the 15th day of the month following the declaration.

For the year ended December 31, 2018, 2,863,035 (December 31, 2017 – 2,428,965) REIT Units were issued under the DRIP and \$28,292 (December 31, 2017 – \$21,110) was recorded as distributions in the consolidated statements of changes in equity. Subsequent to the year-end and prior to when the consolidated financial statements were authorized for issuance, we issued 534,456 REIT Units under the DRIP. This includes DRIP on REIT Units and DRIP on subsidiary redeemable units.

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional REIT Units by existing unitholders. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT Units that may be acquired. The price per unit is calculated in the same manner as the DRIP. No commissions, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. For the year ended December 31, 2018, 1,017 (December 31, 2017 – 1,391) REIT Units were issued under the Unit Purchase Plan for proceeds of \$10 (December 31, 2017 – \$12).

## Short form base shelf prospectus

On September 15, 2017, the Trust filed and obtained receipts for a final short form base shelf prospectus which is valid for a 25-month period, during which time the Trust may, from time to time, offer and issue REIT Units, subscription receipts, and debt securities convertible into or exchangeable for REIT Units of the Trust, or any combination thereof, having an aggregate offering price of up to \$1 billion. As at December 31, 2018, \$230,558 of REIT Units (December 31, 2017 – \$86,538 of REIT Units) have been issued under the short form base shelf prospectus.

### Note 17

#### DISTRIBUTIONS

Dream Industrial REIT's Declaration of Trust provides the Board of Trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. Monthly distribution payments to unitholders are payable on or about the 15th day of the following month.

The Trust declared distributions of \$0.70 in each of the years ended December 31, 2018 and December 31, 2017.

The following table summarizes distributions paid and payable for the years ended December 31, 2018 and December 31, 2017:

	2018		2017	
Paid in cash	\$	43,946	\$	35,804
Paid by way of reinvestment in REIT Units <sup>(1)</sup>		14,916		7,735
Less: Payable at December 31, 2017 (December 31, 2016 in the 2017 comparative period)		(4,381)		(3,478)
Plus: Payable at December 31, 2018 (December 31, 2017 in the 2017 comparative period)		5,370		4,381
<b>Total distributions paid and payable</b>	<b>\$</b>	<b>59,851</b>	<b>\$</b>	<b>44,442</b>

(1) Includes REIT Units issued under the DRIP for LP B Units.

On December 19, 2018, the Trust announced a cash distribution of \$0.05833 per REIT Unit for the month of December 2018. The December 2018 distribution was paid on January 15, 2019 to unitholders on record as at December 31, 2018. For the REIT Units, distributions of \$3,748 were issued in cash and \$1,622 of distributions were reinvested in additional REIT Units (165,567 units including 3% bonus distribution on units reinvested pursuant to the DRIP).

On January 21, 2019, the Trust announced a cash distribution of \$0.05833 per REIT Unit for the month of January 2019. The January 2019 distribution was paid on February 15, 2019 to unitholders on record as at January 31, 2019. For the REIT Units, distributions of \$3,796 were issued in cash and \$1,590 of distributions were reinvested in additional REIT Units (153,768 units including 3% bonus distribution on units reinvested pursuant to the DRIP).

On February 19, 2019, the Trust announced a cash distribution of \$0.05833 per REIT A Unit for the month of February 2019. The February 2019 distribution will be payable on March 15, 2019 to unitholders on record at February 28, 2019.

### Note 18

#### ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Year ended December 31,					
	2018			2017		
	Opening balance January 1	Net change during the year	Closing balance December 31	Opening balance January 1	Net change during the year	Closing balance December 31
Unrealized gain (loss) on foreign currency translation, net of taxes	\$ (1,079)	\$ 11,990	\$ 10,911	\$ —	\$ (1,079)	\$ (1,079)
Unrealized gain on effective interest rate hedge, net of taxes	(56)	92	36	(869)	813	(56)
<b>Accumulated other comprehensive income (loss)</b>	<b>\$ (1,135)</b>	<b>\$ 12,082</b>	<b>\$ 10,947</b>	<b>\$ (869)</b>	<b>\$ (266)</b>	<b>\$ (1,135)</b>

## Note 19

### INVESTMENT PROPERTIES REVENUE

	Year ended December 31,	
	2018	2017
Rental income	\$ 157,926	\$ 139,894
Recoveries revenue	35,622	32,456
<b>Total</b>	<b>\$ 193,548</b>	<b>\$ 172,350</b>

## Note 20

### GENERAL AND ADMINISTRATIVE EXPENSES

	Note	Year ended December 31,	
		2018	2017
Asset management fee	27	\$ 4,621	\$ 4,047
Deferred compensation expenses		2,181	1,785
Professional fees		1,067	1,176
General corporate expenses <sup>(1)</sup>		2,938	2,044
<b>General and administrative expenses</b>		<b>\$ 10,807</b>	<b>\$ 9,052</b>

(1) Includes corporate management and overhead related costs, public reporting, and Board of Trustees' fees and expenses.

## Note 21

### INTEREST

#### Interest on debt

Interest on debt incurred and recorded in the consolidated statements of net income and comprehensive income is recorded as follows:

	Year ended December 31,	
	2018	2017
Interest expense incurred, at contractual rate	\$ 35,556	\$ 33,650
Amortization of financing costs	1,821	1,655
Amortization of fair value adjustments	(307)	(434)
<b>Interest expense on debt</b>	<b>37,070</b>	<b>34,871</b>
Add/(deduct):		
Amortization of financing costs	(1,821)	(1,655)
Amortization of fair value adjustments	307	434
Change in accrued interest	(342)	73
<b>Cash interest paid on debt</b>	<b>\$ 35,214</b>	<b>\$ 33,723</b>

Certain debt assumed in connection with acquisitions have been adjusted to fair value using the estimated market interest rate at the time of the acquisition ("fair value adjustment"). This fair value adjustment is amortized to interest expense over the expected remaining term of the debt using the effective interest rate method. Non-cash adjustments to interest expense are recorded as part of depreciation and amortization under operating activities in the consolidated statements of cash flows.

#### Interest on subsidiary redeemable units

Interest payments incurred and recorded in the consolidated statements of net income and comprehensive income consisting of distributions to holders of subsidiary redeemable units are recorded as follows:

	Year ended December 31,	
	2018	2017
Paid in cash	\$ —	\$ —
Paid by way of reinvestment in REIT Units	13,376	13,376
Less: Interest payable at December 31, 2017 (December 31, 2016 in comparative period)	(1,114)	(1,114)
Plus: Interest payable at December 31, 2018 (December 31, 2017 in comparative period)	1,114	1,114
<b>Interest on subsidiary redeemable units</b>	<b>\$ 13,376</b>	<b>\$ 13,376</b>

The interest payable at December 31, 2018 was paid on January 15, 2019 through the issuance of 110,465 REIT Units. On February 15, 2019, the January 2019 distribution was paid through the issuance of 104,656 REIT Units.

## Note 22

### FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Year ended December 31,	
	2018	2017
Fair value adjustment on conversion feature of convertible debentures	\$ 2,305	\$ 1,024
Remeasurement of carrying value of subsidiary redeemable units	13,357	5,009
Remeasurement of carrying value of DUIP	829	648
Fair value adjustment on interest rate swaps	629	(1,812)
<b>Total</b>	<b>\$ 17,120</b>	<b>\$ 4,869</b>

## Note 23

### NET LOSSES ON TRANSACTIONS AND OTHER ACTIVITIES

	Year ended December 31,	
	2018	2017
Internal leasing costs	\$ 3,299	\$ 3,125
5.25% Convertible Debentures redemption write-off <sup>(1)</sup>	1,932	—
Cost reduction program charge	—	150
Transaction cost recovery	(151)	—
<b>Total</b>	<b>\$ 5,080</b>	<b>\$ 3,275</b>

(1) On August 2, 2018, the Trust recorded a \$1,932 write-off of unamortized financing costs and mark-to-market adjustments associated with the early repayment of the 5.25% Convertible Debentures.

## Note 24

### INCOME TAXES

DIR Industrial Properties Inc., one of the Trust's Canadian subsidiaries, is subject to corporate income taxes in Canada. Dream Industrial US Holdings Inc., a wholly owned U.S. subsidiary, is subject to corporate income taxes in the U.S.

The following table reconciles the expected income taxes based upon the 2018 and 2017 statutory rates and the income tax expense recognized during the years ended December 31, 2018 and December 31, 2017:

	Year ended December 31,	
	2018	2017
Income before income taxes	\$ 158,764	\$ 34,787
Income not subject to taxation	(151,172)	(34,946)
Income (loss) in subsidiary corporations	7,592	(159)
Tax calculated at the Canadian statutory tax rate of 30.0% (2017 – 30.0%) and U.S. statutory rate of 24.8% (2017 – 39.2%)	2,065	(119)
Increase (decrease) resulting from:		
Non-deductible expenses	144	—
Non-taxable portion of capital gains	(722)	—
Adjustment in expected future tax rates	11	158
Other items	(262)	89
<b>Deferred and current income taxes, net<sup>(1)</sup></b>	<b>\$ 1,236</b>	<b>\$ 128</b>

(1) At December 31, 2018, current income taxes recovery was \$120 (December 31, 2017 – current income taxes expense was \$226).

Deferred income tax assets (liabilities) consisted of the following:

	December 31, 2018	December 31, 2017
Deferred tax liability related to difference in tax and book basis of investment properties	\$ (4,139)	\$ (2,368)
Deferred tax asset related to tax loss carry-forwards	2,831	2,432
Deferred tax asset related to difference in tax and book basis of financial instruments	42	54
Deferred tax asset related to difference in tax and book basis of deferred financing costs	—	4
<b>Total deferred income tax assets (liabilities), net</b>	<b>\$ (1,266)</b>	<b>\$ 122</b>

## Note 25

### SUPPLEMENTARY CASH FLOW INFORMATION

The components of depreciation and amortization under operating activities include:

	Note	Year ended December 31,	
		2018	2017
Amortization of lease incentives	6	\$ 1,426	\$ 1,155
Amortization of financing costs	21	1,821	1,655
Depreciation of property and equipment		59	52
Amortization of fair value adjustments on assumed debt	21	(307)	(434)
<b>Total depreciation and amortization</b>		<b>\$ 2,999</b>	<b>\$ 2,428</b>

The components of other adjustments under operating activities include:

	Note	Year ended December 31,	
		2018	2017
Change in straight-line rent	6	\$ (968)	\$ (490)
Fair value adjustments to investment properties	6, 10	(107,875)	17,491
Deferred unit compensation expense	20	2,181	1,785
Non-cash interest on subsidiary redeemable units	21	13,376	13,376
Fair value adjustments to financial instruments	22	17,120	4,869
Transaction cost recovery	23	(151)	—
5.25% Convertible Debentures redemption write-off	23	1,932	—
Deferred income taxes expense (recovery)	24	1,356	(98)
<b>Total other adjustments</b>		<b>\$ (73,029)</b>	<b>\$ 36,933</b>

The components of the changes in non-cash working capital under operating activities include:

	Year ended December 31,	
	2018	2017
Decrease (increase) in amounts receivable	\$ (1,087)	\$ 941
Decrease (increase) in prepaid expenses and other assets	(272)	225
Decrease (increase) in other non-current assets	(84)	84
Increase in amounts payable and accrued liabilities	502	868
Increase in tenant security deposits	779	373
<b>Change in non-cash working capital</b>	<b>\$ (162)</b>	<b>\$ 2,491</b>

Note 26

**SEGMENTED INFORMATION**

For the years ended December 31, 2018 and December 31, 2017, the Trust's reportable operating segments of its investment properties and results of operations were segmented into geographic components, namely Western Canada, Ontario, Québec, Eastern Canada, and the U.S.

The Trust did not allocate interest expense to its segments since financing is viewed as a corporate function. The decision as to where to incur debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, other income, other expenses, fair value adjustments to financial instruments, net losses on transactions and other activities (excluding internal leasing costs), and income taxes were not allocated to the segments.

Year ended December 31, 2018	Western Canada	Ontario	Québec	Eastern Canada	U.S.	Segment total	Other <sup>(1)</sup>	Total
<b>Operations</b>								
Investment properties revenue	\$ 65,102	\$ 46,965	\$ 30,599	\$ 33,105	\$ 17,777	\$ 193,548	\$ —	\$ 193,548
Investment properties operating expenses	(21,754)	(13,616)	(8,123)	(13,596)	(2,715)	(59,804)	—	(59,804)
<b>Net rental income</b>	<b>43,348</b>	<b>33,349</b>	<b>22,476</b>	<b>19,509</b>	<b>15,062</b>	<b>133,744</b>	<b>—</b>	<b>133,744</b>
Other income	—	—	—	—	—	—	657	657
Other expenses	—	—	—	—	—	—	(61,312)	(61,312)
Fair value adjustments on investment properties and financial instruments	(19,918)	85,837	41,879	(433)	510	107,875	(17,120)	90,755
Net losses on transactions and other activities	(1,401)	(692)	(519)	(687)	—	(3,299)	(1,781)	(5,080)
<b>Income (loss) before income taxes</b>	<b>22,029</b>	<b>118,494</b>	<b>63,836</b>	<b>18,389</b>	<b>15,572</b>	<b>238,320</b>	<b>(79,556)</b>	<b>158,764</b>
Deferred and current income taxes, net	—	—	—	—	—	—	(1,236)	(1,236)
<b>Net income (loss)</b>	<b>\$ 22,029</b>	<b>\$ 118,494</b>	<b>\$ 63,836</b>	<b>\$ 18,389</b>	<b>\$ 15,572</b>	<b>\$ 238,320</b>	<b>\$ (80,792)</b>	<b>\$ 157,528</b>

(1) Includes other income, other expenses, fair value adjustments to financial instruments, net losses on transactions and other activities (excluding internal leasing costs), and income taxes, which are not allocated to the segments.

Year ended December 31, 2017	Western Canada	Ontario	Québec	Eastern Canada	U.S.	Segment total	Other <sup>(1)</sup>	Total
<b>Operations</b>								
Investment properties revenue	\$ 65,310	\$ 44,815	\$ 30,007	\$ 31,387	\$ 831	\$ 172,350	\$ —	\$ 172,350
Investment properties operating expenses	(20,730)	(13,514)	(7,605)	(13,641)	(82)	(55,572)	—	(55,572)
<b>Net rental income</b>	<b>44,580</b>	<b>31,301</b>	<b>22,402</b>	<b>17,746</b>	<b>749</b>	<b>116,778</b>	<b>—</b>	<b>116,778</b>
Other income	—	—	—	—	731	731	264	995
Other expenses	—	—	—	—	—	—	(57,351)	(57,351)
Fair value adjustments on investment properties and financial instruments	(22,529)	28,572	(6,117)	(15,793)	(1,624)	(17,491)	(4,869)	(22,360)
Net losses on transactions and other activities	(1,196)	(779)	(515)	(635)	—	(3,125)	(150)	(3,275)
<b>Income (loss) before income taxes</b>	<b>20,855</b>	<b>59,094</b>	<b>15,770</b>	<b>1,318</b>	<b>(144)</b>	<b>96,893</b>	<b>(62,106)</b>	<b>34,787</b>
Deferred and current income taxes, net	—	—	—	—	—	—	(128)	(128)
<b>Net income (loss)</b>	<b>\$ 20,855</b>	<b>\$ 59,094</b>	<b>\$ 15,770</b>	<b>\$ 1,318</b>	<b>\$ (144)</b>	<b>\$ 96,893</b>	<b>\$ (62,234)</b>	<b>\$ 34,659</b>

(1) Includes other income, other expenses, fair value adjustments to financial instruments, net losses on transactions and other activities (excluding internal leasing costs), and income taxes, which are not allocated to the segments.

## Investment properties

Year ended December 31, 2018	Western Canada	Ontario	Québec	Eastern Canada	U.S.	Total
Investment properties	\$ 627,354	\$ 610,470	\$ 353,351	\$ 253,687	\$ 293,549	\$ 2,138,411
Total capital expenditures and leasing costs <sup>(1)</sup>	8,996	10,514	3,601	4,426	348	27,885

(1) Includes building improvements and lease incentives and initial direct leasing costs.

Year ended December 31, 2017	Western Canada	Ontario	Québec	Eastern Canada	U.S.	Total
Investment properties	\$ 638,535	\$ 465,585	\$ 294,110	\$ 250,030	\$ 74,728	\$ 1,722,988
Total capital expenditures and leasing costs <sup>(1)</sup>	7,059	6,176	4,243	6,942	—	24,420

(1) Includes building improvements and lease incentives and initial direct leasing costs.

### Note 27

#### RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dream Industrial REIT and its subsidiaries enter into transactions with related parties that are generally conducted on a cost-recovery basis or under normal commercial terms.

#### Dream Asset Management Corporation (“DAM”)

Effective October 4, 2012, Dream Industrial REIT has an asset management agreement (the “Asset Management Agreement”) with DAM, a subsidiary of Dream Unlimited Corp., pursuant to which DAM provides certain asset management services to Dream Industrial REIT and its subsidiaries. The agreement is in effect until October 4, 2022. The Asset Management Agreement provides the Trust and DAM the opportunity to agree on additional services to be provided to the Trust for which DAM is to be reimbursed on a cost recovery basis.

The Asset Management Agreement provides for a range of asset management services for the following fees:

- Base annual management fee calculated and payable on a monthly basis, equal to 0.25% of the gross asset value of properties;
- Incentive fee equal to 15% of Dream Industrial REIT’s adjusted funds from operations per unit in excess of \$0.80 per unit, increasing annually by 50% of the increase in the consumer price index;
- Capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of \$1.0 million, excluding work done on behalf of tenants or any maintenance capital expenditures;
- Acquisition fee equal to: (a) 1.0% of the purchase price of a property on the first \$100,000 of properties acquired in each fiscal year; (b) 0.75% of the purchase price of a property on the next \$100,000 of properties acquired in each fiscal year; and (c) 0.50% of the purchase price of a property in excess of \$200,000 of properties acquired in each fiscal year; and
- Financing fee equal to the actual expenses incurred by DAM in supplying services relating to financing transactions.

The Trust and DAM are party to an amended Shared Services and Cost Sharing Agreement as of January 1, 2016. According to the terms of the amended arrangement, DAM will continue to provide administrative and support services on an as-needed basis and will be reimbursed on a cost recovery basis for any expenses incurred. The Trust will continue to reimburse DAM for any shared costs allocated in each calendar year. This amended agreement provides for the automatic reappointment of DAM for additional one-year terms commencing on January 1 unless and until terminated in accordance with its terms or by mutual agreement of the parties.

Effective November 30, 2016, Dream Industrial Management LP (“DIMLP”), a wholly owned subsidiary of DILP, entered into a Property Management Agreement with a subsidiary of DAM for DIMLP to manage one property on behalf of DAM.

#### Dream Hard Asset Alternatives Trust (“DHAAT”)

Effective May 21, 2015, DILP entered into a co-ownership agreement to jointly own six properties at 50% ownership interest with Dream Alternatives Master LP, a subsidiary of DHAAT. On the same day, DIMLP entered into a Property Management Agreement to manage the co-owned properties.

Effective July 7, 2015 and September 5, 2015, DIMLP entered into lease agreements with a subsidiary of DHAAT to lease roof-top space.



### **Dream Office REIT**

Effective October 4, 2012, Dream Industrial REIT, DILP, DIMLP, Dream Industrial Management Corp. and Dream Office Management Corp. (“DOMC”), a subsidiary of Dream Office REIT, are parties to an administrative services agreement (the “Services Agreement”) where DOMC provides certain services to Dream Industrial REIT on a cost recovery basis. The Services Agreement is automatically renewed on October 4 of every year for additional one-year terms unless terminated by any party.

As at December 31, 2018, Dream Office REIT, directly and indirectly through its wholly owned subsidiaries, held 7,200,736 REIT Units (December 31, 2017 – 5,431,141) and 18,551,855 LP B Units (December 31, 2017 – 18,551,855), representing approximately 23.3% ownership in the Trust (December 31, 2017 – 25.6%).

As described in Note 5, on October 31, 2017, the Trust completed the purchase of a single-tenant distribution centre from Dream Office REIT. On August 1, 2017, in relation to the purchase, the Trust made an interest bearing refundable deposit of \$30,150, which was applied to closing proceeds. During the year ended December 31, 2017, \$731 of interest income was included in interest and fee income related to this deposit.

As described in Note 16, on November 21, 2017, the Trust completed a private placement of 2,858,000 REIT Units to Dream Office LP, a subsidiary of Dream Office REIT. The REIT Units issued were enrolled in the DRIP.

### **PAULS Corp, LLC (“PAULS Corp”)**

Effective January 1, 2018, Brian Pauls was appointed as the Trust’s Chief Executive Officer. Mr. Pauls is also a senior member of the management team at PAULS Corp, a Denver-based real estate firm.

DAM, our asset manager, has engaged an affiliate of PAULS Corp to assist the Trust in sourcing and completing acquisitions in the U.S. DAM pays a portion of the acquisition fee it receives from the Trust for each successful acquisition. Through its relationships in the U.S., PAULS Corp assisted the Trust with its U.S. acquisitions described in Note 5.

As described in Note 16, on November 21, 2017, the Trust completed a private placement of 115,000 REIT Units to an affiliate of PAULS Corp. As at December 31, 2018, an affiliate of PAULS Corp held 115,000 REIT Units.

Effective December 28, 2017, Dream Industrial US Holdings Inc. entered into a Property Management Agreement with an affiliate of PAULS Corp to manage several of the Trust’s U.S. properties and to provide portfolio management services.

Effective December 27, 2018, the agreement between DAM and the PAULS Corp affiliate, the Property Management Agreement, and the 115,000 REIT Units held by an affiliate of PAULS Corp were assigned to Pauls Realty Services, LLC (“PRS”), an affiliate of PAULS Corp.

## Related party transactions

Fees and cost reimbursements with related parties were as follows:

	Year ended December 31,	
	2018	2017
Incurring under the Asset Management Agreement:		
Asset management fee (included in general and administrative expenses)	\$ 4,621	\$ 4,047
Acquisition fee (included in acquisition related costs/investment properties) <sup>(1)</sup>	1,556	934
Expense reimbursements related to financing arrangements	369	391
<b>Total costs incurred under the Asset Management Agreement to DAM</b>	<b>\$ 6,546</b>	<b>\$ 5,372</b>
Incurring under the Shared Services and Cost Sharing Agreement:		
Strategic services and other services	657	681
<b>Total costs incurred under the Shared Services and Cost Sharing Agreement to DAM</b>	<b>\$ 657</b>	<b>\$ 681</b>
Received under the Property Management Agreement:		
Property management fee	87	87
<b>Total revenue under the Property Management Agreement with DAM</b>	<b>\$ 87</b>	<b>\$ 87</b>
Received under lease agreements and Property Management Agreement:		
Lease agreements revenue	109	109
Property management fee	42	44
<b>Total revenue under lease agreements and Property Management Agreement with DHAAT</b>	<b>\$ 151</b>	<b>\$ 153</b>
Incurring under the Services Agreement:		
Costs reimbursed under the Services Agreement	3,304	2,726
Distributions paid and payable:		
Distributions paid and payable to Dream Office REIT on subsidiary redeemable units	13,376	13,376
Distributions paid and payable to Dream Office REIT on REIT Units	4,538	1,585
<b>Total cost reimbursements under the Services Agreement with Dream Office REIT and distributions paid and payable to Dream Office REIT</b>	<b>\$ 21,218</b>	<b>\$ 17,687</b>
Incurring under the Property Management Agreement:		
Property management fee, portfolio management services and expense reimbursements	507	—
<b>Total costs incurred under the Property Management Agreement with PRS</b>	<b>\$ 507</b>	<b>\$ —</b>

(1) A portion of this fee is paid by DAM to an affiliate of PAULS Corp for any U.S. acquisitions it is involved in.

The following table summarizes the outstanding payables to and receivables from related parties as at:

	December 31,	December 31,
	2018	2017
Amounts payable and accrued liabilities to DAM for:		
Asset Management Agreement	\$ (479)	\$ (631)
Shared Services and Cost Sharing Agreement	(127)	(151)
<b>Total payable to DAM</b>	<b>\$ (606)</b>	<b>\$ (782)</b>
Amounts payable and accrued liabilities to Dream Office REIT for:		
Services Agreement	(387)	(302)
Distributions on subsidiary redeemable units	(1,114)	(1,114)
Distributions on REIT Units	(421)	(317)
<b>Total payable to Dream Office REIT</b>	<b>\$ (1,922)</b>	<b>\$ (1,733)</b>
Amounts receivable from Dream Office REIT for:		
Funds Dream Office REIT received on behalf of Dream Industrial REIT	855	299
<b>Total receivable from Dream Office REIT</b>	<b>\$ 855</b>	<b>\$ 299</b>
Amounts payable and accrued liabilities to PRS for:		
Property Management Agreement	(54)	—
Expense reimbursements related to property acquisitions	—	(30)
<b>Total payable to PRS</b>	<b>\$ (54)</b>	<b>\$ (30)</b>

Compensation of key management personnel including trustees is as follows:

	Year ended December 31,	
	2018	2017
Unit-based awards granted during the year <sup>(1)</sup>	\$ 1,486	\$ 992
Trustees' fees paid in cash	96	162
<b>Total</b>	<b>\$ 1,582</b>	<b>\$ 1,154</b>

(1) Deferred trust units granted to trustees in 2018 vest immediately upon issuance. Prior to 2018, deferred trust units granted to trustees vest over a five-year period with one-fifth of the deferred trust units vesting each year. Deferred trust units granted to officers continue to vest over a five-year period with one-fifth of the deferred trust units vesting each year. Upon vesting, certain trustees and officers may elect to defer issuance of REIT Units. Amounts are determined based on the grant date fair value of deferred trust units multiplied by the number of deferred trust units granted in the period.

## Note 28

### COMMITMENTS AND CONTINGENCIES

Dream Industrial REIT and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that may 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 our consolidated financial statements.

## Note 29

### CAPITAL MANAGEMENT

The primary objectives of the Trust's capital management are to ensure its operations are adequately funded in a cost-efficient manner and to remain compliant with its banking covenants.

The Trust's capital consists of debt, including mortgages, revolving credit facility, convertible debentures, subsidiary redeemable units and unitholders' equity. The Trust's objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable unitholder distributions, to fund leasing costs and capital expenditure requirements, and to provide for resources needed to acquire new properties.

Various debt, equity and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage and debt-to-total assets ratios. Other significant indicators include weighted average interest rate, average term to maturity of debt and variable rate debt as a portion of total debt. These indicators assist the Trust in assessing whether the debt level maintained is sufficient to provide adequate cash flows for unitholder distributions and capital expenditures and for evaluating the need to raise funds for further expansion. Various mortgages have debt covenant requirements that are monitored by the Trust to ensure there are no defaults. These covenants include loan-to-value ratios, cash flow coverage ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary limited partnership level, and all have been complied with except for a \$7,090 mortgage related to a property in Edmonton, where the debt service coverage ratio was not met as at December 31, 2018. On February 12, 2019, the lender issued a forbearance letter for the covenant breach and confirmed that the mortgage is in good standing.

During the year, there were no events of default on any of the Trust's obligations under its revolving credit facility or mortgage loans.

The Trust's equity consists of REIT Units, in which the carrying value is impacted by earnings and unitholder distributions. The Trust endeavours to make annual distributions of \$0.70 per unit. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditures and working capital requirements. Management monitors distributions to ensure adequate resources are available by comparing total distributions (including distributions on subsidiary redeemable units), a non-IFRS measure to cash generated from (utilized in) operating activities.

The Trust monitors capital primarily using net debt-to-assets and net debt-to-adjusted EBITDAFV ratios, which are non-IFRS measures.

Note 30

**OTHER FINANCIAL INSTRUMENTS**

**Interest rate swaps**

The Trust has entered into floating for fixed interest rate swaps agreements to manage interest rate risk. For any interest rate swaps for which the Trust does not apply hedge accounting, the change in fair value of the swap contracts is recognized in net income. For interest rate swaps where hedge accounting is applied, the fair value for the effective portion of the hedge is recorded in other comprehensive income from the date of hedge designation.

The Trust has applied hedge accounting on one interest rate swap arrangement. The effectiveness of the hedging relationship is reviewed on a quarterly basis. The Trust has assessed that there is no ineffectiveness in the cash flow hedge of its interest rate exposure. The associated unrealized gains or losses that are recognized in accumulated other comprehensive loss will be reclassified in the same period during which the interest payments on the hedged item affect net income.

The following table summarizes the details of the interest rate swaps that are outstanding at December 31, 2018 and December 31, 2017:

Transaction date	Year ended December 31, 2018				
	Mortgage principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument measurement	Fair value
February 24, 2014	\$ 45,173	3.31%	March 1, 2019	Hedge through other comprehensive income	\$ 36
August 26, 2015	45,200	2.93%	September 1, 2022	Fair value through profit or loss	1,111
August 30, 2017	43,553	3.44%	August 30, 2024	Fair value through profit or loss	396
January 17, 2018	46,036	3.73%	April 3, 2023	Fair value through profit or loss	(461)

Transaction date	Year ended December 31, 2017				
	Mortgage principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument measurement	Fair value
February 24, 2014	\$ 47,413	3.31%	March 1, 2019	Cash flow hedge at fair value	\$ (56)
August 26, 2015	46,640	2.93%	September 1, 2022	Fair value through profit or loss	1,331
August 30, 2017	44,715	3.44%	August 30, 2024	Fair value through profit or loss	344

Note 31

**FINANCIAL INSTRUMENTS – RISK MANAGEMENT**

IFRS 7, “Financial Instruments: Disclosures” (“IFRS 7”), places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks, including market, credit and liquidity risks.

**Market risk**

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has exposure to interest rate risk primarily as a result of its fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. To a lesser extent, the Trust is exposed to variable rate debt on its drawings on the revolving credit facility. The Trust is exposed to the variability in market interest rates and credit spreads on maturing debt to be renewed and the variability of interest rates on its variable rate debt. Variable rate debt at December 31, 2018 was 2.9% of the Trust’s total debt. The Trust had no variable rate debt as at December 31, 2017. In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and variable rate debt, manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate financial assets and fixed rate debt due to mature in 2019. A 1% change is considered a reasonable level of fluctuation.

	Interest rate risk				
	Carrying amount	Income	-1% Equity	Income	+1% Equity
<b>Financial assets</b>					
Cash and cash equivalents <sup>(1)</sup>	\$ 4,968	\$ (50)	\$ (50)	\$ 50	\$ 50
<b>Financial liabilities</b>					
Fixed rate debt due to mature in 2019 <sup>(2)</sup> and variable rate debt	\$ 79,350	\$ 794	\$ 794	\$ (794)	\$ (794)

(1) Cash and cash equivalents are short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent the Trust's use for current purposes. These balances generally receive interest income at the bank's prime rate less 1.85% to 2.00%. Cash and cash equivalents as at December 31, 2018 are short term in nature and may not be representative of the balance during the year.

(2) Excludes scheduled principal repayments on non-maturing debt.

The Trust is exposed to foreign exchange risk as it relates to its U.S. investments due to fluctuations in the exchange rate between the Canadian and U.S. dollars. Changes in the exchange rate may result in a reduction in other comprehensive income. For the year ended December 31, 2018, a \$0.05 change in the value of the U.S. dollar relative to the Canadian dollar would result in a \$5,502 change to comprehensive income. The Trust's objective in managing foreign exchange risk is to mitigate the exposure from fluctuations in the exchange rate by maintaining U.S.-denominated debt against its U.S. assets.

### Credit risk

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

*IFRS 9 (2018 fiscal year):* The maximum exposure to credit risk is the carrying value of the trade receivables disclosed in Note 9. An impairment analysis is performed at each balance sheet date using a provision matrix to measure expected credit losses, adjusted for forward-looking factors specific to the tenant and the economic environment. The provision is reduced for tenant security deposits held as collateral.

*IAS 39 (2017 fiscal year):* As at December 31, 2017, \$212 of the trade receivables were past due but not considered impaired, as the Trust has ongoing relationships with these tenants and the aging of these trade receivables is not indicative of expected default.

Cash and cash equivalents, deposits and restricted cash carry minimal credit risk as all funds are maintained with highly reputable financial institutions.

### Liquidity risk

Liquidity risk is the risk the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. As at December 31, 2018, current liabilities exceeded current assets by \$93,293 (December 31, 2017 – current liabilities exceeded current assets by \$59,726). The Trust's main sources of liquidity are its cash and cash equivalents on hand, revolving credit facility and unencumbered assets. The Trust is able to use its revolving credit facility on short notice which eliminates the need to hold a significant amount of cash and cash equivalents on hand. Working capital balances fluctuate significantly from period to period depending on the timing of receipts and payments. The Trust manages maturities of the fixed rate debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations. Scheduled principal repayments that are due within one year amount to \$25,786 (December 31, 2017 – \$22,519) and debt maturities that are due within one year amount to \$51,975 (December 31, 2017 – \$92,607). The debt maturities are typically refinanced with mortgages of terms between five and ten years. The Trust's unencumbered assets pool as at December 31, 2018 is \$194,594 (December 31, 2017 – \$113,191). The Trust's undrawn credit facility as at December 31, 2018 is \$98,194 (December 31, 2017 – \$123,000).

Note 32

**FAIR VALUE MEASUREMENTS**

Quoted prices in active markets represent a Level 1 valuation. When quoted prices are not available, the Trust maximizes the use of observable inputs. When all significant inputs are observable, either directly or indirectly, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust's policy is to recognize 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. There were no transfers in or out of Level 3 fair value measurements during the year.

All gains and losses recorded in fair value adjustments to financial instruments (Note 22) are changes in unrealized gains and losses relating to the items on the consolidated balance sheets.

The following tables summarize fair value measurements recognized in the consolidated balance sheets by class of asset or liability and categorized by level according to the significance of the inputs used in making the measurements.

	Note	Carrying value as at December 31, 2018	Fair value as at December 31, 2018		
			Level 1	Level 2	Level 3
<b>Recurring fair value measurements</b>					
Non-financial assets					
Investment properties	6	\$ 2,138,411	\$ —	\$ —	\$ 2,138,411
Financial assets					
Fair value of interest rate swaps	30	1,543	—	1,543	—
Financial liabilities					
Fair value of interest rate swaps	30	461	—	461	—

	Note	Carrying value as at December 31, 2017	Fair value as at December 31, 2017		
			Level 1	Level 2	Level 3
<b>Recurring fair value measurements</b>					
Non-financial assets					
Investment properties	6	\$ 1,722,988	\$ —	\$ —	\$ 1,722,988
Financial assets					
Conversion feature on convertible debentures	8	2,305	—	—	2,305
Fair value of interest rate swaps	30	1,675	—	1,675	—
Financial liabilities					
Fair value of interest rate swaps	30	56	—	56	—

Financial instruments carried at amortized cost where carrying value does not approximate fair value are noted below:

	Note	Carrying value as at December 31, 2018	Fair value as at December 31, 2018		
			Level 1	Level 2	Level 3
<b>Financial instruments at amortized cost</b>					
Mortgages	11	\$ 910,970	\$ —	\$ —	\$ 909,903
Revolving credit facility	11	26,760	—	27,375	—

	Note	Carrying value as at December 31, 2017	Fair value as at December 31, 2017		
			Level 1	Level 2	Level 3
<b>Financial instruments at amortized cost<sup>(1)</sup></b>					
Mortgages	11	\$ 782,254	\$ —	\$ —	\$ 780,631
Convertible debentures	11	108,567	—	—	114,668

(1) As at December 31, 2017, there were no borrowings against the revolving credit facility.

Amounts receivable, cash and cash equivalents, tenant security deposits, amounts payable and accrued liabilities are carried at amortized cost, which approximates fair value due to their short-term nature. Subsidiary redeemable units and DUIP are carried at amortized cost, which approximates fair value as they are readily redeemable financial instruments.

## Investment properties

Fair value for investment properties is calculated using the capitalization rate and discounted cash flow methods, which result in these measurements being classified as Level 3 in the fair value hierarchy.

In applying the capitalization rate method, the stabilized NOI of each property is divided by an appropriate capitalization rate (“cap rate”).

In applying the discounted cash flow method, the cash flows of a specific property are projected assuming a ten-year holding period. The estimated sale value at the end of the holding period is then calculated by dividing the projected net rental income for year 11 by a terminal rate. These projected cash flows are then added together and discounted at a discount rate reflecting the risks of the property being valued.

The results of both methods are evaluated by considering the range of values calculated under both methods on a property-by-property basis. Investment properties are valued on a highest-and-best-use basis.

The critical and key assumptions in the valuation of investment properties are as follows:

### Capitalization rate method

- Cap rate – based on actual location, size and quality of the investment property and taking into account any available market data at the valuation date; and
- Stabilized NOI – revenues less property operating expenses adjusted for items such as average lease up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items.

### Discounted cash flow method

- Discount and terminal rates – reflecting current market assessments of the return expectations;
- Market rents – reflecting management’s best estimates with reference to recent leasing activity and external market data;
- Leasing costs – reflecting recent leasing activity and external market data; and
- Vacancy rates – reflecting recent leasing activity and external market data.

### Valuation process

Management is responsible for determining the fair value measurements included in the consolidated financial statements. The Trust includes a valuation team that prepares a valuation of each investment property every quarter.

On a quarterly basis, the Trust engages independent professionally qualified valuers who hold a recognized relevant professional qualification and have recent experience in the locations and categories of the investment properties to complete valuations of several properties. Each property is valued by an independent valuer on a rotational basis. Judgment is also applied in determining the extent and frequency of independent appraisals. For properties subject to an independent valuation report, the valuation team verifies all major inputs to the valuation and reviews the results with the independent valuers.

The valuation team directly reports the results to the Chief Financial Officer (“CFO”) and Chief Executive Officer (“CEO”) for approval. Discussion of valuation processes, key inputs, results and reasons for the fair value movements are held between the CFO, the CEO and the valuation team at least once every quarter, in line with the Trust’s quarterly reporting.

Investment properties with an aggregate fair value of \$655,620 for the year ended December 31, 2018 (for the year ended December 31, 2017 – \$605,950) were valued by qualified external valuation professionals.

The significant and unobservable Level 3 valuation metrics used in the capitalization rate method as at December 31, 2018 and December 31, 2017 are set out in the table below:

	December 31, 2018		December 31, 2017	
	Range (%)	Weighted average <sup>(1)</sup>	Range (%)	Weighted average <sup>(1)</sup>
Cap rate <sup>(2)</sup>	5.00–9.25	6.29%	4.00–9.25	6.59%

(1) Weighted average based on investment property fair value.

(2) Excludes assets held for sale at the end of each year.

In addition to the cap rates noted above, the stabilized NOI used in the capitalization rate method as at December 31, 2018 and December 31, 2017 was \$138,382 and \$117,598, respectively.

Generally, an increase in stabilized NOI will result in an increase to the fair value of an investment property. An increase in the cap rate will result in a decrease to the fair value of an investment property. The cap rate magnifies the effect of a change in stabilized NOI, with a lower cap rate resulting in a greater impact to the fair value of an investment property than a higher cap rate.

If the cap rate were to increase by 25 basis points (“bps”), the value of investment properties would decrease by \$24,076 (December 31, 2017 – \$60,881). If the cap rate were to decrease by 25 bps, the value of investment properties would increase by \$150,809 (December 31, 2017 – \$65,510).

The significant and unobservable Level 3 valuation metrics used in the discounted cash flow method as at December 31, 2018 and December 31, 2017 are set out in the table below:

	December 31, 2018		December 31, 2017	
	Range (%)	Weighted average <sup>(1)</sup>	Range (%)	Weighted average <sup>(1)</sup>
Discount rate <sup>(2)</sup>	6.00–9.00	7.16%	5.00–9.00	7.47%
Terminal rate <sup>(2)</sup>	5.50–8.00	6.55%	4.50–8.00	6.73%

(1) Weighted average based on investment property fair value.

(2) Excludes assets held for sale at the end of each year.

In addition to the assumptions noted above, the weighted average market rent per square foot was \$7.38 (December 31, 2017 – \$7.19). The average leasing cost per square foot was \$4.17 (December 31, 2017 – \$3.52). The weighted average vacancy rate assumption was 3.11% (December 31, 2017 – 3.62%).

Generally, an increase in market rents and a decrease in leasing costs and vacancy rates will result in an increase to the fair value of an investment property. An increase in the discount rate will result in a decrease to the fair value of an investment property. An increase in the terminal rate will result in a decrease to the fair value of an investment property. The terminal rate magnifies the effect of a change in market rents, leasing costs, vacancy rates and discount rates, with a lower terminal rate resulting in a greater impact to the fair value of an investment property.

The following sensitivity table outlines the potential impact on the value of investment properties, excluding assets held for sale, assuming a change in the weighted average discount rates and terminal cap rates by a respective 25 bps as at December 31, 2018:

	Impact to change in weighted average discount rates		Impact to change in weighted average terminal cap rates	
	+25 bps	-25 bps	+25 bps	-25 bps
Increase (decrease) in value	\$ (26,889)	\$ 27,368	\$ (48,642)	\$ 52,503

## Mortgages

The fair value of the mortgage payable as at December 31, 2018 has been calculated by discounting the expected cash flows of each debt using a weighted average discount rate of 3.81% (December 31, 2017 – 3.59%). The discount rates are determined using the Government of Canada benchmark bond yield for instruments of similar maturity adjusted for the Trust’s specific credit risk. In determining the adjustment for credit risk, the Trust considers market conditions, the fair value of the investment properties that the mortgages are secured by and other indicators of the Trust’s creditworthiness.

## Revolving credit facility

The fair value of the revolving credit facility as at December 31, 2018 and December 31, 2017 generally approximates fair value due to their short-term nature and variable rates.

## Interest rate swaps

The fair value measurement of the interest rate swaps was valued by qualified independent valuation professionals based on the present value of the estimated future cash flows determined using observable yield curves.



## Convertible debentures

The convertible debentures have two components of value – a conventional bond and a call on the equity of the Trust through conversion. The conversion feature is an embedded derivative and has been separated from the host contract and classified as a financial asset through profit and loss.

The fair value of the conversion feature on the convertible debentures was determined using critical inputs, some of which are not directly observable based on market data. The critical inputs are the unit price and the units' distribution yield, the underlying unit volatility, the risk-free rate and the assumed credit spread.

A qualified independent valuation professional calculates the fair value measurement for the financial asset classified as Level 3. The valuation processes and results are determined and reviewed by senior management.

The significant inputs used in the fair value measurement of the conversion feature as at December 31, 2018 and December 31, 2017 are the following:

- Volatility: historical volatility as at December 31, 2018 and December 31, 2017 was derived from the historical prices of the Trust with maturity equal to the term to maturity of the convertible debentures.
- Credit spread: the credit spread of the convertible debentures was imputed from the traded price of the convertible debentures as at December 31, 2018 and December 31, 2017.

	December 31, 2018		December 31, 2017	
	Credit spread	Volatility	Credit spread	Volatility
5.25% Convertible Debentures <sup>(1)</sup>	—%	—%	1.622%	15.840%

(1) On August 2, 2018, the conversion feature was derecognized as the Trust redeemed all outstanding convertible debentures.

A higher volatility will increase the value of the conversion option. A lower credit spread will decrease the value of the conversion option.

The following table shows the changes in fair value of the conversion option from a 5% increase or decrease in volatility and a 100 bps increase or decrease in credit spread, all other inputs being constant.

	Impact of change to volatility		Impact of change to credit spread	
	+5%	-5%	+100 bps	-100 bps
<b>Increase (decrease) in fair value as at December 31, 2018</b>	\$ —	\$ —	\$ —	\$ —
Increase (decrease) in fair value as at December 31, 2017	\$ 2	\$ —	\$ 1,562	\$ (1,615)

## Note 33

### SUBSEQUENT EVENTS

On January 11, 2019, the Trust closed on a US\$36,600 mortgage secured by a portfolio of two U.S. properties in Columbus, Ohio. The mortgage has a term of ten years at a fixed face interest rate of 4.57% per annum.

On January 23, 2019, the Trust received lender approval to amend its existing revolving credit facility, increasing the borrowing capacity from \$125,000 to \$150,000 and increasing the number of properties secured under the facility from 30 to 33 properties. The amendment is subject to customary closing conditions.

On February 4, 2019, the Trust announced the waiver of all conditions on the acquisition of a U.S. logistics portfolio in the Midwest U.S., totalling approximately 3.5 million square feet of gross leasable area, for a purchase price of US\$179,100, excluding transaction costs. The portfolio comprises 21 buildings located in five cities (Chicago, Cincinnati, Columbus, Indianapolis and Louisville) and, subject to customary closing conditions, is scheduled to close in the first quarter of 2019.

On February 13, 2019, the Trust completed a public offering of 13,800,000 REIT Units at a price of \$10.45 per unit for gross proceeds of \$144,210, including 1,800,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.



## Trustees

**Michael J. Cooper**<sup>2</sup>  
Toronto, Ontario  
President & Chief Responsible Officer  
Dream Unlimited Corp.

**J. Michael Knowlton**<sup>Ind.,1,3</sup>  
Vancouver, British Columbia  
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Toronto, Ontario  
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Gistex Inc.

### Legend:

Ind. Independent

1. Member of the Audit Committee
2. Member of the Executive Committee
3. Member of the Governance, Compensation and Environmental Committee
4. Chair of the Board of Trustees

## Management Team

**Brian Pauls**  
Chief Executive Officer

**Lenis Quan**  
Chief Financial Officer



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### TRANSFER AGENT

(for change of address, registration or other unitholder enquiries)

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1 800 564-6253  
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1 888 453-0330  
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### STOCK EXCHANGE LISTING

**The Toronto Stock Exchange**  
Listing Symbol: DIR.UN

For more information, please visit  
[dreamindustrialreit.ca](http://dreamindustrialreit.ca)

### DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

The purpose of our Distribution Reinvestment and Unit Purchase Plan ("DRIP") is to provide unitholders with a convenient way of investing in additional units without incurring transaction costs such as commissions, service charges or brokerage fees. By participating in the Plan, you may invest in additional units in two ways:

**Distribution reinvestment:** Unitholders will have cash distributions from Dream Industrial REIT reinvested in additional units as and when cash distributions are made. If you register in the DRIP you will also receive a "bonus" distribution of units equal to 3% of the amount of your cash distribution reinvested pursuant to the Plan. In other words, for every \$1.00 of cash distributions reinvested by you under the Plan, \$1.03 worth of units will be purchased.

**Cash purchase:** Unitholders may invest in additional units by making cash purchases.

To enrol, contact:

**Computershare Trust Company of Canada**  
100 University Avenue, 8th Floor  
Toronto, Ontario M5J 2Y1

**Attention:** Dividend Reinvestment Services

or call their Customer Contact Centre at  
1 800 564-6253 (toll free) or (514) 982-7555.

**dream**   
industrial REIT

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