





1602 Tricont Avenue
Whitby, ON



dream industrial REIT

Dream Industrial REIT's strategy is to invest in high-quality assets and markets that provide stable cash flow and net asset value growth over the long term to its unitholders. As of December 31, 2019, Dream Industrial REIT owned 209 light industrial properties totalling 21.9 million square feet of gross leasable area across North America.

Following the European expansion and acquisitions announced in January 2020, Dream Industrial REIT's pro forma portfolio comprises 263 properties totalling 26.3 million square feet.

Letter to Unitholders

2019 has been an incredible year for Dream Industrial REIT. We made significant progress on growing and upgrading the quality of our portfolio, while strengthening our balance sheet. Industrial real estate continues to be one of the most sought-after asset classes globally and underlying fundamentals support continued momentum for the foreseeable future. The Canadian national industrial availability rate tightened further to 3.0% at the end of 2019. This represents robust tenant demand as net absorption of 25.6 million square feet outpaced over 22 million square feet of new supply delivered during the year. We continue to see an imbalance between supply and demand in the Greater Toronto Area and Greater Montréal Area markets, leading to strong rental rate growth of 21% and 13%, respectively, in 2019. With half our portfolio in these two regions, our 2020 performance should benefit from these strong leasing fundamentals. The U.S. industrial and logistics sector remained healthy with availability rates at or near historical lows. Demand for industrial product continues to be driven by e-commerce and logistics users, which is driving rental rate increases for well-located industrial space near major population centres.

In 2019, we closed on over \$370 million of acquisitions in Canada and the U.S., which added 4.5 million square feet of gross leasable area in our target markets including Ontario, Québec and the U.S. In addition, during the second half of the year, we completed the disposition of our Eastern Canada portfolio with proceeds being deployed into higher quality assets that should generate strong free cash flow and net asset value growth over the long term.

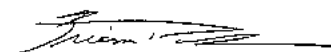
In January 2020, we announced our European expansion which represents the next step in the continued evolution of Dream Industrial REIT into a premier global real estate company. We have hit the ground running on our European expansion and have acquired, or are under contract to acquire, over \$325 million of high-quality light industrial and logistics assets in Germany and the Netherlands. The European expansion presents an unprecedented opportunity for Dream Industrial REIT to grow and upgrade the quality of its portfolio with significant economic benefits.

In conjunction with the growth in our portfolio, we have significantly strengthened our balance sheet and have improved financial flexibility to pursue our strategic objectives. Following the close of acquisitions in our immediate pipeline and our February 2020 equity raise, our leverage will be ~30%, over 13% lower than 2018 and 18% lower than our leverage two years ago. With our European expansion and debt strategy well underway, we are well positioned to pursue an investment grade credit rating and unsecured financings in 2020.

Our operational results are strong and our active asset management strategies continue to be successful. We reported strong comparative properties NOI growth of 4.1% for 2019, reflecting significant rental rate growth in Ontario and Québec, as well as higher occupancy in Western Canada. With the strength of our markets, robust leasing activity and higher market rents, our NAV per unit increased by \$1.22 or 12% in 2019. With the recent addition of Alexander Sannikov and Bruce Traversy to the team, we have significantly increased our ability to acquire high-quality assets in Canada, the U.S. and Europe, while focusing on asset management strategies that will produce strong free cash flow and net asset value growth over the long term.

Dream Industrial REIT has achieved significant milestones in 2019, and is poised to capitalize on many opportunities in 2020 and beyond. On behalf of our management team and our Board of Trustees, I would like to thank you for your interest in and support of our business.

Sincerely,



Brian Pauls
Chief Executive Officer

February 18, 2020



Veriviv

4770

Veriviv

4770 Southpoint Drive
Memphis, TN

At a Glance*

26 M

GROSS LEASABLE AREA
(SQUARE FEET)

96%

COMMITTED OCCUPANCY

\$2.9 B

GROSS ASSET VALUE

263

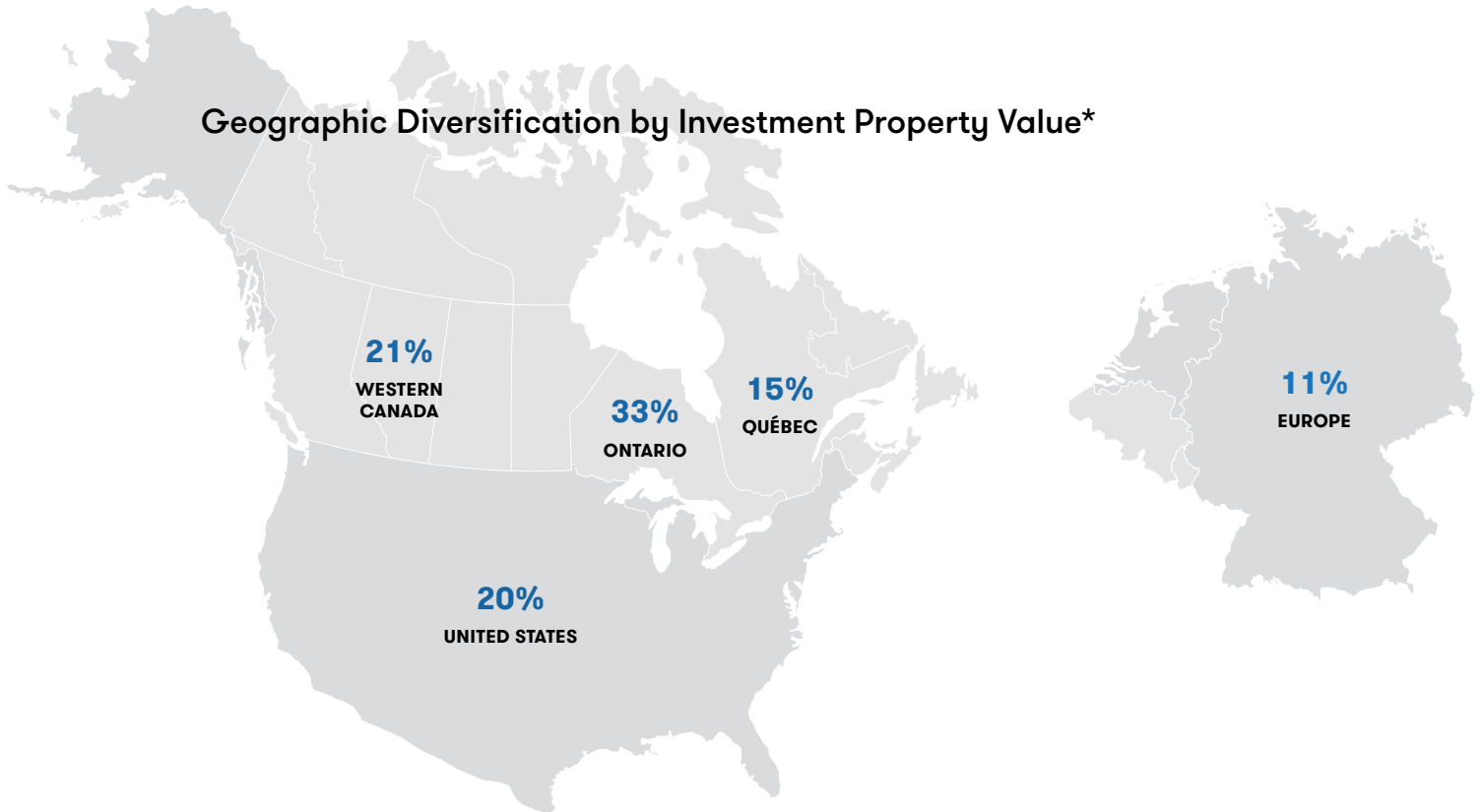
PROPERTIES

2360 Cornwall Road
Oakville, ON

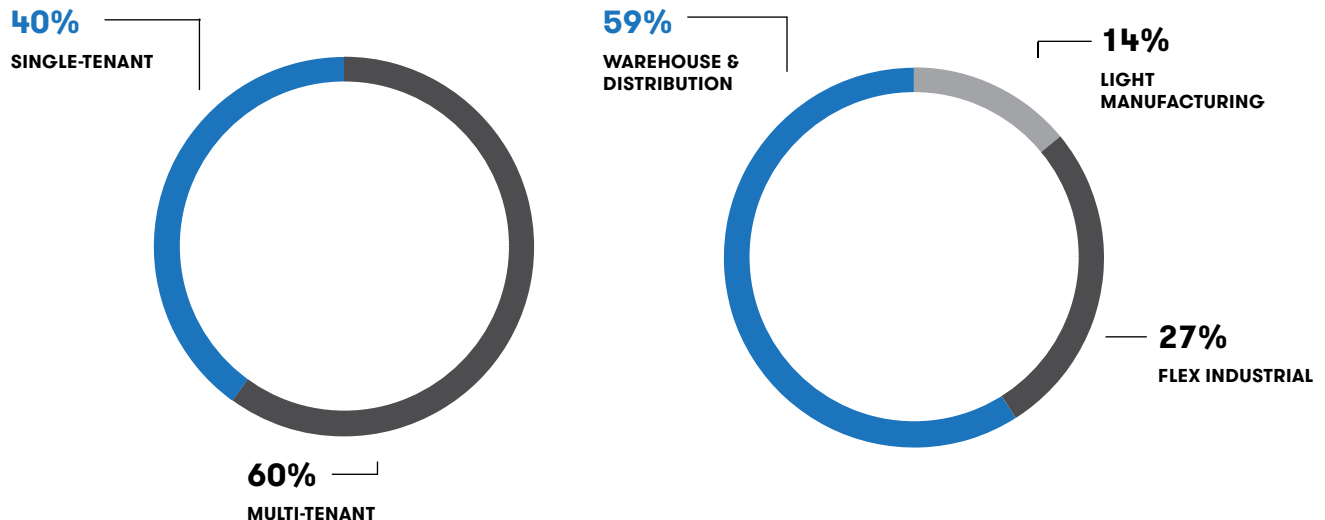
Geographic Diversification*

Dream Industrial REIT owns and operates a global portfolio totalling 26 million square feet of well-located, diversified industrial properties across North America and Europe. We have access to highly experienced local investments and asset management platforms that have a proven track record of long-term value creation.

Geographic Diversification by Investment Property Value*



Our Portfolio by Investment Property Value*



* Proforma \$327 million of previously announced acquisitions in Europe and ~\$152 million in Ontario and Québec.



Our Values

Courageous ideas

Meaningful relationships

Fierce diligence

Social responsibility

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

About Our Sustainability Reporting

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



Sustainability

Focus on Sustainability

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

Dream Industrial REIT has a responsibility to manage and mitigate the overall impact on the environment, and we believe that an increasing focus on sustainability is imperative to creating long-term value for our stakeholders. Our sustainability strategy guides us on how we run our business and how we manage our environmental and social obligations, including our brand, business risks and operations.

Sustainability is ingrained in our business and we are focused on internal and external initiatives to benefit all stakeholders. At the corporate level, we have implemented industry-wide best practices with strong governance and high ethical standards. We have a diverse and experienced Board of Trustees, with 75% independent representation. We are a thriving, people-centric organization where employees have the tools and opportunity to create significant positive impact professionally and on the community.

At the property level, we promote energy efficiency amongst our tenants through education and awareness including coordination of energy audits with recommendations to reduce consumption and costs. As part of the asset management and investment processes, we actively seek to incorporate energy management initiatives into our capital plans. Sustainability initiatives that reduce resource intensity or increase building efficiency help to reduce costs for tenants and help make our buildings more leasable. Over the past several years, we have undertaken lighting retrofit initiatives that include replacing old, inefficient fluorescent lights with either T5 lighting or LED lights. As lighting is typically upgraded on tenant move-out, we attempt to balance this initiative with our expected lease rollover.

We also support the communities in which we live and work through our charitable partnerships and commitments. In 2019, the Dream entities collectively donated ~\$700,000 to charities. In addition, Dream employees prepared and donated over 1,300 shoeboxes to The Shoebox Project for Women's Shelters and ~450 gifts through our Tree of Dreams.

Looking forward, we will continue to implement strategies to build upon our sustainability practices throughout our organization and portfolio.

Environmental

Increasing energy efficiency in our buildings.

Our sustainability practices are primarily focused on energy efficiency throughout our portfolio; however, tenant engagement is also a lever utilized to promote sustainability.

Our environmental initiatives include:

1

Increasing energy efficiency throughout our portfolio.

2

Increasing tenant engagement.

3

Incorporating energy management initiatives into our capital expenditures planning.





860 Marine Drive
Charlotte, NC

Resource Management

Real estate properties consume significant amounts of resources. Resource use directly and/or indirectly impacts profitability, operating margins, tenant demand and asset values.



Energy Management

Real estate properties consume significant amounts of energy. Energy efficiency impacts profitability, operating margins, tenant demand and asset values.

Management process, controls and measurement

One of the key sustainability initiatives we have focused on is the improvement of energy efficiency within the portfolio through lighting retrofit projects, the utilization of renewable power to offset grid consumption and the replacement of traditional roofing with white/reflective roofs.

- At December 31, 2019, seven of our properties utilized solar panels covering 817,216 square feet.
- Lighting retrofit initiatives include replacing old, inefficient fluorescent lights with either T5 lighting or LED lights.
- We intend to incorporate sustainability into our investment strategy. We have also prepared a detailed 10-year capital plan which will incorporate new energy management initiatives as properties are acquired.

Climate Change Adaptation

Frequent or high-impact extreme weather events can lead to higher costs (insurance, operating and/or capital expenditures), potentially impact lender appetite and asset valuation over time.

Dream Industrial REIT is in the process of mapping all of its properties against a comprehensive database of climate-related and other high-impact extreme weather events.

Performance and progress to date

- Only 0.2% of GLA is located in 100-year flood zone areas.
- Dream Industrial REIT is in the preliminary stages of managing climate change adaptation risks.



10555 Henri-Bourassa West
Saint-Laurent, QC



Tenants

Management of tenant sustainability impacts

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

Dream Industrial REIT promotes energy efficiency among its tenants through cost recovery clauses embedded within leases, in addition to offering to perform energy audits on behalf of tenants. Typical energy audit recommendations include placing timers on chargers or forklifts, installing low-flow toilets, installing 'smart' thermostats and upgrading lighting to LED.

Performance and progress to date

- 100% of new leases contain cost recovery clauses, which generally include energy-efficiency related capital improvements.
- Most tenants are separately metered for grid electricity and gas consumption and 49% of the current portfolio by square feet is separately metered for water consumption.
- Dream Industrial REIT promotes energy-efficiency related capital improvements through cost recovery clauses embedded within new leases. At the request of tenants, Dream Industrial REIT will also perform energy audits on their behalf.





7730 American Way
Orlando, FL

Social

Building a thriving, people-centric organization.

Our social initiatives encompass three key areas:

1

Employees: Committed to the development of employees through continuous learning and promotion of healthy workplaces and lifestyles.

2

The Greater Community: Actively committed to the community and local charitable organizations.

3

Tenants: Committed to tenant satisfaction and engagement.

A Diverse Group of Employees Demonstrating a Culture of Sustainability

A Future-oriented workforce

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

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

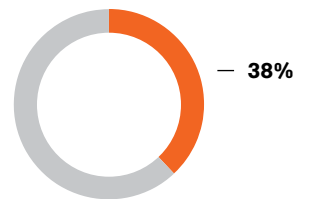
We are very proud to have a strong female presence in our workforce – 49% of our employees are women. In addition, we have many women in senior management roles across our different business units.

A Gender-diverse company

Female employees



Female directors & above



Female managers & above





Partnering with Tenants & Employees for Ronald McDonald House Charities

Dream Industrial REIT's charity team collected two carloads of snacks, school supplies and household products, as well as gift cards totalling over \$500 from employees, contractors, tenants and family members.



Partnering with Tenants on the Tree of Dreams

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



Dream in the Community

Our company values are aligned with sustainability

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



Healthy Workplaces & Lifestyle

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

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

Health & safety is a priority

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



Dream Employees

Making an impact

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



Building Better Leaders

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

Goal-setting

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

Governance

Strong
governance
practices &
high ethical
standards.

Our governance initiatives include:

1

Diverse and experienced Board with majority of independent trustees.

2

Strong governance. Transparency in all aspects of our business.



Commitment to Good Governance

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

Good governance is a key aspect of sustainability

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

We have a diverse and experienced Board with a high ratio of Independent Trustees.



Sound Board composition and committees that oversee sustainability

Dream Industrial REIT's Board achieves strong marks on board independence. The Board has 75% independent representation and 25% of trustees are female. We are also starting to embed elements of sustainability in our board mandates.

Driving sustainability progress

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

Code of Business Conduct and Ethics

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

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

Bevi, Reducing Can and Bottle Consumption at Head Office

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

Sustainability Highlights

Environmental



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



Energy Efficiency

We are replacing dark roofs with those composed of white stone reflective materials which absorb less heat and can lead to reduced cooling costs and energy consumption



Tenant Engagement

on energy management through education and awareness

Social*



**~1,300+ Shoeboxes
and ~\$11,000**

were donated to The Shoebox Project for Women's Shelters by Dream employees



~\$700,000

was donated to charities and communities



~\$302,000

in tuition and professional development fees were reimbursed to employees



449 Gifts

were donated to seniors through the Tree of Dreams with Dream tenants



Tenant Focused

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



Community Engagement

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



**Employee Development,
Education and Well-Being**

Committed to the development of employees through continuous learning and promotion of healthy workplaces and lifestyles



National Sponsor

of The Shoebox Project for Women's Shelters



Peer Recognition

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

Governance



25%

of Dream Industrial REIT trustees members are women



75%

of Dream Industrial REIT trustees are independent



Strong Governance

policies and transparency in all aspects of our business



Whistleblower

procedures and reporting guidelines



Board Mandated

and supported sustainability initiatives

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

* Social highlights are based on all Dream entities combined.



1602 Tricont Avenue
Whitby, ON

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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

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	December 31, 2019		As at December 31, 2018	
Total portfolio⁽¹⁾				
Number of properties	209		223	
Investment properties	\$	2,428,664	\$	2,138,411
Gross leasable area ("GLA") (in millions of sq. ft.)	21.9		20.2	
Occupancy rate – in-place and committed (period-end)	95.8%		97.1%	
Occupancy rate – in-place (period-end)	94.9%		95.7%	
Average in-place and committed base rent per sq. ft. – Canada (period-end)	\$	7.43	\$	7.26
Average in-place and committed base rent per sq. ft. – U.S. (US\$) (period-end)	\$	3.87	\$	3.93
Weighted average lease term ("WALT") (years)	4.1		4.1	

	Three months ended December 31, 2019		2018		Year ended December 31, 2019		2018	
Operating results								
Net income	\$	106,642	\$	66,455	\$	179,432	\$	157,528
Funds from operations ("FFO") ⁽²⁾	25,809		24,060		105,036		88,166	
Net rental income	36,224		30,143		139,026		114,235	
Comparative properties net operating income ("NOI") ⁽²⁾	26,908		26,256		107,819		103,594	
Distributions								
Total distributions ⁽²⁾	\$	25,561	\$	19,537	\$	95,986	\$	73,227
Per Unit amounts								
Distribution rate	\$	0.17	\$	0.17	\$	0.70	\$	0.70
FFO – diluted ⁽²⁾⁽³⁾	\$	0.18	\$	0.22	\$	0.78	\$	0.86
FFO payout ratio – diluted ⁽²⁾	97.8%		80.6%		89.6%		81.7%	

	As at	
	December 31, 2019	December 31, 2018
Financing⁽⁴⁾		
Weighted average face interest rate on debt (period-end) ⁽⁵⁾	3.59%	3.65%
Weighted average remaining term to maturity on debt (years)	5.5	4.4
Interest coverage ratio (times) ⁽²⁾⁽⁶⁾	3.8	3.3
Level of debt (net debt-to-assets ratio) ⁽²⁾	23.7%	43.5%
Net debt-to-adjusted EBITDAFV (years) ⁽²⁾	4.3	7.2
Unencumbered assets ⁽²⁾⁽⁶⁾	\$ 96,251	\$ 190,694
Available liquidity ⁽²⁾	\$ 591,537	\$ 103,162
Capital		
Total number of Units (in thousands) ⁽⁷⁾	153,354	110,615
Net asset value ("NAV") per Unit ⁽²⁾	\$ 11.76	\$ 10.54

(1) Total portfolio excludes assets held for sale at the end of each period as applicable.

(2) FFO, comparative properties NOI, total distributions, diluted FFO per Unit, diluted FFO payout ratio, interest coverage ratio, level of debt (net debt-to-assets ratio), net debt-to-adjusted EBITDAFV, unencumbered assets, available liquidity and NAV per Unit are non-GAAP measures. See "Non-GAAP Measures and Other Disclosures" for a description of these non-GAAP measures.

(3) A description of the determination of diluted amounts per Unit can be found in the section "Non-GAAP Measures and Other Disclosures" under the heading "Weighted average number of Units".

(4) Financing metrics include assets and liabilities classified as held for sale and income (loss) from discontinued operations at the end of each period as applicable.

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

(6) Interest coverage ratio and unencumbered assets (non-GAAP measures) have been restated in the comparative period to conform to current period presentation. For further details, please refer to the section "Non-GAAP Measures and Other Disclosures" under the headings "Interest coverage ratio" and "Unencumbered assets".

(7) Total number of 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 “the Trust”) should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019. Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

This management’s discussion and analysis (“MD&A”) is dated as at February 18, 2020.

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.

On June 30, 2019, the Trust classified all of the investment properties in the Eastern Canada region as assets held for sale. Subsequently, on July 31, 2019, the Trust completed the sale of the Eastern Canada portfolio. Given that the entire Eastern Canada region was included in assets held for sale and subsequently disposed of, the associated results of operations were presented separately as income (loss) from discontinued operations. Certain key performance indicators disclosed throughout the MD&A exclude the Eastern Canada region in the current period.

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 including our European expansion strategy, 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 18, 2020. Dream Industrial REIT 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.

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 United States (“U.S.”). Our REIT Units are listed on the Toronto Stock Exchange under the trading symbol DIR.UN.

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 sustainable distributions to unitholders on a tax-efficient basis. Our strategy is to grow and upgrade the quality of our portfolio by investing in key markets to generate stable cash flows and grow net asset value over the long term 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, attract and retain 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 through 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.

2020 European expansion strategy update

On January 22, 2020, we announced our expansion into the European light industrial and logistics market. We believe this will allow us to pair high-quality, well-located industrial properties that can generate higher yields and above average returns with an attractive cost of debt with rates that are over 200 basis points lower on a comparative basis than North American financing to generate higher returns for unitholders.

We believe the fundamentals of the industrial and logistics markets across Europe continue to remain attractive, driven by the continued development and growth in e-commerce fuelling demand from logistics operators coupled with low supply of high-quality and suitable product. We believe the healthy rental growth potential paired with limited new supply under construction provides tailwinds for strong performance in this sector over the next five to 10 years.

Dream Unlimited Corp. (“Dream”) has been active in Europe since 1998 and is now dedicating its European platform and relationships to support our European expansion. Dream Asset Management Corporation, our asset manager, was previously the asset manager of Dream Global Real Estate Investment Trust (“Dream Global REIT”). Subsequent to the sale of all of Dream Global REIT’s subsidiaries and assets to affiliates of real estate funds managed by The Blackstone Group Inc., Dream is committing its global asset management team who were responsible for Dream Global REIT’s success, and its deep local relationships with tenants, lenders, brokers and partners, to us.

Dream’s existing local European acquisition and asset management team, along with long-standing relationships with the European real estate brokerage network, will support us in sourcing high-quality and accretive transactions with long-term cash flow and net asset value growth potential. We have been under contract or in exclusive negotiations to acquire €176 million (\$257 million) of assets in strong industrial markets in the Netherlands (the “Dutch Portfolio”) and €48 million (\$70 million) of assets in Germany (the “German Portfolio”) through seven separate transactions, four of which have been completed as of the date of this MD&A.

The weighted average going-in capitalization rate (the “cap rate”) of the German Portfolio and the Dutch Portfolio is approximately 6.1% with a weighted average lease term of 5.3 years and in-place rents below estimated market rents.

Following completion of the acquisitions of the German Portfolio and the Dutch Portfolio, we intend to hedge our Euro capital exposure by borrowing up to 100% of the Euro value of our portfolio to mitigate currency risk. The debt will be a combination of unsecured and secured financings on properties in Europe and North America, denominated in euros. As a result, we believe the total value of the portfolio will be hedged, and we currently estimate that we will access debt at interest rates in the range of 1.30% to 1.50% over a five-year term from our debt and hedging strategy. Effectively, we will continue to maintain a low leverage ratio with a higher proportion of the debt hedged in euros.

We are focused on improving our overall cost of debt and improving the risk profile of our business. To that end, we intend to pursue a more conservative leverage structure and optimize sources of debt capital by borrowing up to 100% of the Euro value of our portfolio, while concurrently reducing our debt in North America to maintain an overall leverage ratio below 40%. We believe this strategy will allow us to achieve lower overall interest expense while mitigating currency risk on our investments. We intend to continue to increase our unencumbered asset pool, pursue an investment grade credit rating and obtain unsecured financings in 2020. We believe that Dream’s existing European platform, people and relationships with global lenders will help us successfully achieve this debt strategy.

SECTION II

OUR PROPERTIES

Owned gross leasable area by region

Dream Industrial REIT owns and operates a diversified portfolio of industrial distribution and warehousing properties located in key markets across North America. Our properties are located in desirable business parks, situated close to highways and population centres, and generally considered functional and well suited for their respective markets.

As at December 31, 2019 and December 31, 2018, our properties are geographically diversified as follows:

	December 31, 2019			December 31, 2018		
	Number of properties	Owned GLA (thousands of sq. ft.)	Percentage of owned GLA	Number of properties	Owned GLA (thousands of sq. ft.)	Percentage of owned GLA
Western Canada	81	5,081	23%	83	5,058	25%
Ontario	61	5,420	25%	59	5,099	26%
Québec	38	4,121	19%	37	3,888	19%
Canadian Portfolio	180	14,622	67%	179	14,045	70%
U.S. Portfolio	29	7,275	33%	7	3,488	17%
Total continuing operations	209	21,897	100%	186	17,533	87%
Eastern Canada	—	—	—	37	2,661	13%
Total portfolio⁽¹⁾	209	21,897	100%	223	20,194	100%

(1) Excludes assets held for sale at the end of each period as applicable.

Across our regions, our portfolio consists of single- and multi-tenant buildings as follows:

	December 31, 2019			
	Single-tenant GLA (thousands of sq. ft.)	Percentage of owned GLA	Multi-tenant GLA (thousands of sq. ft.)	Percentage of owned GLA
Western Canada	743	3%	4,338	20%
Ontario	2,697	13%	2,723	12%
Québec	2,236	10%	1,885	9%
Canadian Portfolio	5,676	26%	8,946	41%
U.S. Portfolio	3,098	14%	4,177	19%
Total continuing operations	8,774	40%	13,123	60%

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.

Tenant base profile

Our tenant base consists of a diverse range of high-quality businesses. The following table summarizes the number of tenants, average tenant size and weighted average lease term of our single- and multi-tenant buildings as at December 31, 2019:

	December 31, 2019		
	Number of tenants	Average tenant size (thousands of sq. ft.)	WALT (years)
Single-tenant buildings	74	113	4.7
Multi-tenant buildings	930	14	3.7
Total continuing operations	1,004	21	4.1

The following table outlines the contributions of our top 10 tenants to our annualized gross rental revenue as at December 31, 2019:

Rank	Tenant	Gross rental revenue	Owned GLA (thousands of sq. ft.)	Owned GLA	WALT (years)
1.	Nissan North America Inc.	3.9%	1,189	5.4%	5.0
2.	Spectra Premium Industries Inc.	2.4%	656	3.0%	5.4
3.	TC Transcontinental	2.2%	523	2.4%	2.2
4.	Gienow Windows & Doors Inc.	2.0%	371	1.7%	9.4
5.	Accel Inc.	1.6%	417	1.9%	6.5
6.	United Agri Products Canada Inc.	1.5%	275	1.3%	3.8
7.	Molson Breweries Properties	1.3%	225	1.0%	3.0
8.	ODW Logistics	1.2%	248	1.1%	4.0
9.	West Marine Products Inc.	1.2%	472	2.2%	3.0
10.	Henry Schein Inc.	1.0%	380	1.7%	2.2
	Total	18.3%	4,756	21.7%	4.6

OUR OPERATIONS

The following key performance indicators related to our operations influence the cash generated from operating activities. The key performance indicators exclude assets held for sale at the end of each period as applicable.

Total portfolio in-place and committed occupancy

Our in-place and committed occupancy includes lease commitments totalling approximately 194,000 square feet for space that is being readied for occupancy but for which rental revenue is not yet recognized.

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

(percentage)	Total portfolio ⁽¹⁾		
	December 31, 2019	September 30, 2019	December 31, 2018
Western Canada	94.4	96.0	95.2
Ontario	96.9	97.1	98.0
Québec	99.2	99.1	98.1
Total Canada – continuing operations	96.7	97.3	97.0
Eastern Canada – discontinued operations	—	—	93.7
Total Canada	96.7	97.3	96.5
Total U.S.	93.9	94.2	100.0
Total	95.8	96.2	97.1

(1) Excludes assets held for sale at the end of each period as applicable.

Overall in-place and committed occupancy of our Canadian portfolio continuing operations at December 31, 2019 decreased by 60 basis points (“bps”) and 30 bps, respectively, when compared to September 30, 2019 and December 31, 2018, primarily driven by declines in the Western Canada and Ontario regions, with modest increases in the Québec region.

In-place and committed occupancy in Western Canada declined during the quarter and on a year-over-year basis, mainly due to an expected single-tenant vacancy in approximately 49,000 square feet in Edmonton and terminations totalling approximately 51,000 square feet in the current quarter, partially offset by net positive leasing absorption for the remainder of the year. We remained focused on occupancy in Western Canada.

In-place and committed occupancy in Ontario declined during the quarter and on a year-over-year basis, mainly due to a single-tenant that we terminated in approximately 98,000 square feet in the Greater Toronto Area (“GTA”) in the current quarter, and net negative leasing absorption during the year, partially offset by acquired properties which were substantially occupied. We see the drop in occupancy in Ontario as an opportunity for our leasing team to mark in-place rents to market sooner and capitalize on a strong leasing environment in the GTA.

In-place and committed occupancy in Québec increased modestly during the quarter and on a year-over-year basis, mainly due to high retention and net positive leasing absorption. With near full occupancy in our Québec portfolio, we remain focused on driving rental rates higher in the strong leasing environment in the Greater Montréal Area.

In-place and committed occupancy in the U.S. decreased modestly during the quarter and on a year-over-year basis. The decline was mainly attributable to a single-tenant vacating approximately 36,000 square feet in Columbus, Ohio, and the vacancies in the Midwest U.S. portfolio acquired earlier in the year.

Canadian portfolio occupancy continuity

The following table details the change in in-place and committed occupancy across our Canadian portfolio for the three months and year ended December 31, 2019:

	Three months ended December 31, 2019			Year ended December 31, 2019		
	Weighted average rate per sq. ft.	Thousands of sq. ft.	Percentage of owned GLA	Weighted average rate per sq. ft.	Thousands of sq. ft.	Percentage of owned GLA
Canadian portfolio						
Occupancy (in-place and committed) at beginning of period		14,138	97.3%		16,121	96.5%
Vacancy committed for future occupancy		(61)	(0.4%)		(279)	(1.7%)
Occupancy (in-place) at beginning of period		14,077	96.9%		15,842	94.8%
Occupancy related to acquired properties and remeasurements		97			686	
Occupancy related to sold properties		—			(2,462)	
Occupancy (in-place) at beginning of period – adjusted		14,174	96.9%		14,066	96.2%
Natural expiries and relocations	\$ 7.72	(1,184)	(8.1%)	\$ 7.50	(2,845)	(19.5%)
Early terminations	\$ 6.78	(191)	(1.3%)	\$ 7.50	(299)	(2.0%)
New leases	\$ 11.15	131	0.9%	\$ 8.63	892	6.1%
Renewals and relocations	\$ 7.22	1,024	7.0%	\$ 7.45	2,140	14.6%
Occupancy (in-place) at end of period		13,954	95.4%		13,954	95.4%
Vacancy committed for future occupancy		183	1.3%		183	1.3%
Occupancy (in-place and committed) at end of period		14,137	96.7%		14,137	96.7%

U.S. portfolio occupancy continuity

The following table details the change in in-place and committed occupancy across our U.S. portfolio for the three months and year ended December 31, 2019:

	Three months ended December 31, 2019			Year ended December 31, 2019		
	Weighted average rate per sq. ft.	Thousands of sq. ft.	Percentage of owned GLA	Weighted average rate per sq. ft.	Thousands of sq. ft.	Percentage of owned GLA
U.S. portfolio (per sq. ft. amounts in US\$)						
Occupancy (in-place and committed) at beginning of period		6,855	94.2%		3,488	100.0%
Vacancy committed for future occupancy		(31)	(0.4%)		—	—%
Occupancy (in-place) at beginning of period		6,824	93.8%		3,488	100.0%
Occupancy related to acquired properties and remeasurements		—			3,473	
Occupancy (in-place) at beginning of period – adjusted		6,824	93.8%		6,961	95.7%
Natural expiries and relocations	\$ 3.14	(263)	(3.6%)	\$ 3.30	(574)	(7.9%)
Early terminations	\$ —	—	—%	\$ 2.69	(27)	(0.4%)
New leases	\$ 4.97	47	0.6%	\$ 4.29	74	1.0%
Renewals and relocations	\$ 3.88	211	2.9%	\$ 3.91	385	5.3%
Occupancy (in-place) at end of period		6,819	93.7%		6,819	93.7%
Vacancy committed for future occupancy		11	0.2%		11	0.2%
Occupancy (in-place and committed) at end of period		6,830	93.9%		6,830	93.9%

The overall tenant retention ratio in our Canadian and U.S. portfolios for the three months and year ended December 31, 2019 was 85.3% and 73.9%, respectively. Tenant retention ratio is calculated as the ratio of total square feet of renewed and relocated space over natural expiries and relocations.

As at December 31, 2019, vacant space committed for future occupancy in our total portfolio was approximately 194,000 square feet, bringing our overall in-place and committed occupancy to 95.8%. All of the Trust's future committed occupancy is scheduled to take occupancy during 2020.

Canadian portfolio new lease, renewal and relocation spreads

The following table compares the Canadian portfolio's weighted average new, renewal and relocation rate on leased space that commenced during the three months and year ended December 31, 2019 to the weighted average prior and expiring rate.

Canadian portfolio	For the three months ended December 31, 2019	For the year ended December 31, 2019
New, renewal and relocation rate (per sq. ft.)	\$ 7.66	\$ 7.83
Prior and expiring rate (per sq. ft.)	\$ 7.63	\$ 7.51
New, renewal and relocation rate to prior and expiring rate spread (per sq. ft.) ⁽¹⁾	\$ 0.03	\$ 0.32
New, renewal and relocation rate to prior and expiring rate spread over prior and expiring rate (%) ⁽²⁾	0.4	4.3

(1) New, renewal and relocation rate to prior and expiring rate spread (per sq. ft.) is calculated as the difference between the weighted average new, renewal and relocation rate and the weighted average prior and expiring rate.

(2) New, renewal and relocation rate to prior and expiring rate spread over prior and expiring rate (%) is calculated as the ratio of new, renewal and relocation rate spread (per sq. ft.) divided by the weighted average prior and expiring rate (per sq. ft.).

For the three months ended December 31, 2019, the weighted average new, renewal and relocation rate to prior and expiring rate spread in the Canadian portfolio was 0.4% higher than the weighted average prior and expiring rate. In the Western Canada region, rental spreads were negative at 8.9%, where we remain focused on occupancy, building contractual rent growth in leases, and investing capital prudently. In the Ontario and Québec regions, spreads were positive at 8.2% and 10.3%, respectively. Our fourth quarter Ontario leasing activity had a larger portion of non-GTA leases which have lower rental rate spreads than our GTA leases. Notably, in the GTA, we completed a five-year renewal on 80,000 square feet with a 94% spread to expiring rent and 3.5% annual contractual rent growth.

For the year ended December 31, 2019, the weighted average new, renewal and relocation rate to prior and expiring rate spread in the Canadian portfolio was 4.3% higher than the weighted average prior and expiring rate. Year-to-date rental spreads were led by Ontario and Québec at 14.9% and 11.4%, respectively, reflecting continued demand for industrial space in those markets.

As a result of when leases are executed, new lease and renewal rates on leased space reflect committed deals signed in prior periods. These rates may not be reflective of the rates transacted in the current period.

U.S. portfolio new lease, renewal and relocation spreads

The following table compares the U.S. portfolio's weighted average new, renewal and relocation rate on leased space that commenced during the three months and year ended December 31, 2019 to the weighted average prior and expiring rate.

U.S. portfolio (per sq. ft. amounts in US\$)	For the three months ended December 31, 2019	For the year ended December 31, 2019
New, renewal and relocation rate (per sq. ft.)	\$ 4.07	\$ 4.02
Prior and expiring rate (per sq. ft.)	\$ 3.23	\$ 3.30
New, renewal and relocation rate to prior and expiring rate spread (per sq. ft.) ⁽¹⁾	\$ 0.84	\$ 0.72
New, renewal and relocation rate to prior and expiring rate spread over prior and expiring rate (%) ⁽²⁾	26.0	21.8

(1) New, renewal and relocation rate to prior and expiring rate spread (per sq. ft.) is calculated as the difference between the weighted average new, renewal and relocation rate and the weighted average prior and expiring rate.

(2) New, renewal and relocation rate to prior and expiring rate spread over prior and expiring rate (%) is calculated as the ratio of new, renewal and relocation rate spread (per sq. ft.) divided by the weighted average prior and expiring rate (per sq. ft.).

For the three months and year ended December 31, 2019, the weighted average new, renewal and relocation rate to prior and expiring rate spread in the U.S. portfolio was 26.0% and 21.8% higher, respectively, than the weighted average prior and expiring rate. Our U.S. portfolio lease rollovers have been concentrated in Columbus, Ohio, and Chicago, Illinois, and we are seeing strong rental rate spreads on lease rollovers in those markets. Notably, during the quarter in Chicago, we completed a three-year renewal on approximately 155,000 square feet with a 37.0% spread to expiring rent and 4.0% annual contractual rent growth.

Total portfolio rental rates

Average in-place and committed base rent is contractual base rent and excludes recoveries and recoverable tenant inducements.

The following table details the average in-place and committed base rent for our total portfolio (excluding assets held for sale).

Total portfolio ⁽¹⁾	Average in-place and committed base rent (per sq. ft.)		
	December 31, 2019	September 30, 2019	December 31, 2018
Western Canada	\$ 8.83	\$ 8.88	\$ 8.93
Ontario	6.86	6.73	6.39
Québec	6.53	6.44	6.28
Total Canada – continuing operations	\$ 7.43	\$ 7.39	\$ 7.26
Eastern Canada	—	—	7.26
Total Canada	\$ 7.43	\$ 7.39	\$ 7.26
Total U.S. (US\$)	\$ 3.87	\$ 3.85	\$ 3.93

(1) Excludes assets held for sale at the end of each period as applicable.

As at December 31, 2019, the average in-place and committed base rent for our Canadian portfolio was \$7.43 per square foot compared to \$7.39 per square foot as at September 30, 2019 and \$7.26 per square foot as at December 31, 2018. The increase was primarily driven by lease rollovers in the Ontario and Québec regions where we are capturing strong positive rental rate spreads.

As at December 31, 2019, the average in-place and committed base rent for our U.S. portfolio was US\$3.87 per square foot compared to US\$3.85 per square foot as at September 30, 2019 and US\$3.93 per square foot as at December 31, 2018. The quarter-over-quarter increase was mainly attributable to strong rental spreads on lease rollovers in Columbus, Ohio, and Chicago, Illinois. The year-over-year decrease was primarily due to the lower average in-place and committed base rents inherited from the acquisition of the Midwest U.S. portfolio in the first quarter of 2019. Partially offsetting this decrease was the strong leasing activity with rental rate spreads of 21.8% over the prior and expiring rate.

The following table compares the average in-place and committed base rent per square foot with our estimated market rent per square foot by region for our total portfolio as at December 31, 2019.

Total portfolio	December 31, 2019			
	Average in-place and committed base rent (per sq. ft.)	Estimated market rent ⁽¹⁾ (per sq. ft.)	Estimated market rent/average in-place and committed base rent	WALT (years)
Western Canada	\$ 8.83	\$ 8.85	0.2%	3.7
Ontario	6.86	8.47	23.5%	4.7
Québec	6.53	6.56	0.5%	3.4
Total Canada – continuing operations	\$ 7.43	\$ 8.04	8.2%	4.0
Total U.S. (US\$)	\$ 3.87	\$ 4.31	11.4%	4.3
Total WALT (Canada and U.S.) (years)				4.1

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

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 independent 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, 2019, our Canadian and U.S. portfolios' estimated market rents were 8.2% and 11.4% higher, respectively, than the average in-place and committed base rents, presenting an opportunity for us to surface additional value as leases roll over in the respective markets.

Lease maturity profile, net of lease commitments

The following table details our total portfolio lease maturity profile by region, net of renewals and new leases completed as at December 31, 2019:

Total portfolio (in thousands of sq. ft.)	Vacancy, net of commitments	2020	2021	2022	2023	2024	2025+	Total
Western Canada	284	589	759	794	970	642	1,043	5,081
Ontario	167	443	628	836	546	471	2,329	5,420
Québec	33	411	632	870	632	446	1,097	4,121
Total Canada	484	1,443	2,019	2,500	2,148	1,559	4,469	14,622
Total U.S.	446	120	573	911	2,005	650	2,570	7,275
Total GLA	930	1,563	2,592	3,411	4,153	2,209	7,039	21,897
Percentage of total GLA	4.3%	7.1%	11.8%	15.6%	19.0%	10.1%	32.1%	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 2020 and 2024, range from 7.1% to 10.1%.

Lease expiry profile for 2020

The following table details our total portfolio lease maturity profile for 2020 by region, net of renewals and net of committed new leases on vacant space:

Total portfolio (in thousands of sq. ft.)	Western Canada	Ontario	Québec	Total Canada	Total U.S.	Total
2020 expiries (as at December 31, 2019)	(1,124)	(873)	(481)	(2,478)	(618)	(3,096)
Expiries committed for renewals	535	430	70	1,035	498	1,533
Expiries, net of renewals	(589)	(443)	(411)	(1,443)	(120)	(1,563)
Commitments as a % of expiries	47.6%	49.3%	14.6%	41.8%	80.6%	49.5%
Current vacancies	(324)	(306)	(37)	(667)	(457)	(1,124)
Current vacancies committed for future occupancy	40	139	4	183	11	194
Current vacancies, net of commitments for future occupancy	(284)	(167)	(33)	(484)	(446)	(930)

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.

Initial direct leasing costs shown in the table below include costs attributable to leases that commenced in the respective periods. Due to the timing of the signing of lease agreements, certain costs, such as lease commissions, may be incurred in advance of lease commencement.

For the three months ended December 31, 2019 and December 31, 2018, leasing costs associated with leases that commenced during the period were \$3.04 per square foot and \$3.75 per square foot, respectively. Leasing costs per square foot decreased compared to the prior year comparative quarter primarily due to 258,000 square feet of U.S. leasing activity in the current quarter with minimal leasing costs.

For the years ended December 31, 2019 and December 31, 2018, leasing costs were \$3.70 per square foot and \$2.90 per square foot, respectively. Leasing costs per square foot increased on a year-to-date basis, primarily attributable to lease commencements of flex office properties typically requiring higher leasing costs and a 351,000 square foot 10-year early renewal for our largest tenant in the Western Canada region. In Western Canada, we continue to focus on improving occupancy while prudently investing the necessary capital to lease up space.

Performance indicators for leases that commenced during the period ⁽¹⁾⁽²⁾	For the three months ended December 31,		For the year ended December 31,	
	2019	2018	2019	2018
Leases that commenced during the period (in thousands of sq. ft.)	1,413	636	3,491	2,875
WALT (years)	5.7	3.6	4.7	4.8
Lease incentives and initial direct leasing costs:				
In thousands of dollars	\$ 4,299	\$ 2,388	\$ 12,908	\$ 8,351
Per square foot	\$ 3.04	\$ 3.75	\$ 3.70	\$ 2.90

(1) Excludes Eastern Canada portfolio in the current and comparative period.

(2) Excluded from the three months and year ended December 31, 2018 are fully recoverable leasing costs of \$3.0 million and \$3.7 million, respectively.

Net rental income from continuing operations

Net rental income is defined by the Trust as total investment properties revenue less investment properties operating expenses from continuing operations.

For a detailed discussion about investment properties revenue and operating expenses from continuing operations for the three months and years ended December 31, 2019 and December 31, 2018, refer to the “Our Results of Operations” section.

	Three months ended December 31,				Year ended December 31,			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Western Canada	\$ 11,008	30%	\$ 10,622	35%	\$ 43,829	32%	\$ 43,348	38%
Ontario	9,223	26%	8,706	29%	36,703	26%	33,349	29%
Québec	6,820	19%	5,925	20%	25,635	18%	22,476	20%
U.S.	9,207	25%	4,890	16%	32,857	24%	15,062	13%
Properties sold and properties originally held for sale and subsequently sold ⁽¹⁾	(34)	0%	—	—%	2	0%	—	—%
Net rental income from continuing operations	\$ 36,224	100%	\$ 30,143	100%	\$ 139,026	100%	\$ 114,235	100%

(1) Excludes discontinued operations.

For the three months and year ended December 31, 2019, net rental income from continuing operations increased by \$6.1 million, or 20.2%, and \$24.8 million, or 21.7%, respectively, over the prior year comparative quarter and year, mainly driven by the impact of acquired investment properties in 2019 and 2018 and comparative properties NOI growth.

Comparative properties NOI (year-over-year comparison)

Comparative properties NOI (year-over-year comparison) is a non-GAAP measure used by management in evaluating the performance of properties fully owned by the Trust in the current and comparative periods presented. When the Trust compares comparative properties NOI on a year-over-year basis, the Trust excludes investment properties acquired after January 1, 2018, and properties held for sale or properties disposed of prior to or as at the current period. Comparative properties NOI also excludes lease termination fees and other rental income, straight-line rent, estimated credit losses and amortization of lease incentives. This 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.

Given that the entire Eastern Canada segment was classified as assets held for sale at the end of June 30, 2019 and subsequently sold on July 31, 2019, the associated results of operations for the three months and years ended December 31, 2019 and December 31, 2018 have been presented separately as income from discontinued operations and excluded from comparative properties NOI in the current and prior periods.

The tables below detail the comparative properties NOI by region and other items to assist in understanding the impact each component has on net rental income from continuing operations for the three months and years ended December 31, 2019 and December 31, 2018.

	December 31,		Three months ended		Change in weighted average occupancy %	Change in in-place base rent %
	2019	December 31, 2018	Change in \$	Change in %		
Western Canada	\$ 11,137	\$ 10,830	\$ 307	2.8%	2.1%	(1.1)%
Ontario	8,186	8,231	(45)	(0.5)%	(3.4)%	4.2%
Québec	6,265	5,865	400	6.8%	3.0%	1.0%
U.S.	1,320	1,330	(10)	(0.8)%	—%	0.5%
Comparative properties NOI	26,908	26,256	652	2.5%	0.4%	1.3%
NOI from acquired properties	9,254	3,976	5,278			
Lease termination fees and other	301	90	211			
Straight-line rent	287	203	84			
Expected credit loss	(92)	(223)	131			
Amortization of lease incentives	(400)	(293)	(107)			
NOI from sold properties	(34)	134	(168)			
Net rental income from continuing operations	\$ 36,224	\$ 30,143	\$ 6,081	20.2%		

For the three months ended December 31, 2019, comparative properties NOI increased by \$0.7 million, or 2.5%, compared to the prior year comparative quarter. The increase was primarily due to higher average occupancy in Western Canada and higher rental rates and average occupancy in Québec. In Ontario, the average in-place base rent increased 4.2% year-over-year but a temporary dip in occupancy offset the comparative properties NOI growth from the region.

	December 31,		Year ended		Change in weighted average occupancy %	Change in in-place base rent %
	2019	December 31, 2018	Change in \$	Change in %		
Western Canada	\$ 44,792	\$ 43,385	\$ 1,407	3.2%	1.7%	0.2%
Ontario	33,252	32,312	940	2.9%	(1.2)%	3.8%
Québec	24,457	22,744	1,713	7.5%	3.1%	1.6%
U.S.	5,318	5,153	165	3.2%	—%	0.5%
Comparative properties NOI	107,819	103,594	4,225	4.1%	1.0%	1.7%
NOI from acquired properties	31,620	10,121	21,499			
Lease termination fees and other	376	174	202			
Straight-line rent	1,173	955	218			
Expected credit loss	(491)	(446)	(45)			
Amortization of lease incentives	(1,461)	(1,131)	(330)			
NOI from sold properties	(10)	968	(978)			
Net rental income from continuing operations	\$ 139,026	\$ 114,235	\$ 24,791	21.7%		

For the year ended December 31, 2019, comparative properties NOI increased by \$4.2 million, or 4.1%, compared to the prior year. The increase was primarily due to the same reasons as noted above. The Trust's comparative properties portfolio in the U.S. comprised only two properties. Comparative properties NOI increased 3.2% due to contractual rent growth and a stronger U.S. dollar.

Comparative properties NOI (quarter-over-quarter comparison)

Comparative properties NOI (quarter-over-quarter comparison) is a non-GAAP measure used by management in evaluating the performance of properties fully owned by the Trust in the current and comparative periods presented. When the Trust compares comparative properties NOI on a quarter-over-quarter basis, the Trust excludes investment properties acquired after October 1, 2019, and properties held for sale or properties disposed of prior to or as at the current period. Comparative properties NOI also excludes lease termination fees and other rental income, straight-line rent, expected credit loss and amortization of lease incentives. This 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.

The table below details the comparative properties NOI by region and other items to assist in understanding the impact each component has on net rental income from continuing operations for the three months ended December 31, 2019 and September 30, 2019.

	December 31, 2019		September 30, 2019		Three months ended		Change in weighted average occupancy %	Change in in-place base rent %
	December 31, 2019	September 30, 2019	Change in \$	Change in %	Change in \$	Change in %		
Western Canada	\$ 11,134	\$ 11,411	\$ (277)	(2.4)%	(0.6)%	(1.5)%		
Ontario	9,272	9,471	(199)	(2.1)%	(0.9)%	0.5%		
Québec	6,477	6,500	(23)	(0.4)%	—%	(0.5)%		
U.S.	8,657	8,375	282	3.4%	(0.6)%	4.2%		
Comparative properties NOI	35,540	35,757	(217)	(0.6)%	(0.6)%	0.6%		
NOI from acquired properties	622	478	144					
Lease termination fees and other	301	55	246					
Straight-line rent	287	135	152					
Expected credit loss	(92)	(131)	39					
Amortization of lease incentives	(400)	(336)	(64)					
NOI from sold properties	(34)	(40)	6					
Net rental income from continuing operations	\$ 36,224	\$ 35,918	\$ 306	0.9%				

For the three months ended December 31, 2019, comparative properties NOI decreased by \$0.2 million, or 0.6%, compared to the prior quarter, primarily due to lower average occupancy and lower rental rates in Western Canada and lower average occupancy in Ontario, partially offset by higher rental rates in the U.S.

OUR RESULTS OF OPERATIONS

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Investment properties revenue	\$ 50,984	\$ 41,942	\$ 195,331	\$ 160,443
Investment properties operating expenses	(14,760)	(11,799)	(56,305)	(46,208)
Net rental income	36,224	30,143	139,026	114,235
Other income				
Interest and fee income	959	50	1,910	657
	959	50	1,910	657
Other expenses				
General and administrative	(3,203)	(2,408)	(12,060)	(10,095)
Interest:				
Debt ⁽¹⁾	(8,686)	(8,058)	(34,956)	(34,325)
Subsidiary redeemable units	(3,344)	(3,344)	(13,376)	(13,376)
Depreciation and amortization	(20)	(9)	(55)	(59)
	(15,253)	(13,819)	(60,447)	(57,855)
Fair value adjustments and net losses on transactions and other activities				
Fair value adjustments to investment properties	89,768	38,530	180,488	108,308
Fair value adjustments to financial instruments	4,314	8,876	(70,817)	(17,120)
Net losses on transactions and other activities	(3,822)	(643)	(4,929)	(4,394)
	90,260	46,763	104,742	86,794
Income before income taxes and discontinued operations	112,190	63,137	185,231	143,831
Current and deferred income taxes expense, net	(5,404)	(743)	(8,458)	(1,236)
Income from continuing operations, net of taxes	106,786	62,394	176,773	142,595
Income (loss) from discontinued operations, net of taxes	(144)	4,061	2,659	14,933
Net income	\$ 106,642	\$ 66,455	\$ 179,432	\$ 157,528
Other comprehensive income (loss)				
Items that will be reclassified subsequently to net income:				
Unrealized gain (loss) on foreign currency translation, net of taxes	\$ (5,921)	\$ 7,703	\$ (11,346)	\$ 11,990
Unrealized gain (loss) on effective interest rate hedge, net of taxes	—	6	(36)	92
	(5,921)	7,709	(11,382)	12,082
Comprehensive income	\$ 100,721	\$ 74,164	\$ 168,050	\$ 169,610

(1) For the three months and year ended December 31, 2019, mark-to-market amortization included in interest expense was a gain of \$0.2 million and \$0.6 million, respectively (for the three months and year ended December 31, 2018 – gain of \$0.2 million and \$0.3 million, respectively).

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 for the three months and year ended December 31, 2019 increased by \$9.0 million, or 21.6%, and \$34.9 million, or 21.7%, respectively, compared to the prior year comparative quarter and year. The increase is mainly due to the impact of acquired properties in 2019 and 2018, as well as higher overall weighted average occupancy and rental rates.

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 for the three months and year ended December 31, 2019 increased by \$3.0 million, or 25.1%, and \$10.1 million, or 21.9%, respectively, compared to the prior year comparative quarter and year. The increase is primarily due to the impact of acquired properties in 2019 and 2018 as well as higher overall weighted average occupancy.

General and administrative expenses

The following table summarizes our general and administrative (“G&A”) expenses for the three months and years ended December 31, 2019 and December 31, 2018:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Asset management fee	\$ (1,250)	\$ (1,032)	\$ (4,775)	\$ (3,909)
Professional fees and general corporate expenses ⁽¹⁾	(1,487)	(950)	(5,129)	(4,005)
Deferred compensation expenses	(466)	(426)	(2,156)	(2,181)
Total	\$ (3,203)	\$ (2,408)	\$ (12,060)	\$ (10,095)

(1) General corporate expenses include 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, 2019 increased by \$0.8 million, or 33.0%, and \$2.0 million, or 19.5%, respectively, compared to the prior year comparative quarter and year. Asset management fees increased due to the acquisitions completed in 2019 and 2018. Professional fees and general corporate expenses increased due to higher overhead costs and business taxes applicable to the U.S. acquired properties.

Interest expense on debt

Interest expense on debt for the three months and year ended December 31, 2019 increased by \$0.6 million, or 7.8%, and \$0.6 million, or 1.8%, respectively, compared to the prior year comparative quarter and year.

Interest expense increased due to short-term borrowings used to fund acquisitions and new mortgages placed on the acquired properties. The increase in interest expense was partially offset by the discharge of Eastern Canada portfolio mortgages using the net proceeds from the Eastern Canada disposition and the redemption of the 5.25% convertible debentures in the third quarter of 2018.

Fair value adjustments to investment properties

Refer to the section “Fair value adjustments to investment properties” under the heading “Investment Properties” for a discussion of fair value changes to investment properties for the three months and year ended December 31, 2019.

Fair value adjustments to financial instruments

Fair value adjustments to financial instruments include remeasurements of the carrying value of subsidiary redeemable units and deferred trust units. The fair value adjustments to these financial instruments is dependent on the change in the Trust’s REIT Unit price, and the adjustments may vary significantly year-over-year. The fair value adjustments on the interest rate swaps are valued by qualified independent valuation professionals based on the present value of the estimated future cash flows determined using observable yield curves, and the adjustments may vary significantly year-over-year.

The following table summarizes our fair value adjustments to financial instruments for the three months and years ended December 31, 2019 and December 31, 2018:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Remeasurement of carrying value of subsidiary redeemable units	\$ 1,670	\$ 10,946	\$ (67,158)	\$ (13,357)
Remeasurement of carrying value of Deferred Unit Incentive Plan (“DUIP”)	(90)	237	(3,140)	(829)
Fair value adjustment on interest rate swaps	2,734	(2,307)	(519)	(629)
Fair value adjustment on conversion feature of convertible debentures	—	—	—	(2,305)
Total	\$ 4,314	\$ 8,876	\$ (70,817)	\$ (17,120)

Net losses on transactions and other activities

The following table summarizes our net losses on transactions and other activities for the three months and years ended December 31, 2019 and December 31, 2018:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Internal leasing costs	\$ (596)	\$ (643)	\$ (2,321)	\$ (2,613)
Foreign exchange loss ⁽¹⁾	(2,219)	—	(1,572)	—
Costs on sale of investment properties ⁽²⁾	(409)	—	(438)	—
Debt settlement costs ⁽³⁾	(372)	—	(372)	(1,932)
Transaction cost recovery (other)	(226)	—	(226)	151
Total	\$ (3,822)	\$ (643)	\$ (4,929)	\$ (4,394)

(1) The foreign exchange loss relates to capital transactions which do not form part of the Trust's net investment in the U.S. operations. Accordingly, the impact of such foreign exchange adjustments was added back in the determination of FFO (non-GAAP measure) in the respective periods.

(2) Costs on sale of investment properties consist of transaction costs, commissions and other expenses incurred in relation to the disposal of investment properties.

(3) 2019 debt settlement costs relate to the discharge of mortgages on sold properties. 2018 debt settlement costs relate to the write-off of unamortized financing costs and fair value adjustments associated with the early redemption 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 and year ended December 31, 2019 increased by \$4.7 million and \$7.2 million, respectively, compared to the prior year comparative quarter and year. The increases were primarily driven by the difference between the fair value of our U.S. investment properties relative to the tax cost base. Substantially all of the current and deferred income taxes expense for the three months and years ended December 31, 2019 and December 31, 2018 are deferred income taxes.

Income (loss) from discontinued operations

Given that the entire Eastern Canada region was included in assets held for sale at June 30, 2019 and subsequently disposed of on July 31, 2019, the associated results of operations for the three months and years ended December 31, 2019 and December 31, 2018 have been presented separately as income (loss) from discontinued operations.

For the three months ended December 31, 2019, the Trust recorded a loss from discontinued operations of \$0.1 million, comprising additional costs on sale of investment properties.

For the year ended December 31, 2019, income from discontinued operations was \$2.7 million, comprising net rental income of \$10.8 million, offset by costs on sale of investment properties and debt settlement costs of \$3.7 million, fair value adjustments to investment properties of \$2.4 million, and cumulative other items of \$2.0 million.

Other comprehensive income (loss)

Other comprehensive loss for the three months ended December 31, 2019 was \$5.9 million, and for the year ended December 31, 2019, other comprehensive loss was \$11.3 million, primarily due to the impact of the weaker U.S. dollar relative to the Canadian dollar on our net U.S. investment.

Funds from operations ("FFO")

FFO (including diluted FFO per Unit) is a non-GAAP measure used by management in evaluating the Trust's operating performance. FFO per Unit is calculated as FFO divided by the weighted average number of Units. FFO and weighted average number of Units are further defined in the section "Non-GAAP measures and other disclosures".

Prior to the early redemption of the convertible debentures on August 2, 2018, the calculation of diluted FFO per Unit included the impact of the assumed conversion of the outstanding convertible debentures into REIT Units. Correspondingly, for the year ended December 31, 2018, the calculation of diluted FFO per Unit included the add-back of convertible debentures interest expense of \$4.2 million.

FFO and diluted FFO per Unit for the three months and years ended December 31, 2019 and December 31, 2018 are shown in the table below:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
FFO	\$ 25,809	\$ 24,060	\$ 105,036	\$ 88,166
Add-back: Convertible debentures interest expense	—	—	—	4,185
Diluted FFO	\$ 25,809	\$ 24,060	\$ 105,036	\$ 92,351
Weighted average number of Units (in thousands)	143,175	111,033	134,211	107,788
FFO per Unit – diluted	\$ 0.18	\$ 0.22	\$ 0.78	\$ 0.86

Diluted FFO per Unit for the three months and year ended December 31, 2019 was 18 cents and 78 cents, respectively, compared to 22 cents and 86 cents, respectively, for the three months and year ended December 31, 2018. FFO per Unit was lower primarily due to lower leverage, partially offset by higher comparative properties NOI (a non-GAAP measure) and net rental income from our acquired properties.

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”)

The following table summarizes our fees paid to or received from DAM, including both continuing and discontinued operations for the three months and years ended December 31, 2019 and December 31, 2018:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Incurred under the Asset Management Agreement:				
Asset management fee (included in general and administrative expenses)	\$ (1,250)	\$ (1,210)	\$ (5,190)	\$ (4,621)
Acquisition fee (included in investment properties)	(214)	(136)	(2,662)	(1,556)
Expense reimbursements related to financing arrangements	(110)	(75)	(380)	(369)
Total costs incurred under the Asset Management Agreement	\$ (1,574)	\$ (1,421)	\$ (8,232)	\$ (6,546)
Total costs reimbursed under the Shared Services and Cost Sharing Agreement				
	\$ (207)	\$ (161)	\$ (716)	\$ (657)
Total property management fees earned under the Property Management Agreement				
	\$ —	\$ 22	\$ 7	\$ 87

The Asset Management Agreement (“AMA”) with DAM provides for an incentive fee payable in an amount equal to 15% of the Trust’s adjusted funds from operations (“AFFO”) per Unit as defined in the AMA, which includes gains on the disposition of any properties in the year in excess of the hurdle amount initially set at 80 cents per Unit and which increases annually by 50% of the increase in the consumer price index (“Hurdle Amount”).

The AMA has an initial term ending October 3, 2022 and is automatically renewed for further five-year terms unless and until terminated in accordance with its terms. The AMA may be terminated by DAM at any time after the initial term. Other than in respect of termination resulting from certain events of insolvency of DAM, on termination of the AMA, all accrued fees under the AMA, including the incentive fee, are payable to DAM. In such circumstances or if the Trust is acquired, the incentive fee is calculated as if all the Trust’s properties were sold on the applicable date.

Disposition gains in the AFFO calculation used for determining the incentive fee are based on the fair value of the Trust’s investment properties, at the applicable date, relative to their historic purchase price. As at December 31, 2019, the historic purchase price for the Trust’s investment portfolio, excluding assets held for sale, was \$2.0 billion (December 31, 2018 – \$1.9 billion).

For the most recently completed fiscal year ended October 3, 2019 for the AMA, the Hurdle Amount for the purpose of calculating the incentive fee was \$0.86 per Unit. As at December 31, 2019 and December 31, 2018, no incentive fees have been paid or payable by the Trust to DAM.

The amount of the incentive fee payable by the Trust on any date will be contingent upon various factors, including, but not limited to, changes in the Trust's AFFO as defined in the AMA, movements in the fair value of investment properties, acquisitions and dispositions, future foreign exchange rates, and changes in the total number of outstanding units of the Trust.

On February 1, 2019, the Property Management Agreement for Dream Industrial Management LP ("DIMLP") to manage one property on behalf of a subsidiary of DAM was terminated as the property is no longer owned by DAM.

Agreements with Dream Hard Assets Alternatives Trust ("DHAAT")

The following table summarizes our fees received from DHAAT for the three months and years ended December 31, 2019 and December 31, 2018:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Total revenue under lease agreements and the Property Management Agreement	\$ 8	\$ 37	\$ 119	\$ 151

The Trust had a co-ownership agreement to jointly own six properties at 50% ownership interest with a subsidiary of DHAAT and had a Property Management Agreement to manage the co-owned properties. On August 30, 2019, the Trust completed the acquisition of DHAAT's remaining 50% interest in six investment properties in Regina, Saskatchewan. Concurrently, the Property Management Agreement for DIMLP to manage the co-owned properties with DHAAT was terminated.

The Trust had lease agreements with a subsidiary of DHAAT to lease roof-top space. On October 29, 2019, the lease agreements with DHAAT were assigned to a third party.

Agreements with Dream Office Real Estate Investment Trust ("Dream Office REIT")

The following table summarizes the costs reimbursed to Dream Office REIT for the three months and years ended December 31, 2019 and December 31, 2018:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Total costs reimbursed under the Services Agreement	\$ (996)	\$ (919)	\$ (4,037)	\$ (3,304)

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 paid and payable on LP B Units 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, 2019 and December 31, 2018:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Distributions paid and payable to Dream Office REIT on subsidiary redeemable units	\$ (3,344)	\$ (3,344)	\$ (13,376)	\$ (13,376)

Agreements with PAULS Corp

The following table summarizes our fees paid and costs reimbursed to an affiliate of PAULS Corp for the three months and years ended December 31, 2019 and December 31, 2018:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Property management	\$ (202)	\$ (100)	\$ (733)	\$ (336)
Portfolio management	(159)	(45)	(439)	(122)
Leasing costs	(92)	—	(133)	—
Financing costs	(55)	(10)	(85)	(49)
Total costs incurred under the Property Management Agreement	\$ (508)	\$ (155)	\$ (1,390)	\$ (507)

SECTION III

INVESTMENT PROPERTIES

Investment properties continuity

Changes in the value of our investment properties by region, including assets held for sale, for the three months and year ended December 31, 2019 are summarized in the following tables:

	Three months ended						
	September 30, 2019	Property acquisitions ⁽¹⁾	Property dispositions	Building improvements, lease incentives and initial direct leasing costs	Fair value adjustments	Amortization of lease incentives, foreign currency translation and other adjustments	December 31, 2019
Western Canada	\$ 630,818	\$ —	\$ (1,530)	\$ 2,832	\$ (9,889)	\$ (285)	\$ 621,946
Ontario	721,487	18,000	—	940	76,706	(72)	817,061
Québec	408,359	—	—	728	5,096	(98)	414,085
U.S.	568,443	—	—	173	17,855	(10,899)	575,572
Total investment properties	\$ 2,329,107	\$ 18,000	\$ (1,530)	\$ 4,673	\$ 89,768	\$ (11,354)	\$ 2,428,664
Total assets held for sale	\$ 5,150	\$ —	\$ (5,150)	\$ —	\$ —	\$ —	\$ —

(1) Includes transaction costs.

	Year ended						
	January 1, 2019	Property acquisitions ⁽¹⁾	Property dispositions and reclassifications to assets held for sale, net	Building improvements, lease incentives and initial direct leasing costs	Fair value adjustments	Amortization of lease incentives, foreign currency translation and other adjustments	December 31, 2019
Western Canada	\$ 627,354	\$ 8,263	\$ (8,030)	\$ 10,451	\$ (15,281)	\$ (811)	\$ 621,946
Ontario	610,470	62,010	(5,150)	6,058	143,724	(51)	817,061
Québec	353,351	33,720	—	3,669	23,883	(538)	414,085
U.S.	293,549	272,700	—	699	28,162	(19,538)	575,572
Eastern Canada	253,687	—	(254,970)	3,321	(1,941)	(97)	—
Total investment properties	\$ 2,138,411	\$ 376,693	\$ (268,150)	\$ 24,198	\$ 178,547	\$ (21,035)	\$ 2,428,664
Total assets held for sale	\$ 3,900	\$ —	\$ (4,484)	\$ 1,058	\$ (450)	\$ (24)	\$ —

(1) Includes transaction costs.

Acquisitions

The following acquisitions were completed during the year ended December 31, 2019:

	Acquired GLA (thousands of sq. ft.)	Occupancy at acquisition (%)	WALT at acquisition (years)	Purchase price ⁽¹⁾	Date acquired
Midwest U.S. portfolio ⁽²⁾	3,523	91.1	3.8	\$ 237,486	March 1, 2019
1602 Tricont Avenue, Whitby, Ontario	257	98.1	7.7	35,800	April 30, 2019
8820 Smith's Mill Road, Columbus, Ohio	264	100.0	6.8	31,857	June 4, 2019
333 Wyecroft Road, Oakville, Ontario	43	100.0	3.4	7,000	June 13, 2019
1250–1280 Humber Place, Ottawa, Ontario	233	100.0	4.5	32,800	July 22, 2019
Saskatchewan portfolio ⁽³⁾	59	87.0	3.1	8,148	August 30, 2019
300 Orenda Road, Brampton, Ontario	97	100.0	7.0	17,420	December 16, 2019
Total	4,476	92.7	4.3	\$ 370,511	

(1) Excludes transaction costs of \$6,182.

(2) Midwest U.S. portfolio includes 21 investment properties: four in Chicago, Illinois; two in Cincinnati, Ohio; 12 in Columbus, Ohio; two in Indianapolis, Indiana; and one in Louisville, Kentucky.

(3) Saskatchewan portfolio includes 50% interest in six investment properties in Regina, Saskatchewan, previously co-owned with DHAAT, a related party of the Trust.

For the year ended December 31, 2018, the Trust completed acquisitions of five properties in the U.S. and one property in each of Ontario and Québec for gross proceeds net of adjustments and before transaction costs totalling \$243.1 million.

On January 22, 2020, the Trust announced its expansion into the European light industrial and logistics markets. Since announcing our European expansion strategy, the Trust has completed approximately \$52 million (€35 million) of acquisitions in the Netherlands and approximately \$15 million (€10 million) in Germany. Further, the Trust is in exclusive negotiations or under contract on approximately \$55 million (€38 million) of acquisitions in Germany and has waived conditions on approximately \$205 million (€140 million) of acquisitions in the Netherlands. Subject to satisfactory completion of due diligence, the Trust expects to complete these acquisitions in the first half of 2020. Upon completion of these acquisitions, the Trust's European portfolio will comprise 3.2 million square feet of well-located, high-quality industrial assets totalling approximately \$327 million in gross asset value, representing 11% of the Trust's overall investment property value as of December 31, 2019 including the Canadian and European acquisitions announced in 2020.

Subsequent to December 31, 2019, the Trust completed the following acquisitions in Canada, the Netherlands and Germany:

	Acquired GLA (thousands of sq. ft.)	Occupancy at acquisition (%)	WALT at acquisition (years)	Purchase price ⁽¹⁾	Date acquired
840 Trillium Drive, Kitchener, Ontario ⁽²⁾	39	100.0	11.0	\$ 5,700	January 13, 2020
Berkshire portfolio, Kitchener, Ontario ⁽²⁾	566	100.0	2.9	62,500	January 17, 2020
1995 Markham Road, Scarborough, Ontario ⁽²⁾	241	100.0	7.0	33,100	January 22, 2020
Exportweg 20–22, Waddinxveen, Netherlands ⁽³⁾	169	100.0	14.8	27,355	January 22, 2020
Het Sterrenbeeld 12–16, Den Bosch, Netherlands ⁽³⁾	95	100.0	6.5	10,700	January 28, 2020
Robert-Bosch-Straße 7–9, Dietzenbach, Germany ⁽³⁾	160	75.1	10.7	14,950	January 31, 2020
Heibloemweg 10, Helmond, Netherlands ⁽³⁾	117	100.0	9.0	13,598	February 5, 2020
Total	1,387	97.1	7.0	\$ 167,903	

(1) Gross purchase price before adjustments and transaction costs.

(2) As at December 31, 2019, the Trust had a commitment to purchase the property.

(3) Acquisitions in the Netherlands and Germany were settled in euros and translated into Canadian dollars as at the respective transaction dates.

Including the Ontario property that closed on December 16, 2019 and the Ontario properties that closed subsequent to December 31, 2019, the Trust has completed or is under contract to acquire approximately \$170 million of properties comprising 1.3 million square feet of GLA in Ontario and Québec at a weighted average cap rate of 4.6%.

Assets held for sale

During the year ended December 31, 2019, the Trust classified as assets held for sale all of the investment properties in the Eastern Canada region and a property located in London, Ontario. The properties were subsequently sold on July 31, 2019 and November 28, 2019, respectively. Accordingly, as at December 31, 2019, the Trust had no investment properties classified as assets held for sale.

For the year ended December 31, 2018, the Trust had one property in Eastern Canada classified as assets held for sale of \$3.9 million.

Dispositions

For the year ended December 31, 2019, the Trust disposed of the following properties:

	GLA (thousands of sq. ft.)	Sale price ⁽¹⁾	Date disposed
9601 156th Avenue, Grande Prairie, Alberta	27	\$ 6,500	May 24, 2019
Eastern Canada portfolio ⁽²⁾	2,779	259,454	July 31, 2019
2190 Industrial Drive, Regina, Saskatchewan	12	1,530	November 8, 2019
439 Sovereign, London, Ontario	78	5,150	November 28, 2019
Total	2,896	\$ 272,634	

(1) Sale price reflects gross proceeds net of adjustments and before transaction costs.

(2) Consists of 38 investment properties in Dartmouth, Nova Scotia, and Moncton, New Brunswick.

For the year ended December 31, 2018, there were no dispositions completed by the Trust.

Fair value adjustments to investment properties

For the three months ended December 31, 2019, the Trust recorded a fair value gain of \$89.8 million, mainly driven by fair value gains in the Ontario, Québec and U.S. regions of \$76.7 million, \$5.1 million and \$17.9 million, respectively. The fair value gains in Ontario and Québec were largely due to higher market rent assumptions and cap rate compression, while in the U.S., the fair value gains were mainly due to cap rate compression. Partially offsetting these fair value gains were fair value losses recognized in the Western Canada region of \$9.9 million, primarily reflecting lower market rent assumptions and increased downtime in our leasing assumptions.

For the year ended December 31, 2019, the Trust recorded a fair value gain of \$180.5 million in continuing operations, mainly driven by fair value gains in the Ontario, Québec and U.S. regions of \$143.7 million, \$23.9 million and \$28.2 million, respectively, partially offset by a fair value loss in the Western Canada region of \$15.3 million. The fair value adjustments in the respective regions were due to the same reasons noted above, offset by the impact of the write-off of transaction costs on acquired properties in the respective regions during the year.

Foreign currency translation

For the three months and year ended December 31, 2019, the foreign currency translation impact on our U.S. portfolio was a reduction in value by \$11.3 million and \$20.7 million, respectively, due to a weaker U.S. dollar relative to the Canadian dollar in the respective periods.

Significant assumptions used in the valuation of investment properties

The Trust values its investment properties using both the cap 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 cap rate method are cap rates. The following table summarizes cap rates by region as at December 31, 2019 and December 31, 2018:

	December 31, 2019		Total portfolio ⁽¹⁾ December 31, 2018	
	Range (%)	Weighted average (%) ⁽²⁾	Range (%)	Weighted average (%) ⁽²⁾
Western Canada	5.75–7.50	6.60	6.00–8.00	6.62
Ontario	4.50–7.50	5.23	5.00–7.50	5.58
Québec	5.50–6.50	6.13	6.00–7.00	6.25
Eastern Canada	—	—	6.50–9.25	7.22
Total Canada	4.50–7.50	5.90	5.00–9.25	6.29
Total U.S.	5.75–6.75	6.12	6.00–6.60	6.33
Total portfolio	4.50–7.50	5.95	5.00–9.25	6.29

(1) Excludes assets held for sale at period-end and investment properties acquired during the quarter as applicable.

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

The significant valuation metrics used in the discounted cash flow method as at December 31, 2019 and December 31, 2018 are set out in the table below:

	December 31, 2019		Total portfolio ⁽¹⁾ December 31, 2018	
	Range (%)	Weighted average (%) ⁽²⁾	Range (%)	Weighted average (%) ⁽²⁾
Discount rate	5.38–8.75	6.92	6.00–9.00	7.16
Terminal cap rate	5.00–8.00	6.28	5.50–8.00	6.55

(1) Excludes assets held for sale at period-end and investment properties acquired during the quarter as applicable.

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

Valuations of externally appraised properties

The following table summarizes the investment properties valued by qualified external valuation professionals for the years ended December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
Investment properties valued by qualified external valuation professionals	\$ 547,585	\$ 655,620
Number of investment properties valued by qualified external valuation professionals	59	47
Percentage of the total investment property values	23%	31%

Building improvements

Building improvements represent investments made in 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.

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

Value-add capital expenditures are not recovered from tenants and include upgrades completed on certain properties that are expected to increase the Trust's ability to attract tenants and obtain higher rental rates.

The following table summarizes building improvements incurred for the three months and years ended December 31, 2019 and December 31, 2018:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Recoverable capital expenditures	\$ 426	\$ 1,164	\$ 6,370	\$ 7,880
Non-recoverable capital expenditures	204	94	633	673
Value-add capital expenditures	492	1,419	1,844	2,775
Building improvements – continuing operations⁽¹⁾	1,122	2,677	8,847	11,328
Add: Building improvements – Eastern Canada ⁽²⁾	—	455	933	2,496
Total building improvements	\$ 1,122	\$ 3,132	\$ 9,780	\$ 13,824

(1) Excludes Eastern Canada portfolio in the current and comparative period.

(2) Includes activity prior to the Eastern Canada region being reclassified to assets held for sale.

Lease incentives and initial direct leasing costs

Refer to the section "Lease incentives and initial direct leasing costs" under the heading "Our Operations" for further discussion.

OUR FINANCING

Our discussion of financing activities includes debt related to assets held for sale at the end of each period as applicable.

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.

Debt summary

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

	As at	
	December 31, 2019	December 31, 2018
Financing metrics⁽¹⁾		
Total debt	\$ 1,014,568	\$ 937,730
Weighted average face interest rate on debt (period-end) ⁽²⁾	3.59%	3.65%
Weighted average remaining term to maturity on debt (years)	5.5	4.4
Interest coverage ratio (times) ⁽³⁾⁽⁴⁾	3.8	3.3
Level of debt (net debt-to-assets ratio) ⁽³⁾	23.7%	43.5%
Net debt-to-adjusted EBITDAFV (years) ⁽³⁾	4.3	7.2
Unencumbered assets ⁽³⁾⁽⁴⁾	\$ 96,251	\$ 190,694
Available liquidity ⁽³⁾	\$ 591,537	\$ 103,162

(1) Financing metrics include assets and liabilities classified as held for sale and income from discontinued operations as applicable.

(2) Weighted average face interest rate on debt is calculated as the weighted average face interest rate of all interest bearing debt as at period-end.

(3) Interest coverage ratio, level of debt (net debt-to-assets ratio), net debt-to-adjusted EBITDAFV, unencumbered assets and available liquidity are non-GAAP measures. The descriptions and calculations of these measures are included under the heading "Non-GAAP Measures and Other Disclosures".

(4) Interest coverage ratio and unencumbered assets (non-GAAP measures) have been restated in the comparative periods to conform to current period presentation. For further details, please refer to the section "Non-GAAP Measures and Other Disclosures" under the headings "Interest coverage ratio" and "Unencumbered assets".

Overall debt metrics on a year-over-year basis improved mainly due to financing, equity offering and acquisition activities during the year, lowering the cost of borrowing, extending the debt maturity periods and funding acquisitions with net proceeds from equity offerings and dispositions.

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 assets exceed our current liabilities by \$349.0 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 total \$27.5 million, and debt maturities that are due within one year total \$34.8 million. The debt maturities are typically refinanced with mortgages of terms between five and 10 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. With our balanced debt maturity schedule, undrawn revolving credit facility of \$150.0 million, cash and cash equivalents of \$441.5 million and unencumbered assets pool of \$96.3 million, we have sufficient liquidity and capital resources as at December 31, 2019.

Financing activities

The following table highlights new mortgage financing activities completed for the year ended December 31, 2019:

Date of financing	Location of secured properties	Amount ⁽¹⁾	Term to maturity (years)	Face interest rate
New mortgages				
January 11, 2019	Columbus, Ohio	\$ 48,528	10.0	4.57%
July 30, 2019	Ontario, Western Canada	50,000	10.0	3.17%
December 5, 2019	Midwest, U.S. portfolio	171,262	10.1	3.10%
Assumed mortgages				
August 30, 2019	Western Canada	5,384	1.3	3.25%

(1) Excludes financing costs.

On July 30, 2019, in connection with the sale of the Eastern Canada portfolio, the Trust amended a portfolio mortgage which was partially secured by certain Eastern Canada assets, totalling \$41.1 million at an annual interest rate of 3.68%. The Eastern Canada properties were discharged and the Trust concurrently entered into a new \$50.0 million portfolio mortgage secured by the remaining investment properties, for a 10-year term at an annual interest rate of 3.17%. The portfolio mortgage is interest-only during the first three years.

On July 31, 2019, the Trust discharged Eastern Canada portfolio mortgages totalling \$36.2 million. In addition, the Trust substituted collateral on one mortgage totalling \$10.5 million and two portfolio mortgages where the pro-rata allocation to Eastern Canada assets was \$14.2 million with all terms remaining unchanged.

On August 30, 2019, in connection with the acquisition of the remaining 50% interest in six investment properties in Regina, Saskatchewan, previously co-owned with a related party, DHAAT, the Trust assumed the remaining 50% interest in mortgages associated with the properties, totalling \$5.4 million at an annual interest rate of 3.25%.

During the year ended December 31, 2018, the Trust completed new mortgage financing totalling \$241.0 million with an average term to maturity of 7.5 years and weighted average face interest rate of 3.86%.

Demand revolving credit facilities

On March 15, 2019, the Trust amended its existing revolving credit facility by increasing the borrowing limit from \$125 million to \$150 million and extending the maturity date from June 30, 2020 to June 30, 2021. The interest rate remained at bankers' acceptances ("BA"), bearing interest at the 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%.

On July 31, 2019, the Trust removed the five secured investment properties in Eastern Canada from the revolving credit facility and on September 27, 2019, the Trust replaced them with two investment properties in Ontario and two investment properties in Western Canada. The borrowing limit remained at \$150 million.

Refer to Note 11 of the consolidated financial statements for details on our demand revolving credit facilities.

Composition and continuity of total debt

Refer to Notes 10 and 11 of the consolidated financial statements for details on the composition and continuity of our debt.

Our current total debt profile is balanced with maturities well-distributed over the next 10 years. The following is our total debt as at December 31, 2019:

	Debt balance due at maturity	Scheduled principal repayments on debt maturing in future periods	Amount	Weighted average face rate on balance due at maturity
2020	\$ 34,758	\$ 27,539	\$ 62,297	3.14%
2021	143,935	25,228	169,163	4.10%
2022	89,484	20,628	110,112	3.07%
2023	138,704	16,012	154,716	3.63%
2024	62,838	14,449	77,287	3.68%
2025–2030	398,492	49,625	448,117	3.56%
Total	\$ 868,211	\$ 153,481	\$ 1,021,692	3.60%
Unamortized financing costs			(8,073)	
Unamortized fair value adjustments			949	
Total debt			\$ 1,014,568	

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, 2019		December 31, 2018	
	Number of Units	Amount	Number of Units	Amount
REIT Units and Unitholders' equity	134,801,881	\$ 1,372,564	92,062,659	\$ 887,757
Retained earnings	—	187,443	—	90,621
Accumulated other comprehensive income (loss)	—	(435)	—	10,947
Total equity per consolidated financial statements	134,801,881	1,559,572	92,062,659	989,325
Add: LP B Units	18,551,855	243,771	18,551,855	176,613
Total equity (including LP B Units)⁽¹⁾	153,353,736	\$ 1,803,343	110,614,514	\$ 1,165,938
NAV per Unit⁽¹⁾		\$ 11.76		\$ 10.54

(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".

As at December 31, 2019, NAV per Unit was \$11.76 compared to \$10.54 at December 31, 2018, up \$1.22 or 11.6%. The year-over-year increase in NAV per Unit largely reflects an increase in investment property values due to higher market rents, lower capitalization rates, and strong leasing activity in the Ontario and Québec regions.

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.

Pursuant to 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, the following table summarizes the number of REIT Units issued and cost of issuing the REIT Units to the subsidiaries of Dream Office REIT for the three months and years ended December 31, 2019 and December 31, 2018:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
REIT Units issued to Dream Office REIT	362,315	468,373	1,591,434	1,769,595
Total cost of REIT Units issued to Dream Office REIT	\$ 4,906	\$ 4,613	\$ 19,222	\$ 17,914

The table below summarizes Dream Office REIT's ownership of the Trust as at December 31, 2019 and December 31, 2018:

	December 31, 2019		December 31, 2018	
	Number of Units	Percentage	Number of Units	Percentage
Number of REIT Units held by Dream Office REIT	8,792,170	5.7%	7,200,736	6.5%
Number of LP B Units held by Dream Office REIT	18,551,855	12.1%	18,551,855	16.8%
Total number of Units held by Dream Office REIT	27,344,025	17.8%	25,752,591	23.3%
Dream Office REIT's percentage ownership of the Trust		17.8%		23.3%

Subsequent to the completion of the public offering of 16,859,000 REIT Units by the Trust on February 12, 2020, Dream Office REIT's ownership decreased to 16.1%.

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, 2019	92,062,659	18,551,855	110,614,514
Units issued pursuant to public offerings and private placement	39,436,500	—	39,436,500
Units issued pursuant to DRIP	3,170,829	—	3,170,829
Units issued pursuant to DUIP and Unit Purchase Plan	131,893	—	131,893
Total Units outstanding on December 31, 2019	134,801,881	18,551,855	153,353,736
Percentage of all Units	87.9%	12.1%	100.0%
Units issued pursuant to public offering	16,859,000	—	16,859,000
Units issued pursuant to DRIP	547,531	—	547,531
Units issued pursuant to DUIP and Unit Purchase Plan	2,143	—	2,143
Total Units outstanding on February 18, 2020⁽¹⁾	152,210,555	18,551,855	170,762,410
Percentage of all Units	89.1%	10.9%	100.0%

(1) The date of this report.

Public offerings and private placement of REIT Units

The following table summarizes the public offerings of REIT Units issued for the year ended December 31, 2019:

Date of public offering	Number of REIT Units	Unit price	Gross proceeds	Issue costs
February 13, 2019 ⁽¹⁾	13,800,000	\$ 10.45	\$ 144,210	\$ 6,408
April 25, 2019 ⁽²⁾	12,477,500	11.55	144,115	6,405
December 11, 2019 ⁽³⁾	12,834,000	13.45	172,617	7,565
Total	39,111,500	\$	460,942	\$ 20,378

(1) Includes 1,800,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

(2) Includes 1,627,500 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

(3) Includes 1,674,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

On December 19, 2019, the Trust completed a private placement to sell an aggregate of 325,000 REIT Units to Michael J. Cooper, Trustee, and Brian Pauls, Chief Executive Officer and Trustee, at a price of \$13.45 per REIT Unit, for gross proceeds of \$4.4 million.

Subsequent to year-end on February 12, 2020, the Trust completed a public offering of 16,859,000 REIT Units at a price of \$13.65 per REIT Unit for gross proceeds of \$230.1 million, including 2,199,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

The following table summarizes the public offering of REIT Units issued for the year ended December 31, 2018:

Date of public offering	Number of REIT Units	Unit price	Gross proceeds	Issue costs
June 29, 2018 ⁽¹⁾	13,915,000	\$ 10.35	\$ 144,020	\$ 6,388

(1) Includes 1,815,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

Short form base shelf prospectus

On October 15, 2019, the Trust filed and obtained a receipt for a final short form base shelf prospectus dated October 11, 2019, 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, or any combination thereof, having an aggregate offering price of up to \$2 billion. As at December 31, 2019, \$172.6 million of REIT Units have been issued under the current base shelf prospectus. On February 12, 2020, the Trust issued a further \$230.1 million of REIT Units under the current base shelf prospectus, bringing the total to \$402.7 million. The issuance is pursuant to the current base shelf prospectus as supplemented by the prospectus supplement.

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 REIT Unit, or \$0.70 per REIT 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 years ended December 31, 2019 and December 31, 2018:

	Three months ended December 31, 2019		Three months ended December 31, 2018	
	Amount	% of total	Amount	% of total
Distributions reinvested less 3% bonus distribution (DRIP participation rate) ⁽¹⁾	\$ 10,497	41.6%	\$ 7,939	41.1%
Distributions paid in cash	14,757	58.4%	11,369	58.9%
Total distributions excluding 3% bonus distribution	25,254	100.0%	19,308	100.0%
3% bonus distribution	307		229	
Total distributions⁽¹⁾	\$ 25,561		\$ 19,537	

(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, 2019		Year ended December 31, 2018	
	Amount	% of total	Amount	% of total
Distributions reinvested less 3% bonus distribution (DRIP participation rate) ⁽¹⁾	\$ 38,169	40.2%	\$ 28,207	39.0%
Distributions paid in cash	56,686	59.8%	44,196	61.0%
Total distributions excluding 3% bonus distribution	94,855	100.0%	72,403	100.0%
3% bonus distribution	1,131		824	
Total distributions⁽¹⁾	\$ 95,986		\$ 73,227	

(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 (included in the consolidated financial statements), and total distributions (a non-GAAP measure) for the three months and years ended December 31, 2019 and December 31, 2018:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Net income	\$ 106,642	\$ 66,455	\$ 179,432	\$ 157,528
Cash generated from operating activities	24,716	23,673	84,595	77,854
Total distributions ⁽¹⁾	25,561	19,537	95,986	73,227

(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 net income and total distributions (a non-GAAP measure), as well as the differences between cash generated from (utilized in) operating activities and total distributions (a non-GAAP measure), in accordance with the guidelines.

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Excess of net income over total distributions ⁽¹⁾	\$ 81,081	\$ 46,918	\$ 83,446	\$ 84,301
Excess (shortfall) of cash generated from operating activities over total distributions ⁽¹⁾	(845)	4,136	(11,391)	4,627

(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, 2019, net income exceeded total distributions (non-GAAP measure) by \$81.1 million and \$83.4 million, respectively, primarily due to the impact of non-cash items such as fair value adjustments to investment properties and fair value adjustments to financial instruments. For the three months and year ended December 31, 2018, net income exceeded total distributions (non-GAAP measure) by \$46.9 million and \$84.3 million, respectively, due to the same reasons noted above.

For the three months and year ended December 31, 2019, total distributions (a non-GAAP measure) exceeded cash generated from operating activities by \$0.8 million and \$11.4 million, respectively, due to timing differences between the realization of working capital, investment in lease incentives and initial direct leasing costs, and the redeployment of capital raised from the February 2019, April 2019 and December 2019 equity offerings. For the three months and year ended December 31, 2018, cash generated from operating activities exceeded total distributions (a non-GAAP measure) by \$4.1 million and \$4.6 million, respectively.

Of the total distributions (a non-GAAP measure) declared for the three months and year ended December 31, 2019, \$10.8 million and \$39.3 million, respectively, were reinvested through DRIP (including 3% bonus distributions). 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.

SECTION IV

SELECTED ANNUAL INFORMATION

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

	2019	2018	2017
Investment properties revenue ⁽¹⁾	\$ 195,331	\$ 160,443	\$ 147,940
Income before income taxes (continuing and discontinued operations)	187,890	158,764	34,787
Net income	179,432	157,528	34,659
Total assets	2,892,891	2,160,575	1,807,751
Non-current financial liabilities	1,230,916	1,059,289	957,650
Distributions per Unit	\$ 0.70	\$ 0.70	\$ 0.70
Distributions declared ⁽²⁾	\$ 95,986	\$ 73,227	\$ 57,818
Units outstanding:			
REIT Units	134,801,881	92,062,659	75,104,843
LP B Units	18,551,855	18,551,855	18,551,855

(1) Given that the entire Eastern Canada segment was classified as assets held for sale at the end of June 30, 2019 and subsequently sold on July 31, 2019, the associated results of operations were presented separately as income (loss) from discontinued operations in the consolidated statements of comprehensive income. Accordingly, the historical financial information has been restated to conform to current period presentation.

(2) Includes distributions on LP B Units.

Over the past three years, our balance sheet and income statement have grown reflecting our strategy to grow and upgrade the quality of our portfolio by investing in the Trust's target markets. Refer to the remaining sections of the MD&A for more detailed analysis and discussions of the Trust's key financial information.

QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2018:

Key portfolio, leasing, financing and capital information

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Portfolio⁽¹⁾								
Number of properties	209	209	209	244	223	222	219	219
GLA (in millions of sq. ft.)	21.9	21.8	21.6	23.7	20.2	20.1	19.1	19.1
Leasing⁽¹⁾								
Occupancy rate – in-place and committed (period-end)	95.8%	96.2%	96.9%	96.5%	97.1%	96.8%	96.6%	97.1%
Occupancy rate – in-place (period-end)	94.9%	95.8%	96.3%	95.3%	95.7%	95.5%	95.2%	96.0%
Tenant retention ratio	85.3%	46.5%	82.0%	72.6%	74.7%	78.2%	75.4%	82.7%
Average in-place and committed base rent per sq. ft. – Canada (period-end)	\$ 7.43	\$ 7.39	\$ 7.29	\$ 7.26	\$ 7.26	\$ 7.22	\$ 7.16	\$ 7.16
Average in-place and committed base rent per sq. ft. – U.S. (US\$) (period-end)	\$ 3.87	\$ 3.85	\$ 3.81	\$ 3.81	\$ 3.93	\$ 3.93	\$ 3.55	\$ 3.55
Financing⁽²⁾								
Weighted average face interest rate on debt (period-end) ⁽³⁾	3.59%	3.69%	3.69%	3.72%	3.65%	3.62%	3.80%	3.77%
Weighted average remaining term to maturity on debt (years)	5.5	4.9	4.4	4.4	4.4	4.3	4.1	3.9
Interest coverage ratio (times) ⁽⁴⁾⁽⁵⁾	3.8	3.8	3.7	3.4	3.3	3.2	3.1	3.2
Level of debt (net debt-to-assets ratio) ⁽⁴⁾	23.7%	31.4%	37.4%	42.4%	43.5%	44.3%	41.4%	49.4%
Net debt-to-adjusted EBITDAFV (years) ⁽⁴⁾	4.3	5.4	6.4	7.1	7.2	7.0	6.8	7.8
Unencumbered assets (in millions) ⁽⁴⁾⁽⁵⁾	\$ 96.3	\$ 345.3	\$ 381.1	\$ 318.3	\$ 190.7	\$ 205.8	\$ 90.3	\$ 218.9
Available liquidity ⁽⁴⁾	\$ 591.5	\$ 280.1	\$ 95.4	\$ 77.2	\$ 103.2	\$ 86.7	\$ 320.2	\$ 94.7
Capital								
Total number of Units (in millions) ⁽⁶⁾	153.4	139.4	138.5	125.3	110.6	109.8	109.1	94.6
Net asset value (“NAV”) per Unit ⁽⁴⁾	\$ 11.76	\$ 11.09	\$ 11.04	\$ 10.61	\$ 10.54	\$ 10.12	\$ 10.05	\$ 9.85

(1) Total portfolio and leasing metrics exclude assets held for sale at the end of each period as applicable.

(2) Financing metrics include assets and liabilities classified as held for sale and income (loss) from discontinued operations at the end of each period as applicable.

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

(4) Interest coverage ratio, level of debt (net debt-to-assets ratio), net debt-to-adjusted EBITDAFV, unencumbered assets, available liquidity and NAV per Unit are non-GAAP measures. See “Non-GAAP Measures and Other Disclosures” for a description of these non-GAAP measures.

(5) Interest coverage ratio and unencumbered assets (non-GAAP measures) 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 “Interest coverage ratio” and “Unencumbered assets”.

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

Results of operations

Given that the entire Eastern Canada segment was classified as assets held for sale at the end of June 30, 2019 and subsequently sold on July 31, 2019, the associated results of operations were presented separately as income (loss) from discontinued operations in the consolidated statements of comprehensive income for the three months and years ended December 31, 2019 and December 31, 2018. The trailing quarters presented below were also restated to conform to current period presentation.

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment properties revenue	\$ 50,984	\$ 49,511	\$ 49,796	\$ 45,040	\$ 41,942	\$ 39,495	\$ 39,221	\$ 39,785
Investment properties operating expenses	(14,760)	(13,593)	(14,611)	(13,341)	(11,799)	(10,769)	(11,502)	(12,138)
Net rental income	36,224	35,918	35,185	31,699	30,143	28,726	27,719	27,647
Other income	959	543	198	210	50	343	170	94
Other expenses	(15,253)	(14,960)	(15,636)	(14,598)	(13,819)	(14,171)	(15,537)	(14,328)
Fair value adjustments and net losses on transactions and other activities	90,260	(21,654)	64,731	(28,595)	46,763	13,407	(590)	27,214
Income (loss) before income taxes and discontinued operations	112,190	(153)	84,478	(11,284)	63,137	28,305	11,762	40,627
Current and deferred income taxes (expense) recovery, net	(5,404)	(503)	(1,977)	(574)	(743)	778	(952)	(319)
Income (loss) from continuing operations, net of taxes	106,786	(656)	82,501	(11,858)	62,394	29,083	10,810	40,308
Income (loss) from discontinued operations, net of taxes	(144)	(2,310)	1,516	3,597	4,061	877	5,432	4,563
Net income (loss)	\$ 106,642	\$ (2,966)	\$ 84,017	\$ (8,261)	\$ 66,455	\$ 29,960	\$ 16,242	\$ 44,871
Other comprehensive income (loss)								
Unrealized gain (loss) on foreign currency translation, net of taxes	(5,921)	4,680	(8,397)	(1,708)	7,703	(2,375)	3,631	3,031
Unrealized gain (loss) on effective interest rate hedge, net of taxes	—	—	—	(36)	6	39	6	41
	(5,921)	4,680	(8,397)	(1,744)	7,709	(2,336)	3,637	3,072
Comprehensive income (loss)	\$ 100,721	\$ 1,714	\$ 75,620	\$ (10,005)	\$ 74,164	\$ 27,624	\$ 19,879	\$ 47,943

Funds from operations

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (loss)	\$ 106,642	\$ (2,966)	\$ 84,017	\$ (8,261)	\$ 66,455	\$ 29,960	\$ 16,242	\$ 44,871
Add (deduct):								
Amortization of lease incentives ⁽¹⁾	400	361	388	492	374	364	374	314
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 ⁽¹⁾	(89,768)	(6,587)	(61,405)	(20,337)	(38,794)	(8,337)	(17,346)	(43,398)
Fair value adjustments to financial instruments	(4,314)	28,191	(1,505)	48,445	(8,876)	(4,462)	15,615	14,843
Costs on sale of investment properties ⁽¹⁾	557	2,220	419	—	—	—	—	—
Fair value adjustments of DUIP included in G&A expenses	99	104	75	95	26	49	49	31
Debt settlement costs ⁽¹⁾	372	964	—	—	—	—	—	—
5.25% convertible debentures redemption write-off ⁽²⁾	—	—	—	—	—	1,932	—	—
Internal leasing costs ⁽¹⁾	596	608	747	737	820	805	885	789
Other (transaction cost recovery)	226	—	—	—	—	(151)	—	—
Foreign exchange loss (gain)	2,219	(69)	(440)	(138)	—	—	—	—
Deferred income taxes expense (recovery)	5,436	489	1,977	574	711	(755)	962	438
FFO⁽³⁾	\$ 25,809	\$ 26,659	\$ 27,617	\$ 24,951	\$ 24,060	\$ 22,749	\$ 20,125	\$ 21,232
FFO per Unit – diluted ⁽³⁾⁽⁴⁾⁽⁵⁾	\$ 0.18	\$ 0.19	\$ 0.20	\$ 0.21	\$ 0.22	\$ 0.21	\$ 0.21	\$ 0.22
FFO payout ratio – diluted ⁽³⁾	97.8%	91.6%	87.1%	83.7%	80.6%	85.0%	82.9%	78.1%

(1) Amortization of lease incentives, fair value adjustments to investment properties, costs on sale of investment properties, debt settlement costs and internal leasing costs include amounts from continuing and discontinued operations.

(2) On August 2, 2018, the Trust recorded a \$1.9 million write-off of unamortized financing costs and mark-to-market adjustments associated with the early redemption of the 5.25% convertible debentures.

(3) FFO, diluted FFO per Unit and diluted FFO payout ratio are non-GAAP measures. See “Non-GAAP Measures and Other Disclosures” for a description of these non-GAAP measures.

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

(5) Diluted FFO per Unit excludes \$0.6 million of interest expense on convertible debentures for the third quarter of 2018 and \$1.8 million for each preceding quarter in 2018.

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 treatment of debt settlement costs due to disposals of investment properties and the add-back of certain non-cash costs associated with the convertible debenture redemption in the third quarter of 2018.

The debt settlement costs associated with disposals of investment properties are primarily funded from net proceeds from dispositions and not from cash flows from operating activities. Thus, the Trust is of the view that the debt settlement costs due to disposals of investment properties should not be included in the determination of the Trust's FFO. The non-cash costs associated with the third quarter 2018 convertible debenture redemption represented 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 such non-cash costs, which were non-recurring in nature, had no impact on the Trust's ongoing operations and accordingly should not be included in the determination of the Trust's FFO.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", FFO has been reconciled to net income in the table below for the three months and years ended December 31, 2019 and December 31, 2018.

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Net income for the period	\$ 106,642	\$ 66,455	\$ 179,432	\$ 157,528
Add (deduct):				
Amortization of lease incentives ⁽¹⁾	400	374	1,641	1,426
Interest expense on subsidiary redeemable units	3,344	3,344	13,376	13,376
Fair value adjustments to investment properties ⁽¹⁾	(89,768)	(38,794)	(178,097)	(107,875)
Fair value adjustments to financial instruments	(4,314)	(8,876)	70,817	17,120
Costs on sale of investment properties ⁽¹⁾	557	—	3,196	—
Fair value adjustments of DUIP included in G&A expenses	99	26	373	155
Debt settlement costs ⁽¹⁾	372	—	1,336	—
5.25% convertible debentures redemption write-off ⁽²⁾	—	—	—	1,932
Internal leasing costs ⁽¹⁾	596	820	2,688	3,299
Other (transaction cost recovery)	226	—	226	(151)
Foreign exchange loss	2,219	—	1,572	—
Deferred income taxes expense	5,436	711	8,476	1,356
FFO for the period	\$ 25,809	\$ 24,060	\$ 105,036	\$ 88,166

(1) Amortization of lease incentives, fair value adjustments to investment properties, costs on sale of investment properties, debt settlement costs and internal leasing costs include amounts from continuing and discontinued operations.

(2) On August 2, 2018, the Trust recorded a \$1.9 million write-off of unamortized financing costs and mark-to-market adjustments associated with the early redemption of the 5.25% convertible debentures.

Diluted FFO payout ratio

The diluted 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.

The calculation of diluted FFO payout ratio is included in the table below:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Distribution rate	\$ 0.17	\$ 0.17	\$ 0.70	\$ 0.70
Diluted FFO per Unit ⁽¹⁾	\$ 0.18	\$ 0.22	\$ 0.78	\$ 0.86
Diluted FFO payout ratio	97.8%	80.6%	89.6%	81.7%

(1) Diluted FFO per Unit is a non-GAAP measure. The calculation of diluted FFO per Unit is included under the heading "Funds from operations ("FFO")" under the section "Our Results of Operations". In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", FFO has been reconciled to net income as included in the consolidated financial statements for the three months and years ended December 31, 2019 and December 31, 2018 in the section above.

Weighted average number of Units

The basic weighted average number of Units includes the weighted average of all REIT Units, LP B Units, and vested but unissued deferred trust units and income deferred trust units.

The diluted weighted average number of Units outstanding used in the FFO per Unit calculation includes the basic weighted average number of Units, unvested deferred trust units and associated income deferred trust units. As at December 31, 2019, there were 391,869 unvested deferred trust units and associated income deferred trust units (December 31, 2018 – 449,147).

Prior to the early redemption of the convertible debentures on August 2, 2018, the determination of the diluted weighted average number of Units included the impact of the assumed conversion of the outstanding convertible debentures into REIT Units. For the year ended December 31, 2018, the diluted weighted average number of Units included the assumed conversion of the outstanding convertible debentures into REIT Units totalling 4.7 million REIT Units.

Weighted average Units outstanding	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Basic (in thousands)	142,785	110,583	133,796	102,643
Diluted (in thousands)	143,175	111,033	134,211	107,788

Comparative properties net operating income (“NOI”)

Comparative properties NOI is a non-GAAP measure used by management in evaluating the performance of properties owned by the Trust in the current and comparative periods 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.

When the Trust compares comparative properties NOI on a year-over-year basis and quarter-over-quarter basis, the Trust excludes investment properties acquired after January 1, 2018 and October 1, 2019, respectively, and assets held for sale or disposed of prior to or as at the current period. Comparative properties NOI also excludes lease termination fees and other rental income, straight-line rent, bad debt expenses, and amortization of lease incentives.

Given that the entire Eastern Canada segment was classified as assets held for sale at the end of June 30, 2019 and subsequently sold on July 31, 2019, the associated results of operations were presented separately as income (loss) from discontinued operations and excluded from comparative properties NOI in the current and prior periods.

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 (year-over-year comparison)” and “Comparative properties NOI (quarter-over-quarter comparison)”.

Unencumbered assets

Unencumbered assets represent the value of investment properties that have not been pledged as collateral for the financing of the Trust’s revolving credit facility or mortgages. This non-GAAP measure is used by management in assessing the borrowing capacity available to the Trust. 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.

Prior to June 30, 2019, unencumbered assets included assets held for sale. Effective September 30, 2019, the Trust has chosen to revise its definition of unencumbered assets to exclude assets held for sale, as management is of the view that such revision will more accurately assess the borrowing capacity available to the Trust. Accordingly, unencumbered assets for the comparative periods have been restated to conform to current period presentation.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the table below reconciles investment properties included in the consolidated financial statements to unencumbered assets as at December 31, 2019 and December 31, 2018:

Amounts included in consolidated financial statements	December 31, 2019		December 31, 2018	
Investment properties	\$	2,428,664	\$	2,138,411
Less: Pledged as collateral		2,332,413		1,947,717
Unencumbered assets	\$	96,251	\$	190,694

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”.

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 NAV per Unit to total equity (as per consolidated financial statements).

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 total 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, 2019 and December 31, 2018.

Amounts included in consolidated financial statements	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Distributions on REIT Units	\$ 22,217	\$ 16,193	\$ 82,610	\$ 59,851
Interest on subsidiary redeemable units	3,344	3,344	13,376	13,376
Total distributions	\$ 25,561	\$ 19,537	\$ 95,986	\$ 73,227

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 DRIP 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, 2019 and December 31, 2018.

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Distributions reinvested as included in consolidated financial statements	\$ 10,526	\$ 7,874	\$ 38,311	\$ 28,292
Less: Distributions reinvested pertaining to prior period	(3,447)	(2,442)	(2,736)	(1,997)
Add: Distributions reinvested on January 15	3,725	2,736	3,725	2,736
Less: 3% bonus distribution	(307)	(229)	(1,131)	(824)
Distributions reinvested less 3% bonus distribution	\$ 10,497	\$ 7,939	\$ 38,169	\$ 28,207

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Distributions paid in cash as included in consolidated financial statements	\$ 14,221	\$ 11,615	\$ 55,167	\$ 43,946
Less: Distributions paid in cash pertaining to prior period	(4,731)	(3,994)	(3,748)	(3,498)
Add: Distributions paid in cash on January 15	5,267	3,748	5,267	3,748
Distributions paid in cash	\$ 14,757	\$ 11,369	\$ 56,686	\$ 44,196

Available liquidity

Available liquidity is defined as the sum of cash and cash equivalents and undrawn revolving credit facilities at period-end. Management believes that available 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, 2019 and December 31, 2018:

Amounts per consolidated financial statements	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 441,537	\$ 4,968
Undrawn revolving credit facility	150,000	98,194
Available liquidity	\$ 591,537	\$ 103,162

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 (including debt related to assets held for sale) 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).

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, 2019 and December 31, 2018:

Amounts per consolidated financial statements	December 31, 2019	December 31, 2018
Non-current debt	\$ 952,917	\$ 860,789
Current debt	61,651	76,941
Total debt	1,014,568	937,730
Add (deduct):		
Unamortized financing costs	8,073	5,804
Unamortized fair value adjustments	(949)	(1,641)
Total debt at principal amount outstanding	1,021,692	941,893
Less: Cash and cash equivalents	(441,537)	(4,968)
Net debt	\$ 580,155	\$ 936,925
Total assets	2,892,891	2,160,575
Less: Cash and cash equivalents	(441,537)	(4,968)
Total assets (net of cash and cash equivalents)	\$ 2,451,354	\$ 2,155,607
Net debt-to-assets ratio	23.7%	43.5%

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 its 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 (including debt related to assets held for sale) 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 NOI of properties acquired in the quarter less NOI of properties disposed in the quarter. EBITDAFV is defined in the section below under the heading “Earnings before interest, taxes, depreciation, amortization and fair value adjustments (“EBITDAFV”)”.

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 as at December 31, 2019 and December 31, 2018:

Amounts included in consolidated financial statements	December 31, 2019	December 31, 2018
Non-current debt	\$ 952,917	\$ 860,789
Current debt	61,651	76,941
Total debt	1,014,568	937,730
Add (deduct):		
Unamortized financing costs	8,073	5,804
Unamortized fair value adjustments	(949)	(1,641)
Total debt at principal amount outstanding	1,021,692	941,893
Less: Cash and cash equivalents	(441,537)	(4,968)
Net debt	\$ 580,155	\$ 936,925
EBITDAFV⁽¹⁾ – quarterly	33,796	32,624
Add:		
Normalized NOI of properties acquired in the quarter ⁽²⁾	176	49
NOI of properties disposed in the quarter	34	—
Adjusted EBITDAFV – quarterly	34,006	32,673
Adjusted EBITDAFV – annualized	\$ 136,024	\$ 130,692
Net debt-to-adjusted EBITDAFV (years)	4.3	7.2

(1) EBITDAFV for the three months ended December 31, 2019 and December 31, 2018 (non-GAAP measure) have been reconciled to net income for the respective periods in the section below, under the heading “Earnings before interest, taxes, depreciation, amortization and fair value adjustments (“EBITDAFV”)”.

(2) Represents the incremental NOI had the acquisitions in the respective periods occurred for the full quarter, determined using the average daily NOI 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 on debt based on our operating performance. The interest coverage ratio includes the results of continuing and discontinued operations. This non-GAAP measurement does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

Prior to December 31, 2018, interest coverage ratio was determined 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 excluding amortization of financing costs and fair value adjustments. Interest expense on subsidiary redeemable units was excluded from this ratio as it represents distributions on units; however, pursuant to IFRS, the distributions are presented as interest expense.

Effective January 1, 2019, the Trust has chosen to revise its calculation of interest coverage ratio to be calculated as the trailing 12-month EBITDAFV divided by the trailing 12-month interest expense on debt. Interest expense on subsidiary redeemable units continues to be excluded from this ratio. Management is of the view that such revision will more accurately reflect the ability of the Trust to meet its trailing 12-month interest expense on debt obligations. Accordingly, the interest coverage ratios for comparative periods have been restated to conform to current period presentation.

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 years ended December 31, 2019 and December 31, 2018.

	Year ended December 31,	
	2019	2018
EBITDAFV ⁽¹⁾	\$ 139,217	\$ 123,865
Interest expense on debt ⁽²⁾	36,173	37,070
Interest coverage ratio (times)	3.8	3.3

(1) EBITDAFV for the years ended December 31, 2019 and December 31, 2018 (non-GAAP measure) have been reconciled to net income in the section below, under the heading “Earnings before interest, taxes, depreciation, amortization and fair value adjustments (“EBITDAFV”)”.

(2) Includes interest expense on debt from continuing and discontinued operations.

Earnings before interest, taxes, depreciation, amortization and fair value adjustments (“EBITDAFV”)

EBITDAFV is defined by the Trust as net income for the period adjusted for fair value adjustments to investment properties and financial instruments, net losses on transactions and other activities, interest expense, depreciation and amortization, other items included in investment properties revenues, and net current and deferred income taxes expense. The adjustments include activity from continuing and discontinued operations. This non-GAAP measurement is an important measure used by the Trust in evaluating property 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.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, EBITDAFV has been reconciled to net income in the table below for the three months and years ended December 31, 2019 and December 31, 2018:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Net income for the period	\$ 106,642	\$ 66,455	\$ 179,432	\$ 157,528
Add (deduct):				
Fair value adjustments to investment properties ⁽¹⁾	(89,768)	(38,794)	(178,097)	(107,875)
Fair value adjustments to financial instruments	(4,314)	(8,876)	70,817	17,120
Net losses on transactions and other activities ⁽¹⁾	3,970	820	9,018	5,080
Interest expense – debt ⁽¹⁾	8,686	8,769	36,173	37,070
Interest expense – subsidiary redeemable units	3,344	3,344	13,376	13,376
Depreciation and amortization	20	9	55	59
Other items included in investment properties revenues ⁽²⁾	(188)	154	(15)	271
Current and deferred income taxes expense, net ⁽¹⁾	5,404	743	8,458	1,236
EBITDAFV for the period	\$ 33,796	\$ 32,624	\$ 139,217	\$ 123,865

(1) Fair value adjustments to investment properties, net losses on transactions and other activities, interest expense – debt, and current and deferred income taxes expense, net, include continuing and discontinued operations.

(2) Includes lease termination fees and other items, straight-line rent and amortization of lease incentives from continuing and discontinued operations.

SECTION V

DISCLOSURE CONTROLS AND OUR PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

For the year ended December 31, 2019, 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 REIT 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, 2019.

There were no changes in Dream Industrial REIT’s internal control over financial reporting during the financial year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, Dream Industrial REIT’s internal control over financial reporting.

SECTION VI

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.

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.

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. As at December 31, 2019, 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.

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.

Joint arrangements

We are a participant in joint arrangements with related 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.

Environmental and climate change 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.

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

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 VII

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 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.

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 in respect of the fair values of investment properties. The fair values of investment properties 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 investment properties 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 in 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.

Impairment

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to the equity accounted investment, amounts receivable, and property and equipment.

IFRS 9, “Financial Instruments” (“IFRS 9”), requires management to use judgment in determining whether the Trust’s financial assets are impaired. In making this judgment, the Trust evaluates, among other factors, the credit risk of the counterparty, and whether there are indicators that credit risk on a financial instrument has changed significantly since initial recognition or the last reassessment of credit risk. Where the credit risk of a financial asset has increased significantly since initial recognition, the Trust records a loss allowance equal to the lifetime expected credit losses arising from that financial asset.

IAS 36, “Impairment of Assets” (“IAS 36”), requires management to use judgment in determining the recoverable amount of assets and equity accounted investments that are tested for impairment. Judgment is also involved in estimating the value-in-use of the equity accounted investments, including estimates of future cash flows, discount rates and terminal rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Trust has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions as described below.

Leases

Effective January 1, 2019, the Trust has applied IFRS 16, “Leases” (“IFRS 16”). IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. While accounting for leases where the Trust is acting as the lessor is substantially unchanged, there have been significant changes to the accounting for leases previously classified as operating leases where the Trust is acting as the lessee.

The Trust has applied IFRS 16 on a modified retrospective basis. The accounting policies applied under the new standard are disclosed in Note 2 of the consolidated financial statements.

As a result of adopting IFRS 16, no right-of-use assets or lease liabilities were recognized on transition. The Trust is not required to make any adjustments on transition for leases in which it acts as a lessor.

Income taxes

On January 1, 2019, the Trust adopted International Financial Reporting Interpretations Committee (“IFRIC”) 23, “Uncertainty over Income Tax Treatments” (“IFRIC 23”), which has clarified the application of the recognition and measurement requirements in IAS 12, “Income Taxes” (“IAS 12”), for situations where there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers income tax treatments separately; assumptions that an entity makes regarding the examination of tax treatments by taxation authorities; how an entity determines taxable income or loss, tax bases, unused tax losses or credits and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12. IFRIC 23 did not have a material impact on the Trust’s consolidated financial statements.

FUTURE ACCOUNTING POLICY CHANGES

Business combinations

The International Accounting Standards Board published an amendment to the requirements of IFRS 3, “Business Combinations” (“IFRS 3”), in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business and provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after January 1, 2020, with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

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.

SECTION VIII – PROPERTY LISTING

The table in this section includes supplementary information on our portfolio as at December 31, 2019.

Property	Owned share of total GLA in thousands of square feet	Clear ceiling height (warehouse component) in feet	Owned share of site area in acres	Number of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
7140 40th Street SE, Calgary	352	30.0	13.8	1	9.8	100.0%
1919 84th Avenue (Park 19), Edmonton	49	21.0	3.7	1	4.5	100.0%
1802 Stock Road, Regina	46	28.0	3.6	1	3.4	100.0%
2721 Hopewell Place NE, Calgary	38	22.0	1.9	1	2.8	100.0%
204 26229 Township Road 531A (Parkland County), Edmonton	35	24.0	9.0	1	0.2	100.0%
6908 6th Street SE (Glenmore Business Park), Calgary	31	18.0	3.2	1	4.8	100.0%
3917 81st Avenue, Edmonton	30	28.0	5.5	1	1.3	100.0%
2876 Sunridge Way NE (Sunridge Business Park), Calgary	30	16.0	2.3	1	0.9	100.0%
3250 Sunridge Way NE (Sunridge Business Park), Calgary	27	24.0	2.1	1	0.6	100.0%
2240 Premier Way (GE Turbine), Edmonton	26	30.0	1.5	1	2.6	100.0%
345 and 363 Maxwell Crescent, Regina	23	24.0	3.4	1	1.2	100.0%
7121 6th Street SE (Glenmore Business Park), Calgary	19	20.0	0.9	1	1.9	100.0%
120 Pond Street East, Brooks	14	24.0	5.2	1	1.8	100.0%
1105 Pettigrew Avenue, Regina	12	18.0	2.1	1	3.3	100.0%
1640 Broder Street, Regina	11	16.0	1.1	1	4.1	100.0%
Western Canada Single-tenant	743	26.3	59.3	15	5.9	100.0%
310 Henderson Drive, Regina	376	24.0	24.0	2	3.8	100.0%
7803 35th Street SE, Calgary	189	20.0	10.2	6	3.1	100.0%
15303 128th Avenue, Edmonton	177	25.0	12.4	3	4.1	100.0%
611–615 71st Avenue SE & 7515 6th Street SE (Glenmore Business Park), Calgary	168	20.0	6.5	16	3.5	97.3%
628–668 Henderson Drive (Chestermere), Regina	164	19.0	9.1	18	1.8	85.1%
7504 30th Street SE, Calgary	139	22.0	6.0	2	2.7	100.0%
11445 163rd Street (Alberta Park), Edmonton	131	22.0	5.2	8	2.3	79.6%
9603–9699 45th Avenue NW, Edmonton	111	22.0	6.0	26	1.9	99.2%
603 Park Street, Regina	110	19.0	6.8	19	3.9	87.2%
3916 61st Avenue, Calgary	100	26.0	5.1	2	1.8	100.0%
7004–7042 30th Street SE, Calgary	94	18.0	5.3	9	5.1	100.0%
651 Henderson Drive (Henderson Business Centre), Regina	90	19.0	5.0	15	2.0	87.6%
26229 Township Road 531, Parkland County	89	24.7	6.5	12	2.4	97.6%
7008 5th Street SE (Glenmore Business Park), Calgary	86	17.0	3.7	6	3.0	86.4%
11404 Winterburn Rd NW, Edmonton	81	23.8	6.3	14	2.8	95.2%
7004 5th Street SE (Glenmore Business Park), Calgary	79	20.0	3.4	11	2.4	100.0%
9451 45th Avenue (Southwood Centre), Edmonton	75	28.0	4.5	1	3.1	34.3%
4710–4760 14th Street NE (McCall Industrial Park), Calgary	73	18.0	4.0	21	2.3	95.9%
2777 23rd Avenue NE (Sunridge Business Park), Calgary	67	24.0	3.8	2	5.9	100.0%
3510 29th Street NE (ACC Centre), Calgary	65	24.0	3.0	8	3.2	88.5%
7111 6th Street SE (Glenmore Business Park), Calgary	65	20.0	2.9	4	2.4	100.0%
3401 19th Street, Calgary	64	22.0	4.1	6	2.6	100.0%
2150 29th Street NE (Sunridge Business Park), Calgary	60	24.0	3.3	7	3.0	100.0%
7710 5th Street SE (Glenmore Business Park), Calgary	59	20.0	2.3	26	3.3	86.7%
550 71st Avenue SE (Glenmore Business Park), Calgary	59	12.0	2.6	7	2.3	97.4%
2175 29th Street NE (Sunridge Business Park), Calgary	58	24.0	3.5	3	4.3	100.0%
2256 29th Street NE (Sunridge Business Park), Calgary	58	24.0	3.5	4	4.8	100.0%
4403–4435 97th Street NW, Edmonton	58	24.0	3.2	5	2.9	100.0%
1139–1165 40th Avenue NE, Calgary	57	20.0	2.9	6	4.9	100.0%
2151 32nd Street NE (Sunridge Business Park), Calgary	57	24.0	3.4	5	3.6	83.0%
501–529 36th Avenue SE, Calgary	57	18.0	2.9	6	3.3	50.2%
2928 Sunridge Way NE (Sunridge Business Park), Calgary	57	24.0	4.1	3	5.0	100.0%
4504–4576 14th Street NE, Calgary	57	16.0	4.1	32	2.2	100.0%
6812 6th Street SE (Glenmore Business Park), Calgary	57	20.0	5.7	6	3.7	100.0%
2121 29th Street NE (Sunridge Business Park), Calgary	57	24.0	3.8	3	6.6	100.0%
402 McDonald Street (Imperial Business Centre), Regina	56	18.0	2.8	12	2.4	57.9%
2985 23rd Avenue NE (Sunridge Business Park), Calgary	54	24.0	3.0	4	4.8	100.0%
4402–4434 10th Street NE, Calgary	54	16.0	3.1	7	2.2	93.3%

Property	Owned share of total GLA in thousands of square feet	Clear ceiling height (warehouse component) in feet	Owned share of site area in acres	Number of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
7003 5th Street SE (Glenmore Business Park), Calgary	53	20.0	2.7	13	3.3	94.8%
16134 114th Avenue NW, Edmonton	48	26.8	4.4	7	3.1	72.9%
2886 Sunridge Way NE (Sunridge Business Park), Calgary	44	24.0	3.5	5	7.0	100.0%
610 70th Avenue SE (Glenmore Business Park), Calgary	44	20.0	3.5	9	3.6	84.9%
1512–1514 8th Street, Edmonton	43	20.0	10.2	2	5.2	100.0%
535–561 36th Avenue SE, Calgary	41	16.0	1.9	2	6.2	100.0%
5824 Burbank Road SE, Calgary	40	20.0	2.4	6	3.8	100.0%
310 Hoffer Drive (McDonald Business Centre), Regina	38	18.0	2.8	4	2.4	86.6%
4001 19th Street, Calgary	37	22.0	2.5	9	2.5	100.0%
6810 6th Street SE (Glenmore Business Park), Calgary	32	19.0	3.2	3	1.2	100.0%
6804–6818 30th Street SE, Calgary	30	16.0	1.2	4	1.5	100.0%
7131 6th Street SE (Glenmore Business Park), Calgary	30	20.0	1.3	2	2.4	100.0%
6023–6039 Centre Street South, Calgary	29	15.0	1.5	6	2.4	100.0%
4502–4516 10th Street NE, Calgary	29	16.0	1.4	5	1.1	74.8%
16104 114th Avenue NW, Edmonton	29	20.0	4.4	5	2.4	92.4%
3030 Sunridge Way NE (Sunridge Business Park), Calgary	27	24.0	2.1	6	1.9	100.0%
6043–6055 Centre Street South, Calgary	25	15.0	1.3	4	2.2	85.7%
530–544 38A Avenue SE, Calgary	24	16.0	1.2	8	3.0	100.0%
7007 5th Street SE (Glenmore Business Park), Calgary	23	19.0	1.2	2	0.9	97.1%
616 71st Avenue SE (Glenmore Business Park), Calgary	22	21.0	1.0	3	3.4	100.0%
1135–1149 45th Avenue NE, Calgary	22	16.0	1.3	6	2.7	100.0%
6910 6th Street SE (Glenmore Business Park), Calgary	21	16.0	2.1	4	2.6	100.0%
4620–4640 11th Street NE, Calgary	21	16.0	1.4	10	2.2	90.9%
102–114 61st Avenue SW, Calgary	19	14.0	1.1	4	5.0	100.0%
4001–4019 23rd Street NE, Calgary	16	16.0	1.1	5	4.6	100.0%
2915–2925 58th Avenue SE, Calgary	16	16.0	1.0	4	2.3	84.6%
125 McDonald Street, Regina	14	13.0	1.2	2	2.7	71.9%
3503–3521 62nd Avenue SE, Calgary	13	13.0	1.2	9	2.1	100.0%
Western Canada Multi-tenant	4,338	21.1	262.1	496	3.3	93.5%
Western Canada	5,081	21.8	321.4	511	3.7	94.4%
275 Wellington Street East, Aurora	315	27.0	16.3	1	2.2	100.0%
45 Progress Avenue, Toronto	210	24.0	10.3	1	14.5	100.0%
3230 Mainway Drive, Burlington	208	21.0	9.9	1	5.8	100.0%
290 Humberline Drive, Etobicoke	180	20.0	6.9	1	3.1	100.0%
750 Creditstone Road, Vaughan	177	24.0	9.0	1	5.0	100.0%
121 Pippin Road, Vaughan	170	24.0	8.6	1	10.0	100.0%
580 Industrial Road, London	114	24.0	12.7	1	8.1	100.0%
441 Chrislea Road, Vaughan	101	22.0	4.1	1	6.6	100.0%
2130 South Service Road West, Oakville	98	24.0	4.4	0	–	0.0%
300 Orenda Road, Brampton	97	18.0	6.0	1	7.0	100.0%
970 Fraser Drive, Burlington	95	28.0	6.9	1	8.0	100.0%
3 & 5 Blair Drive, Brampton	82	28.0	6.4	1	4.5	100.0%
274 Humberline Drive, Etobicoke	81	20.0	3.9	1	5.3	100.0%
2226 South Service Road West, Oakville	79	22.0	3.5	1	1.0	100.0%
9305 Twin Oaks Drive, Windsor	74	28.0	5.2	1	0.6	100.0%
2 Lone Oak Court, Toronto	72	24.0	4.4	1	2.5	100.0%
6885–6895 Menway Court, Mississauga	66	20.0	3.4	1	5.2	100.0%
896 Meyerside Drive, Mississauga	47	20.0	2.4	1	6.4	100.0%
880 Rangeview Road, Mississauga	46	24.0	3.2	1	2.8	100.0%
135 Pinebush Road, Cambridge	44	60.0	5.6	1	0.5	100.0%
5905 Kennedy Road, Mississauga	38	22.0	2.1	1	6.1	100.0%
6045 Kestrel Road, Mississauga	35	20.0	1.8	1	4.3	100.0%
2946 Walker Road, Windsor	32	22.0	4.0	1	3.0	100.0%
781 Westgate Road, Oakville	30	22.0	4.2	1	10.7	100.0%
6520 Gottardo Court, Mississauga	26	18.0	1.2	1	2.0	100.0%
750 Barmac Drive, Toronto	24	18.0	1.5	1	9.3	100.0%
7420 Pacific Circle, Mississauga	24	18.0	1.2	1	4.5	100.0%
1300 Fewster Road, Mississauga	24	14.0	1.2	1	1.5	100.0%
5805 Kennedy Road, Mississauga	22	18.0	1.0	1	3.8	100.0%
5380 Timberlea Boulevard, Mississauga	20	18.0	1.0	1	0.1	100.0%
5462 Timberlea Boulevard, Mississauga	18	18.0	1.0	1	0.4	100.0%

Property	Owned share of total GLA in thousands of square feet	Clear ceiling height (warehouse component) in feet	Owned share of site area in acres	Number of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
5370 Timberlea Boulevard, Mississauga	17	18.0	0.8	1	3.2	100.0%
5750 Coopers Avenue, Mississauga	16	18.0	0.9	1	1.2	100.0%
5444 Timberlea Boulevard, Mississauga	15	18.0	0.9	1	0.6	100.0%
Ontario Single-tenant	2,697	23.6	155.9	33	5.5	96.4%
6581–6601 Kitimat Road, Mississauga	318	25.0	16.9	15	4.2	100.0%
1602 Tricont Avenue, Whitby	259	35.0	19.0	5	7.4	97.8%
161 West Mall, Toronto	205	50.0	10.5	2	6.1	100.0%
2360 Cornwall Road, Oakville	200	28.0	10.3	3	2.9	100.0%
45 A & B West Wilmot Street, Richmond Hill	189	19.0	8.0	40	2.9	97.9%
255 Wicksteed Avenue, Toronto	178	24.0	8.0	3	3.7	100.0%
2140–2150 Winston Park Drive, Mississauga	172	19.0	7.5	40	2.9	93.4%
90 Nolan Court, Markham	125	18.0	7.0	29	2.6	98.2%
55 Horner Avenue, Etobicoke	96	22.0	6.2	3	3.9	90.7%
4515/4525 Rhodes Drive, Windsor	92	22.0	9.0	6	2.9	71.0%
1111 Tristar Drive, Mississauga	78	22.0	3.7	2	1.2	100.0%
903–951 Matheson Boulevard, Mississauga	77	18.0	3.8	8	2.2	100.0%
1100 Courtney Park Drive, Mississauga	72	22.0	3.4	3	1.8	86.1%
100 Lingard Road, Cambridge	70	46.0	5.4	2	3.1	100.0%
5825–5895 Kennedy Road, Mississauga	68	15.0	3.4	8	3.6	100.0%
6400 Shawson Drive, Mississauga	62	22.0	2.9	3	4.0	100.0%
5554 Tomken Road, Mississauga	61	18.0	3.2	10	3.3	100.0%
6300 Viscount Road, Mississauga	60	16.0	4.3	4	1.2	100.0%
845 Harrington Court, Burlington	56	15.0	4.0	10	4.5	100.0%
5716–5730 Coopers Avenue, Mississauga	54	14.0	3.4	24	2.3	100.0%
855 Matheson Boulevard, Mississauga	47	18.0	2.0	12	2.8	100.0%
333 Wyecroft Road, Oakville	43	18.0	2.7	8	3.0	100.0%
5448 Timberlea Boulevard, Mississauga	32	16.0	1.8	2	5.5	100.0%
5430 Timberlea Boulevard, Mississauga	31	17.0	1.8	2	8.1	100.0%
5466 Timberlea Boulevard, Mississauga	29	18.0	1.6	2	3.8	100.0%
135 East Beaver Creek, Richmond Hill	29	17.0	1.8	5	0.5	100.0%
5420 Timberlea Boulevard, Mississauga	20	18.0	1.1	2	1.3	100.0%
Ontario Multi-tenant	2,723	25.1	152.7	253	3.8	97.5%
Ontario	5,420	24.3	308.6	286	4.7	96.9%
1411, 1421 and 1451 rue Ampère, Boucherville	458	27.0	21.6	1	5.4	100.0%
1900 Dickson Street (Molson Distribution Centre), Montréal	225	26.0	17.1	1	3.0	100.0%
2350 de la Province, Longueuil	222	20.0	11.5	1	2.1	100.0%
1125 50 ^e Avenue, Montréal	211	26.0	13.3	1	4.8	100.0%
8000 Avenue Blaise-Pascal, Montréal	206	23.0	13.8	1	2.2	100.0%
1313 Autoroute Chomedey, Laval	184	26.0	8.1	1	5.4	100.0%
650 rue Bergeron, Drummondville	181	28.0	10.5	1	3.0	100.0%
10555 Henri-Bourassa Ouest, St-Laurent	121	22.0	10.5	1	1.1	100.0%
2340 St. Laurent Blvd., Ottawa	115	24.0	6.2	1	5.3	100.0%
101 Autoroute 440, Laval	68	22.0	4.6	1	3.4	100.0%
1805 50 ^e Avenue, Lachine	61	19.0	2.3	1	1.4	100.0%
1421 rue Nobel, Sainte-Julie	51	22.0	4.3	1	1.8	100.0%
3700–3720 AutoRoute des Laurentides, Laval	50	24.0	3.6	1	10.6	100.0%
1870 Boulevard Saint-Régis, Dollard-des-Ormeaux	40	22.0	1.8	1	1.4	100.0%
29 rue de Varennes, Gatineau	24	20.0	3.4	1	1.1	100.0%
361 Boulevard Montpellier, St-Laurent	19	18.0	1.2	1	6.8	100.0%
Québec Single-tenant⁽¹⁾	2,236	24.5	133.8	16	3.8	100.0%
1250–1280 Humber Place, Ottawa	231	26.0	11.7	7	4.8	100.0%
2995 Boulevard le Corbusier, Laval	131	24.0	4.7	7	2.7	99.8%
5000 rue Fairway & 1645 50 ^e Avenue, Lachine	108	18.0	5.5	4	3.3	95.1%
1700–1764 50 ^e Avenue, Lachine	95	24.0	4.2	1	1.8	96.8%
1100–1154 rue Berlier, Laval	92	18.0	4.5	9	1.1	100.0%
9090–9100 Boulevard Cavendish, St-Laurent	89	18.0	7.5	2	2.2	100.0%
333 Chemin du Tremblay, Boucherville	87	18.0	3.8	3	2.9	96.1%
1876–1936 32 ^e Avenue, Lachine	85	18.0	4.7	3	5.0	100.0%
1500 rue Nobel, Boucherville	82	18.0	4.1	7	1.8	100.0%
2000 32 ^e Avenue, Lachine	81	18.0	4.8	4	2.7	100.0%
1624–1692 50 ^e Avenue, Lachine	79	19.0	4.3	7	1.4	98.2%

Property	Owned share of total GLA in thousands of square feet	Clear ceiling height (warehouse component) in feet	Owned share of site area in acres	Number of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
1151–1179 Autoroute 440, Laval	79	19.0	3.9	14	2.2	100.0%
10001–10091 Renaude-Lapointe, Montréal	78	18.0	3.7	3	3.9	96.5%
2101 rue Nobel, Sainte-Julie	73	20.0	4.8	5	4.4	88.1%
1950 32 ^e Avenue, Montréal	72	18.0	4.5	8	2.7	100.0%
1825–1865 32 ^e Avenue, Montréal	72	18.0	4.9	8	3.1	100.0%
4300–4400 Boulevard Bois-Franc, St-Laurent	69	18.0	3.9	4	2.3	100.0%
4605–4645 rue Fairway & 1405–1465 46 ^e Avenue, Lachine	61	19.0	4.0	5	3.4	100.0%
1010 rue Berlier & 2854–2870 Boulevard Industriel, Laval	59	19.0	3.1	7	1.6	100.0%
1025–1087 Autoroute 440, Laval	57	18.0	2.8	10	1.5	100.0%
585–625 Avenue Meloche, Dorval	55	18.0	2.7	2	3.5	100.0%
135 Chemin du Tremblay, Boucherville	50	16.0	2.4	8	1.7	84.8%
Québec Multi-tenant⁽¹⁾	1,885	19.9	100.5	128	2.9	98.3%
Québec	4,121	22.4	234.3	144	3.4	99.2%
Total Canadian Portfolio	14,622	22.9	864.3	941	4.0	96.7%
445 Couchville Industrial Blvd, Nashville, TN	716	32.0	58.6	1	6.3	100.0%
860 Marine Drive, Charlotte, NC	472	30.0	26.0	1	3.0	100.0%
9000 Smith's Mill Road, Columbus, OH	417	32.0	21.9	1	6.5	100.0%
5445 Guion Road, Indianapolis, IN	380	28.0	27.5	1	2.2	100.0%
3208 E Blue Lick Road, Louisville, KY	303	28.0	16.7	0	–	0.0%
1201 Perry Road, Indianapolis, IN	252	29.5	12.3	1	3.2	100.0%
3800 Sunset Avenue, Chicago, IL	209	24.0	10.0	1	3.0	100.0%
7730 American Way, Orlando, FL	193	25.0	20.6	1	3.2	100.0%
4777–4791 Roberts Road, Columbus, OH	52	21.0	26.1	1	2.3	100.0%
2375–2405 International Street, Columbus, OH	52	21.0	14.8	1	1.1	100.0%
2250–2280 International Street, Columbus, OH	52	21.0	6.1	1	3.2	100.0%
United States Single-tenant	3,098	29.1	240.6	10	4.3	90.2%
5605 Holmescrest Lane, Memphis, TN	885	32.0	47.3	2	4.6	100.0%
4770 Southpoint Drive, Memphis, TN	500	32.0	23.3	2	4.1	100.0%
5100 W 123rd Street, Chicago, IL	465	30.0	27.0	2	6.0	100.0%
5300 Proviso Drive, Chicago, IL	343	30.0	17.0	2	4.0	100.0%
8860 Smith's Mill Road, Columbus, OH	304	32.0	17.0	4	3.1	100.0%
8820 Smith's Mill Road, Columbus, OH	264	30.0	15.1	4	6.2	100.0%
301–363 N Third Avenue, Chicago, IL	250	21.0	14.3	2	3.7	100.0%
1819 N Walcutt Road, Columbus, OH	243	18.0	11.3	5	3.1	100.0%
4311 Janitrol Road, Columbus, OH	240	30.0	12.7	3	4.2	85.0%
640–700 Dearborn Park Lane, Columbus, OH	108	24.0	5.9	4	2.0	100.0%
2275–2353 International Street, Columbus, OH	102	21.0	14.8	1	6.5	100.0%
2111–2191 International Street, Columbus, OH	102	21.0	8.6	5	3.7	61.0%
2000 Conner Road, Cincinnati, OH	77	22.0	4.9	4	1.9	100.0%
2200–2236 International Street, Columbus, OH	76	21.0	6.1	1	0.5	27.1%
2100 Conner Road, Cincinnati, OH	63	22.0	4.0	4	3.6	80.9%
2350–2380 International Street, Columbus, OH	52	21.0	6.1	2	5.3	100.0%
4701–4717 Roberts Road, Columbus, OH	52	21.0	26.1	3	3.8	100.0%
2300–2330 International Street, Columbus, OH	51	21.0	6.1	3	4.4	100.0%
United States Multi-tenant	4,177	28.2	267.6	53	4.3	96.6%
United States	7,275	28.6	508.2	63	4.3	93.9%
Total Portfolio Single-tenant buildings	8,774	26.0	589.6	74	4.7	95.4%
Total Portfolio Multi-tenant buildings	13,123	24.0	782.9	930	3.7	96.0%
Total Portfolio	21,897	24.8	1,372.5	1,004	4.1	95.8%

(1) Includes two properties located in Ottawa.

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 appointed 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 18, 2020

"Lenis Quan"

Lenis Quan

Chief Financial Officer



Independent auditor's report

To the Unitholders of Dream Industrial Real Estate Investment Trust

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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Trust's consolidated financial statements comprise:

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

Basis for opinion

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

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

Independence

We are independent of the 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.

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.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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.

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 Carly Stallwood.

(signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 18, 2020

Consolidated balance sheets

(in thousands of Canadian dollars)	Note	December 31, 2019	December 31, 2018
Assets			
NON-CURRENT ASSETS			
Investment properties	5	\$ 2,428,664	\$ 2,138,411
Equity accounted investment	7	8,008	—
Other non-current assets	8	4,773	3,496
		2,441,445	2,141,907
CURRENT ASSETS			
Amounts receivable	9	7,410	4,310
Prepaid expenses and other assets		2,499	5,490
Cash and cash equivalents		441,537	4,968
		451,446	14,768
Assets held for sale	10	—	3,900
Total assets		\$ 2,892,891	\$ 2,160,575
Liabilities			
NON-CURRENT LIABILITIES			
Debt	11	\$ 952,917	\$ 860,789
Subsidiary redeemable units	12	243,771	176,613
Deferred Unit Incentive Plan	13	10,250	6,608
Deferred income tax liabilities, net	14	9,511	1,266
Other non-current liabilities	15	14,467	14,013
		1,230,916	1,059,289
CURRENT LIABILITIES			
Debt	11	61,651	76,941
Amounts payable and accrued liabilities	16	40,752	35,020
		102,403	111,961
Total liabilities		1,333,319	1,171,250
Equity			
Unitholders' equity	17	1,372,564	887,757
Retained earnings	17	187,443	90,621
Accumulated other comprehensive income (loss)	17, 19	(435)	10,947
Total equity		1,559,572	989,325
Total liabilities and equity		\$ 2,892,891	\$ 2,160,575

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 comprehensive income

(in thousands of Canadian dollars)	Note	Year ended December 31,	
		2019	2018
Investment properties revenue	20	\$ 195,331	\$ 160,443
Investment properties operating expenses		(56,305)	(46,208)
Net rental income		139,026	114,235
Other income			
Interest and fee income		1,910	657
		1,910	657
Other expenses			
General and administrative	21	(12,060)	(10,095)
Interest:			
Debt	22	(34,956)	(34,325)
Subsidiary redeemable units	22	(13,376)	(13,376)
Depreciation and amortization		(55)	(59)
		(60,447)	(57,855)
Fair value adjustments and net losses on transactions and other activities			
Fair value adjustments to investment properties	5, 10	180,488	108,308
Fair value adjustments to financial instruments	23	(70,817)	(17,120)
Net losses on transactions and other activities	24	(4,929)	(4,394)
		104,742	86,794
Income before income taxes and discontinued operations		185,231	143,831
Current and deferred income taxes expense, net	14	(8,458)	(1,236)
Income from continuing operations, net of taxes		176,773	142,595
Income from discontinued operations, net of taxes	10	2,659	14,933
Net income		\$ 179,432	\$ 157,528
Other comprehensive income (loss)			
Items that will be reclassified subsequently to net income:			
Unrealized gain (loss) on foreign currency translation, net of taxes	19	\$ (11,346)	\$ 11,990
Unrealized gain (loss) on effective interest rate hedge, net of taxes	19	(36)	92
		(11,382)	12,082
Comprehensive income		\$ 168,050	\$ 169,610

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

(in thousands of Canadian dollars) Year ended December 31, 2019	Note	Attributable to unitholders of the Trust				
		Number of REIT Units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance at January 1, 2019		92,062,659	\$ 887,757	\$ 90,621	\$ 10,947	\$ 989,325
Net income		—	—	179,432	—	179,432
Distributions paid and payable	18	—	—	(82,610)	—	(82,610)
Public offerings and private placement of REIT Units	17	39,436,500	465,313	—	—	465,313
Distribution Reinvestment Plan ⁽¹⁾	17	3,170,829	38,311	—	—	38,311
REIT Units issued for vested deferred trust units and Unit Purchase Plan	13, 17	131,893	1,573	—	—	1,573
Issue costs and other		—	(20,390)	—	—	(20,390)
Other comprehensive loss	19	—	—	—	(11,382)	(11,382)
Balance at December 31, 2019		134,801,881	\$ 1,372,564	\$ 187,443	\$ (435)	\$ 1,559,572

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

(in thousands of Canadian dollars) Year ended December 31, 2018	Note	Attributable to unitholders of the Trust				
		Number of REIT Units	Unitholders' equity	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total equity
Balance at January 1, 2018		75,104,843	\$ 720,437	\$ (7,056)	\$ (1,135)	\$ 712,246
Net income		—	—	157,528	—	157,528
Distributions paid and payable	18	—	—	(59,851)	—	(59,851)
Public offering of REIT Units	17	13,915,000	144,020	—	—	144,020
Distribution Reinvestment Plan ⁽¹⁾	17	2,863,035	28,292	—	—	28,292
REIT Units issued for vested deferred trust units and Unit Purchase Plan	13, 17	179,781	1,690	—	—	1,690
Issue costs and other		—	(6,682)	—	—	(6,682)
Other comprehensive income	19	—	—	—	12,082	12,082
Balance at December 31, 2018		92,062,659	\$ 887,757	\$ 90,621	\$ 10,947	\$ 989,325

(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,	
		2019	2018
Generated from (utilized in) operating activities			
Net income		\$ 179,432	\$ 157,528
Non-cash items:			
Fair value adjustments to investment properties	5, 10	(178,097)	(107,875)
Fair value adjustments to financial instruments	23	70,817	17,120
Depreciation and amortization	25	2,557	2,999
Other adjustments	25	29,105	17,726
Change in non-cash working capital	25	(5,989)	(162)
Investment in lease incentives and initial direct leasing costs		(13,230)	(9,482)
		84,595	77,854
Generated from (utilized in) investing activities			
Investment in building improvements		(11,350)	(13,744)
Investment in property and equipment		(61)	(274)
Acquisitions and transaction costs of investment properties		(363,970)	(241,604)
Deposit on acquisition of investment properties	8	(2,700)	(1,322)
Investment in equity accounted investment	7	(8,117)	—
Net proceeds from disposal of investment properties		270,065	—
		(116,133)	(256,944)
Generated from (utilized in) financing activities			
Borrowings	11	403,442	374,429
Lump sum repayments	10, 11	(294,306)	(311,906)
Principal repayments	10, 11	(24,752)	(25,400)
Financing costs additions	11	(3,937)	(2,878)
Debt settlement costs		(1,359)	—
Distributions paid on REIT Units	18	(55,167)	(43,946)
Cash proceeds on issuance of REIT Units	17	465,323	144,030
Issue costs paid on REIT Units		(19,930)	(6,852)
Cash proceeds on issuance of DUIP Units	13	(91)	—
		469,223	127,477
Increase (decrease) in cash and cash equivalents		437,685	(51,613)
Foreign exchange gain (loss) on cash held in foreign currency		(1,116)	1,930
Cash and cash equivalents, beginning of year		4,968	54,651
Cash and cash equivalents, end of year		\$ 441,537	\$ 4,968

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

(All dollar amounts in thousands of Canadian dollars, except for per unit amounts)

Note 1

ORGANIZATION

Dream Industrial Real Estate Investment Trust (“Dream Industrial REIT” 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 primarily owns and operates light industrial properties in key markets across North America.

A subsidiary of Dream Industrial REIT performs the property management function in Canada. A related party of Dream Industrial REIT, Pauls Realty Services, LLC, performs the property management function in the U.S.

The principal office and centre of administration of the Trust is 30 Adelaide Street East, Suite 301, State Street Financial Centre, Toronto, Ontario, M5C 3H1. The Trust is listed on the Toronto Stock Exchange (“TSX”) under the symbol “DIR.UN”. Dream Industrial REIT’s consolidated financial statements for the year ended December 31, 2019 were authorized for issuance by the Board of Trustees on February 18, 2020, 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;
- “LP B Units” or “subsidiary redeemable units”, meaning the Class B limited partnership units of Dream Industrial LP (“DILP”), a subsidiary of the Trust;
- “Special Trust Units”, meaning units issued in connection with subsidiary redeemable units; and
- “Units”, meaning REIT Units and subsidiary redeemable units, collectively.

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, 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.

Equity accounted investments

Equity accounted investments are investments over which the Trust has significant influence, but not control. Generally, the Trust is considered to exert significant influence when it holds more than a 20% interest in an entity or partnership. However, determining significant influence is a matter of judgment and specific circumstances and, from time to time, the Trust may hold an interest of more than 20% in an entity or partnership without exerting significant influence. Conversely, the Trust may hold an interest of less than 20% and exert significant influence through representation on the Board of Trustees, direction of management or contractual agreements.

The financial results of the Trust's equity accounted investments are included in the Trust's consolidated financial statements using the equity method, whereby the investment is carried on the consolidated balance sheets at cost, adjusted for the Trust's proportionate share of post-acquisition profits and losses and for post-acquisition changes in excess of the Trust's carrying amount of its investment over the net assets of the equity accounted investments, less any identified impairment loss. The Trust's share of profits and losses is recognized in the share of income from equity accounted investments in the consolidated statements of comprehensive income. If the Trust's investment is reduced to zero, additional losses are not provided for, and a liability is not recognized, unless the Trust has incurred legal or constructive obligations, or made payments on behalf of the equity accounted investment.

At each reporting date, the Trust evaluates whether there is objective evidence that its interest in an equity accounted investment is impaired. The entire carrying amount of the equity accounted investment is compared to the recoverable amount, which is the higher of the value-in-use or fair value less costs to sell. The recoverable amount of each investment is considered separately.

Where the Trust transacts with its equity accounted investments, unrealized profits and losses are eliminated to the extent of the Trust's interest in the investment. Balances outstanding between the Trust and equity accounted investments in which it has an interest are not eliminated in the consolidated balance sheets.

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.

The Trust reports its interests in joint ventures using the equity method of accounting as previously described under "Equity accounted investments". The Trust reports its interests in co-ownerships as joint operations by accounting for its share of the assets, liabilities, revenues and expenses. Under this method, the Trust's consolidated financial statements reflect only the Trust's proportionate share of the assets, its share of any liabilities incurred jointly with the other ventures as well as any liabilities incurred directly, its share of any revenues earned or expenses incurred by the joint operation, and any expenses incurred directly.

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 and liabilities assumed, and any equity interests issued by the Trust in exchange for control of the acquiree.

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 consolidated statements of comprehensive income 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 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, 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 committed costs on commenced leases, costs incurred prior to lease commencement 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 in which they are incurred.

Investment properties, including 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 associated 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. Debt directly related to assets held for sale is carried at amortized cost until disposal.

Other non-current assets

Other non-current assets include deposits on acquisitions of investment properties, property and equipment, and financial assets. Deposits on acquisitions of investment properties are recorded at amortized cost. 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. 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.

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.

Financial instruments

Classification and measurement of financial instruments

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

	Classification and measurement
Financial assets	
Deposits on acquisitions of investment properties ⁽¹⁾	Financial asset at amortized cost
Amounts receivable	Financial asset at amortized cost
Cash and cash equivalents	Financial asset at amortized cost
Financial liabilities	
Mortgages ⁽²⁾	Financial liability at amortized cost
Revolving credit facility ⁽²⁾	Financial liability at amortized cost
Subsidiary redeemable units	Financial liability at amortized cost
Deferred Unit Incentive Plan	Financial liability at amortized cost
Tenant security deposits ⁽³⁾	Financial liability at amortized cost
Amounts payable and accrued liabilities	Financial liability at amortized cost
Financial assets/financial liabilities	
Interest rate swaps – designated as hedges ⁽⁴⁾	Hedge through other comprehensive income
Interest rate swaps – not designated as hedges ⁽⁵⁾	Financial asset at fair value through profit and loss
Convertible debentures – conversion feature ⁽⁶⁾	Financial asset at fair value through profit and loss

(1) Included in "Other non-current assets" in the consolidated balance sheets.

(2) Included in "Debt" in the consolidated balance sheets.

(3) Included in "Other non-current liabilities" in the consolidated balance sheets.

(4) Nil balance in the 2019 consolidated balance sheet; included in "Prepaid expenses and other assets" in the 2018 consolidated balance sheet.

(5) Included in "Other non-current assets" and "Other non-current liabilities" in the consolidated balance sheets.

(6) Nil balance in the consolidated balance sheets.

Financial assets

Classification

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 Trust's business model for managing the financial assets and the contractual terms of the cash flows.

Measurement

At initial recognition, the Trust measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Subsequent measurement depends on the Trust'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;
- fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

For financial assets measured subsequently at amortized cost, the asset is amortized using the effective interest rate method.

Impairment

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 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.

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

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

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortized cost.

Measurement

At initial measurement, financial liabilities are recognized at fair value, less, in the case of a financial liability at amortized cost, 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.

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 REIT in any calendar month will not exceed \$50 unless waived by Dream Industrial REIT'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 as 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 on 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 issuance of REIT Units are recognized directly in unitholders' equity as a reduction of the proceeds received.

Distributions

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

Deferred Unit Incentive Plan ("DUIP")

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

Over the vesting period, deferred trust units are recorded as a liability, and compensation expense is recognized at amortized cost based on the fair value of the units. Once vested, the liability is remeasured at each reporting date at amortized cost, based on the fair value of the corresponding REIT Units, with changes in fair value recognized in the consolidated statements of comprehensive income as a fair value adjustment to financial instruments. Deferred trust units and income deferred units are generally settled in REIT Units.

Revenue recognition

Rental income

Effective January 1, 2019, the Trust has adopted IFRS 16, "Leases" ("IFRS 16"), on a modified retrospective basis with no restatement of comparatives (see Note 3). IFRS 16 applies to base rental income and property tax recoveries earned from leases ("rental income"). The prior comparative period was reported under IAS 17, "Leases" ("IAS 17"). The adoption had no impact on the timing or amount of revenue recognized.

The Trust accounts for tenant leases as operating leases, given that it has retained substantially all of the risks and rewards of ownership of its investment properties. Lease revenue from investment properties 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. Lease termination fees and other rental revenues are recorded as earned.

Revenue from contracts with customers

The Trust has obligations to provide ongoing services related to its leases. These services include 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. These current assets or liabilities are settled with tenants annually.

For all revenue streams from contracts with customers, revenue is measured at the best estimate of the amount the Trust expects to receive for performing the services. Revenue is recognized only to the extent that it is highly probable that a significant amount of the cumulative revenue recognized for a contract will not be reversed. The Trust is obligated to continue to provide ongoing services over the remaining term of each lease contract. The Trust will recognize revenue on these remaining performance obligations based on the actual cost incurred to fulfill the ongoing services in the period.

Any receivables arising from revenue contracts with customers are tested for impairment using the same model as for amounts receivable as described above.

Significant judgments in applying IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”)

The application of IFRS 15 requires the Trust to make the following significant judgments:

Estimation of transaction prices

The Trust exercises judgment in estimating the transaction price for revenues from contracts with customers. The Trust exercises judgment with regards to the amount and timing of the revenue recognized for recoveries revenue contracts which are satisfied over time. The amount of revenue recognized for recoveries revenue with variable consideration is constrained by the actual costs incurred and any restrictions in lease agreements. The revenues related to these obligations are recorded over time as the obligation of the Trust is to provide the recoveries revenue on an as needed basis throughout the contract period. The Trust considers this to be a faithful depiction of the transfer of services.

Scoping of revenues

The Trust exercises judgment in determining which of its revenue streams that arise from lease agreements are in scope of IFRS 15 and which are not. Specifically, the Trust considers whether a revenue stream related to a lease agreement is for the lease of an asset or is for the provision of a distinct service. Revenues of the latter type are determined to be in scope of IFRS 15, while the former are in scope of IFRS 16 (for the year ended December 31, 2019) or IAS 17, “Leases” (for the year ended December 31, 2018).

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 the Trust 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 of the Trust, 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. Deferred tax assets are recognized only to the extent that they are realizable.

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 a 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.

Impairment

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to the equity accounted investment, amounts receivable and property and equipment.

IAS 28, “Investments in Associates and Joint Ventures” (“IAS 28”), requires management to use judgment in determining the recoverable amount of equity accounted investments that are tested for impairment. Judgment is also involved in estimating the value-in-use of the equity accounted investment, including estimates of future cash flows, discount rates and terminal rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

Leases where the Trust is a lessee

Effective January 1, 2019, the Trust has adopted IFRS 16, “Leases” (“IFRS 16”), on a modified retrospective basis with no restatement of comparative figures (see Note 3). IFRS 16 applies to all leases where the Trust is a lessee. The prior comparative period was reported under IAS 17, “Leases” (“IAS 17”).

At the inception of a contract, the Trust assesses whether that contract is, or contains, a lease. A lease is a contract where the right to direct the use of an asset owned by another party and to obtain the economic benefits deriving from that asset are transferred to the Trust. Where the Trust is a lessee, the Trust recognizes a right-of-use (“ROU”) asset and a lease liability except where the lease is for less than 12 months or the underlying asset is of low value as determined by the Trust. For short-term leases and for leases of low-value assets, the lease payments are expensed evenly over the term of the lease.

At initial recognition, the lease liability is measured at the present value of the lease payments in the lease, including any renewal options where it is reasonably certain the Trust will exercise the option, and the lease payments due after exercising the option are estimable. These payments are discounted using the rate implicit in the lease or, where this rate is not determinable, at the Trust’s incremental borrowing rate for borrowings secured by a similar asset and for a similar term as the lease. Lease payments include fixed payments and variable payments, which depend on an index or rate, including any renewal options included in the determination of the term of the lease. Subsequently, the lease liability is measured at amortized cost using the effective interest rate method. The lease liability is remeasured when the lease agreement is modified or if there are changes to variable payments dependent on an index or rate.

At inception, the ROU asset comprises the lease liability plus any direct costs of obtaining the lease less any incentives provided by the lessor. The ROU asset is depreciated on a straight-line basis over the shorter of the term of the lease and the useful life of the asset. When there are indicators of impairment of an ROU asset, the asset is tested for impairment. ROU assets are included in investment properties and lease liabilities are included in other non-current liabilities.

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), and 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.

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 rate of exchange at the consolidated balance sheet dates. Revenues and expenses are translated at average 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.

Critical accounting judgments, estimates and assumptions

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 to the carrying amount of the affected asset or liability in the future.

Critical accounting judgments

The following are the critical accounting 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 investment properties 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 in 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.

Impairment

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to the equity accounted investment, amounts receivable and property and equipment.

IFRS 9, “Financial Instruments” (“IFRS 9”), requires management to use judgment in determining if the Trust’s financial assets are impaired. In making this judgment, the Trust evaluates, among other factors, the credit risk of the counterparty and whether there are indicators that credit risk on a financial instrument has changed significantly since initial recognition or the last reassessment of credit risk. Where the credit risk of a financial asset has increased significantly since initial recognition, the Trust records a loss allowance equal to the lifetime expected credit losses arising from that financial asset.

IAS 36, “Impairment of Assets” (“IAS 36”), requires management to use judgment in determining the recoverable amount of assets and equity accounted investments that are tested for impairment. Judgment is also involved in estimating the value-in-use of the equity accounted investments, including estimates of future cash flows, discount rates and terminal rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

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, 2019. These changes were made in accordance with the applicable transitional provisions as described below.

Leases

Effective January 1, 2019, the Trust has applied IFRS 16. IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. While accounting for leases where the Trust is acting as the lessor is substantially unchanged, there have been significant changes to the accounting for leases previously classified as operating leases where the Trust is acting as the lessee.

The Trust has applied IFRS 16 on a modified retrospective basis. The accounting policies applied under the new standard are disclosed in Note 2.

As a result of adopting IFRS 16, no ROU assets or lease liabilities were recognized on transition. The Trust is not required to make any adjustments on transition for leases in which it acts as a lessor.

Income taxes

On January 1, 2019, the Trust adopted International Financial Reporting Interpretations Committee (“IFRIC”) 23, “Uncertainty over Income Tax Treatments” (“IFRIC 23”), which has clarified the application of the recognition and measurement requirements in IAS 12, “Income Taxes” (“IAS 12”), for situations where there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers income tax treatments separately; assumptions that an entity makes regarding the examination of tax treatments by taxation authorities; how an entity determines taxable income or loss, tax bases, unused tax losses or credits and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12. IFRIC 23 did not have a material impact on the Trust’s consolidated financial statements.

Note 4

FUTURE ACCOUNTING POLICY CHANGES

Business combinations

The International Accounting Standards Board published an amendment to the requirements of IFRS 3, “Business Combinations” (“IFRS 3”), in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business and provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after January 1, 2020, with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

Note 5

INVESTMENT PROPERTIES

	Note	Year ended December 31,	
		2019	2018
Balance at beginning of year		\$ 2,138,411	\$ 1,722,988
Additions:			
Acquisition of investment properties	6	376,693	248,185
Building improvements		9,780	13,824
Lease incentives and initial direct leasing costs		14,418	14,061
Total additions to investment properties		400,891	276,070
Dispositions, reclassifications from (to) assets held for sale:			
Dispositions of investment properties	10	(8,030)	—
Investment properties reclassified from (to) assets held for sale	10	(260,120)	11,300
Total dispositions, reclassifications from (to) assets held for sale		(268,150)	11,300
Changes included in net income:			
Fair value adjustments to investment properties		178,547	107,875
Change in straight-line rent		1,233	968
Amortization of lease incentives		(1,617)	(1,426)
Total changes included in net income		178,163	107,417
Changes included in other comprehensive income:			
Foreign currency translation gains (losses)		(20,651)	20,636
Total changes included in other comprehensive income		(20,651)	20,636
Balance at end of year		\$ 2,428,664	\$ 2,138,411
Change in unrealized income included in net income			
Change in fair value of investment properties		\$ 181,214	\$ 107,875

Investment properties includes \$10,434 (December 31, 2018 – \$10,591) related to straight-line rent receivables.

The following table summarizes the total investment properties pledged as security for debt as at December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
Pledged as collateral for mortgages	\$ 2,062,146	\$ 1,739,543
Pledged as collateral for revolving credit facility	270,267	208,174
Not pledged against debt	96,251	190,694
Total investment properties	\$ 2,428,664	\$ 2,138,411

Valuations of externally appraised investment properties

The following table summarizes the investment properties valued by qualified external valuation professionals for the years ended December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
Investment properties valued by qualified external valuation professionals	\$ 547,585	\$ 655,620
Number of investment properties valued by qualified external valuation professionals	59	47
Percentage of the total investment property values	23%	31%

Fair value adjustments to investment properties

For the year ended December 31, 2019, the Trust recorded a fair value gain of \$180,488 to investment properties in our continuing operations and a fair value loss of \$2,391 from discontinued operations (see Note 10) for a total net fair value gain of \$178,097. These fair value adjustments comprise \$178,547 of fair value gains recorded in investment properties and \$450 of fair value loss recorded in investment properties classified as assets held for sale (see Note 10).

For the year ended December 31, 2018, the Trust recorded a fair value gain to investment properties totalling \$108,308 in our continuing operations and a fair value loss to investment properties totalling \$433 in our discontinued operations (see Note 10) for a total net fair value gain of \$107,875.

The fair value of the investment properties as at December 31, 2019 and December 31, 2018 represents the Trust's best estimate based on the internally and externally available information as at the end of the reporting period. If there are any changes in the critical and key assumptions used in valuing the investment properties, or in regional, national or international economic conditions, the fair value of investment properties may change materially.

Assumptions used in the valuation of investment properties

As at December 31, 2019, the Trust's investment properties, excluding assets held for sale at period-end and investment properties acquired during the quarter, were valued using the cap rate and discounted cash flow methods. The significant and unobservable Level 3 valuation metrics used in the methods as at December 31, 2019 and December 31, 2018 are set out in the table below:

	December 31, 2019 ⁽¹⁾		December 31, 2018 ⁽¹⁾	
	Range (%)	Weighted average ⁽²⁾ (%)	Range (%)	Weighted average ⁽²⁾ (%)
Cap rate method				
Cap rate	4.50–7.50	5.95	5.00–9.25	6.29
Discounted cash flow method				
Discount rate	5.38–8.75	6.92	6.00–9.00	7.16
Terminal cap rate	5.00–8.00	6.28	5.50–8.00	6.55

(1) Excludes assets held for sale at year-end and investment properties acquired during the quarter as applicable.

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

Sensitivities on assumptions

The following sensitivity tables outline the potential impact on the value of investment properties, excluding assets held for sale at period-end and investment properties acquired during the quarter, assuming a change in the weighted average cap rates, discount rates and terminal rates by a respective 25 basis points ("bps") as at December 31, 2019:

	Impact to change in weighted average cap rates			
	+25 bps		-25 bps	
Cap rate method				
Increase (decrease) in value	\$ (100,048)		\$ 108,820	
	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
Discounted cash flow method				
Increase (decrease) in value	\$ (47,330)	\$ 48,498	\$ (59,767)	\$ 64,871

Note 6

INVESTMENT PROPERTY ACQUISITIONS

Detailed below are the investment property acquisitions completed for the years ended December 31, 2019 and December 31, 2018:

Year ended December 31, 2019	Purchase price ⁽¹⁾	Date acquired
Midwest U.S. portfolio ⁽²⁾	\$ 237,486	March 1, 2019
1602 Tricont Avenue, Whitby, Ontario	35,800	April 30, 2019
8820 Smith's Mill Road, Columbus, Ohio	31,857	June 4, 2019
333 Wycroft Road, Oakville, Ontario	7,000	June 13, 2019
1250–1280 Humber Place, Ottawa, Ontario	32,800	July 22, 2019
Saskatchewan portfolio ⁽³⁾	8,148	August 30, 2019
300 Orenda Road, Brampton, Ontario	17,420	December 16, 2019
Total	\$ 370,511	

(1) Excludes transaction costs of \$6,182.

(2) Midwest U.S. portfolio includes 21 investment properties: four in Chicago, Illinois; two in Cincinnati, Ohio; 12 in Columbus, Ohio; two in Indianapolis, Indiana; and one in Louisville, Kentucky.

(3) Saskatchewan portfolio includes 50% interest in six investment properties in Regina, Saskatchewan, previously co-owned with Dream Hard Asset Alternatives Trust ("DHAAT"), a related party of the Trust.

Year ended December 31, 2018	Purchase price ⁽¹⁾	Date acquired
860 Marine Drive, Charlotte, North Carolina	\$ 35,372	January 16, 2018
4770 Southpoint Drive, Memphis, Tennessee	31,970	January 16, 2018
5605 Holmescrest Lane, Memphis, Tennessee	46,820	January 16, 2018
161 The West Mall, Etobicoke, Ontario	34,880	August 2, 2018
8860 Smith's Mill Road, Columbus, Ohio	35,619	September 6, 2018
9000 Smith's Mill Road, Columbus, Ohio	44,831	September 6, 2018
10555 Henri-Bourassa Boulevard West, Saint-Laurent, Québec	13,600	October 24, 2018
Total	\$ 243,092	

(1) Excludes transaction costs of \$5,093.

Detailed below are the considerations paid for the acquired investment properties for the years ended December 31, 2019 and December 31, 2018:

	Note	Year ended December 31, 2019	Year ended December 31, 2018
Cash paid		\$ 357,954	\$ 236,259
Deposits paid in a prior period and released to seller on closing		1,322	2,185
Assumed mortgage ⁽¹⁾	11	5,384	—
Assumed non-cash working capital and capital expenditure obligations		5,851	4,648
Total consideration paid before transaction costs and land transfer taxes		370,511	243,092
Transaction costs and land transfer taxes		6,182	5,093
Total consideration paid for investment properties		\$ 376,693	\$ 248,185

(1) Debt assumed from DHAAT, a related party of the Trust.

Note 7

JOINT ARRANGEMENTS

Joint Venture

The Trust participates in a joint venture with other related parties that own a property and account for its interest using the equity method.

The Trust holds an 80% equity interest in a company formed for the purpose of acquiring land for development purposes. The remaining interests are owned by Dream Asset Management Corporation and PAULS Corp, LLC, related parties of the Trust (see Note 27). The Trust has joint control over this company via an operating agreement which requires unanimous consent. Accordingly, the Trust has recorded its equity interest as an equity accounted investment.

On December 3, 2019, the Trust acquired 24.5 acres of development land in Las Vegas, Nevada for a purchase price including transaction costs of \$10,146 at 100% interest (\$8,117 at the Trust's 80% interest).

The following table presents the financial results of the joint venture as at December 31, 2019:

	December 31, 2019	
	At 100% ownership interest	At 80% ownership interest
Non-current assets	\$ 10,010	\$ 8,008
Net assets	\$ 10,010	\$ 8,008

For the year ended December 31, 2019, net income of the joint venture was \$nil.

Under the operating agreement, the Trust has committed to make a capital improvement contribution of \$13,821 for the development of the project.

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. On August 30, 2019, the Trust completed the acquisition of its remaining 50% interest in a portfolio of six properties in Regina, Saskatchewan, previously co-owned with DHAAT, a related party of the Trust (see Note 6).

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, 2019	December 31, 2018
Non-current assets	\$ —	\$ 8,020
Current assets ⁽¹⁾	146	506
Total assets	146	8,526
Non-current liabilities	—	5,345
Current liabilities ⁽¹⁾	45	503
Total liabilities	45	5,848
Net assets	\$ 101	\$ 2,678

(1) The Trust's share of certain working capital balances was not transferred out of the co-ownership as a result of the Trust's acquisition of DHAAT's remaining 50% interest of the co-owned properties and will be settled through the co-ownership during the post-close period.

	Year ended December 31,	
	2019	2018
Net rental income	\$ 442	\$ 672
Other revenue and expenses, fair value adjustments and net losses on transactions and other activities	123	(1,288)
Share of net income (loss) from investments in co-owned properties	\$ 565	\$ (616)

Note 8

OTHER NON-CURRENT ASSETS

	Note	December 31, 2019	December 31, 2018
Deposits on acquisitions of investment properties		\$ 2,700	\$ 1,364
Property and equipment and other		651	625
Fair value of interest rate swaps	30	1,422	1,507
Total		\$ 4,773	\$ 3,496

Note 9

AMOUNTS RECEIVABLE

	December 31, 2019	December 31, 2018
Trade receivables	\$ 2,837	\$ 1,540
Less: Provision for impairment of trade receivables	(559)	(578)
Trade receivables, net	2,278	962
Other amounts receivable	5,132	3,348
Amounts receivable	\$ 7,410	\$ 4,310

The carrying value of amounts receivable approximates fair value due to their current nature. The Trust determines the provision for impairment of trade receivables using historical information, probability of collection, lease terms, tenant's financial condition and other factors.

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, 2019
2020	\$ 133,833
2021	122,658
2022	103,779
2023	75,475
2024	75,018
2025+	100,972
Total	\$ 611,735

Note 10

ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND DISPOSITIONS

Assets held for sale

As at December 31, 2019, there were no investment properties classified as assets held for sale. As at December 31, 2018, management had committed to a plan of sale for a property in the Eastern Canada region as the sale of that property was considered to be highly probable.

On June 30, 2019, the Trust classified as assets held for sale all of the remaining investment properties in the Eastern Canada region. On July 31, 2019, the Trust completed the sale of the entire Eastern Canada region for gross proceeds net of adjustments and before transaction costs of \$259,454.

The tables below summarize the activity of investment properties classified as assets held for sale and the associated debt for the years ended December 31, 2019 and December 31, 2018.

Investment properties held for sale

	Note	Year ended December 31,	
		2019	2018
Balance at beginning of year		\$ 3,900	\$ 15,200
Additions:			
Building improvements		349	—
Lease incentives and initial direct leasing costs		709	—
Dispositions, transfers to/from investment properties:			
Investment properties classified to (from) assets held for sale ⁽¹⁾	5	260,120	(11,300)
Disposition of investment properties		(264,604)	—
Changes included in net income:			
Realized fair value adjustments to investment properties ⁽²⁾		(450)	—
Amortization of lease incentives		(24)	—
Balance at end of year		\$ —	\$ 3,900

(1) In 2018, one of the investment properties that was previously classified as held for sale was reclassified to investment properties totalling \$11,300 due to a change in the purchaser's intention to lease the space instead of purchasing the property.

(2) Fair value adjustments to investment properties held for sale totalling \$(450) was realized in income from discontinued operations, net of taxes, during the year ended December 31, 2019.

Debt related to investment properties held for sale

	Note	Year ended December 31,	
		2019	2018
Balance at beginning of year		\$ —	\$ —
Cash items:			
Lump sum repayments		(36,246)	—
Principal repayments		(116)	—
Non-cash items:			
Debt classified as liabilities related to assets held for sale	11	36,367	—
Other adjustments ⁽¹⁾		(5)	—
Balance at end of year		\$ —	\$ —

(1) Other adjustments includes write-offs and amortization of deferred financing costs and fair value adjustments of assumed debt.

Discontinued operations – Eastern Canada region

The Trust presented separately the results of operations and cash flows from the Eastern Canada region for the years ended December 31, 2019 and December 31, 2018 as follows:

	Year ended December 31,	
	2019	2018
Investment properties revenue	\$ 19,323	\$ 33,105
Investment properties operating expenses	(8,552)	(13,596)
Net rental income	10,771	19,509
Other expenses	(1,632)	(3,457)
Fair value adjustments and net losses on transactions and other activities		
Fair value adjustments to investment properties	(2,391)	(433)
Net losses on transactions and other activities:		
Costs on sale of investment properties	(2,758)	—
Debt settlement costs ⁽¹⁾	(964)	—
Internal leasing costs	(367)	(686)
	(6,480)	(1,119)
Income from discontinued operations, net of taxes	\$ 2,659	\$ 14,933

(1) Debt settlement costs include prepayment penalties and transaction costs of \$971, write-offs of unamortized deferred financing costs of \$41 and write-offs of unamortized fair value adjustments on assumed debt of \$(48).

	Year ended December 31,	
	2019	2018
Cash generated from (utilized in):		
Operating activities	\$ 4,476	\$ 14,103
Investing activities	257,330	(2,586)
Financing activities ⁽¹⁾	(83,222)	(3,588)

(1) For the year ended December 31, 2019, financing activities included lump sum mortgage repayments of \$80,673.

Dispositions

For the year ended December 31, 2019, the Trust disposed of the following investment properties:

	Note	Sale price ⁽¹⁾	Date disposed
9601 156th Avenue, Grande Prairie, Alberta	5	\$ 6,500	May 24, 2019
Eastern Canada portfolio ⁽²⁾		259,454	July 31, 2019
2190 Industrial Drive, Regina, Saskatchewan	5	1,530	November 8, 2019
439 Sovereign, London, Ontario		5,150	November 28, 2019
Total		\$ 272,634	

(1) Sale price reflects gross proceeds net of adjustments and before transaction costs.

(2) Consisted of 38 investment properties in Dartmouth, Nova Scotia, and Moncton, New Brunswick.

There were no investment property dispositions in 2018.

Note 11

DEBT

	December 31, 2019	December 31, 2018
Mortgages	\$ 1,015,143	\$ 910,970
Revolving credit facility ⁽¹⁾	(575)	26,760
Total debt	1,014,568	937,730
Less: Current portion	(61,651)	(76,941)
Non-current debt	\$ 952,917	\$ 860,789

(1) Revolving credit facility balance consists of financing costs, net of amortization. As at December 31, 2019, there were no amounts drawn on the revolving credit facility.

Continuity of total debt

The following tables provide a continuity of total debt for the years ended December 31, 2019 and December 31, 2018:

		December 31, 2019		
	Note	Mortgages	Revolving credit facility ⁽¹⁾	Total
Total debt as at January 1, 2019		\$ 910,970	\$ 26,760	\$ 937,730
Cash items:				
Borrowings		228,648	174,794	403,442
Lump sum repayments		(56,681)	(201,379)	(258,060)
Principal repayments		(24,636)	—	(24,636)
Financing costs additions		(3,587)	(350)	(3,937)
Non-cash items:				
Debt classified as liabilities related to assets held for sale	10	(36,367)	—	(36,367)
Debt assumed on acquisition of investment property ⁽²⁾	6	5,384	—	5,384
Foreign exchange adjustments		(9,065)	(791)	(9,856)
Other adjustments ⁽³⁾		477	391	868
Total debt as at December 31, 2019		\$ 1,015,143	\$ (575)	\$ 1,014,568

(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) Debt assumed from DHAAT, a related party of the Trust.

(3) Other adjustments include amortization of financing costs of \$1,512 and amortization of fair value adjustments on assumed debt of \$(644).

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

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

Revolving credit facility

On March 15, 2019, the Trust amended its existing revolving credit facility by increasing the borrowing limit from \$125,000 to \$150,000 and extended the maturity date from June 30, 2020 to June 30, 2021. The interest rate remained at bankers' acceptances ("BA"), bearing interest at the 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%.

The following tables summarize certain details of the Trust's revolving credit facility as at December 31, 2019 and December 31, 2018:

	December 31, 2019				
	Maturity date	Borrowing capacity	Principal outstanding	Other adjustments	Amounts available to be drawn
Revolving credit facility ⁽¹⁾⁽²⁾	June 30, 2021	\$ 150,000	\$ —	\$ —	\$ 150,000

(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) The revolving credit facility has the ability to be drawn in Canadian and U.S. dollars.

	December 31, 2018				
	Maturity date	Borrowing capacity	Principal outstanding	Other adjustments	Amounts available to be drawn
Revolving credit facility ⁽¹⁾⁽²⁾	June 30, 2020	\$ 125,000	\$ (27,375)	\$ 569	\$ 98,194

(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) The revolving credit facility has the ability to be drawn in Canadian and U.S. dollars. As 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's exchange rate at the balance sheet date.

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 24).

Debt weighted average effective interest rates and maturities

As at December 31, 2019, the weighted average effective interest rate on total debt was 3.73% (December 31, 2018 – 3.74%). The effective interest rate includes the impact of fair value adjustments on assumed debt and financing costs.

As at December 31, 2019 and December 31, 2018, the Trust had fixed rate mortgages and a variable rate revolving credit facility.

The scheduled principal repayments and debt maturities are as follows:

	Debt balance due at maturity	Scheduled principal repayments on debt maturing in future periods	Amount
2020	\$ 34,758	\$ 27,539	\$ 62,297
2021	143,935	25,228	169,163
2022	89,484	20,628	110,112
2023	138,704	16,012	154,716
2024	62,838	14,449	77,287
2025–2030	398,492	49,625	448,117
Total	\$ 868,211	\$ 153,481	\$ 1,021,692
Unamortized financing costs			(8,073)
Unamortized fair value adjustments			949
Total debt			\$ 1,014,568

Note 12

SUBSIDIARY REDEEMABLE UNITS

The Trust has the following subsidiary redeemable units outstanding:

	Note	Year ended December 31, 2019		Year ended December 31, 2018	
		Number of units issued and outstanding	Amount	Number of units issued and outstanding	Amount
Balance at beginning of year		18,551,855	\$ 176,613	18,551,855	\$ 163,256
Remeasurement of carrying value	23	—	67,158	—	13,357
Balance at end of year		18,551,855	\$ 243,771	18,551,855	\$ 176,613

For the years ended December 31, 2019 and December 31, 2018, the Trust recorded \$13,376 in distributions on the subsidiary redeemable units, which are included as interest expense in the consolidated statements of comprehensive income (see Note 22). For the years ended December 31, 2019 and December 31, 2018, all subsidiary redeemable units that are held by the wholly owned subsidiaries of Dream Office REIT were enrolled in the Distribution Reinvestment Plan (see Note 17).

DILP, a subsidiary of Dream Industrial REIT, is authorized to issue an unlimited number of LP B Units (subsidiary redeemable 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 each REIT Unit. 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.

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, 2019 and December 31, 2018, 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 Board of Trustees and earn income deferred trust units based on the payment of distributions. Once granted, each deferred trust unit and the related distribution of income deferred trust units vest immediately for trustees, and evenly over a five-year period and three-year period on the anniversary date of the grant for officers and the remaining participants, respectively. Subject to an election option available for certain participants to postpone receipt of REIT Units, such deferred trust units will be issued immediately on vesting. As at December 31, 2019 and December 31, 2018, up to a maximum of 2.4 million deferred trust units are issuable under the DUIP.

The movement in DUIP balance was as follows:

	Note	December 31, 2019	December 31, 2018
Balance at beginning of year		\$ 6,608	\$ 5,278
Compensation expense	21	2,156	2,181
REIT Units issued for vested deferred trust units		(1,563)	(1,680)
Remeasurement of carrying value of deferred trust units	23	3,140	829
Cash settlement of deferred trust units		(91)	—
Balance at end of year		\$ 10,250	\$ 6,608

A continuity of the DUIP units outstanding is as follows:

	December 31, 2019	December 31, 2018
Outstanding and payable at beginning of year	827,815	761,924
Granted ⁽¹⁾	214,644	245,254
REIT Units issued	(131,072)	(178,764)
Cancelled	(20,169)	(557)
REIT Units settled in cash	(8,173)	(42)
Outstanding and payable at end of year⁽²⁾	883,045	827,815

(1) Includes 51,369 income deferred trust units granted during the year ended December 31, 2019 (December 31, 2018 – 54,913 income deferred trust units).

(2) Includes 491,176 vested but not issued deferred trust units as at December 31, 2019 (December 31, 2018 – 378,668).

For the year ended December 31, 2019, 163,275 deferred trust units were granted to trustees, officers and employees with the grant price ranging from \$10.92 to \$13.37 per unit. Of the units granted, 119,225 deferred trust units relate to trustees and officers.

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.

Note 14

INCOME TAXES

The Trust is subject to both corporate income taxes in Canada and the U.S. in one of its respective wholly owned Canadian and U.S. subsidiaries.

Deferred tax assets mainly arise from losses carried forward in a taxable Canadian and U.S. subsidiary, and is recognized only to the extent that it is realizable. Deferred tax liabilities arise from the temporary differences between the carrying value and the tax basis of the net assets of the U.S. subsidiaries.

The tax effects of the temporary differences that give rise to the recognition of deferred tax assets and liabilities are presented below:

	December 31, 2019	December 31, 2018
Deferred tax assets		
Income tax loss carry-forwards	\$ 5,104	\$ 2,831
Financial instruments	34	42
Deferred tax liabilities		
Investment properties	(14,649)	(4,139)
Deferred tax liabilities, net	\$ (9,511)	\$ (1,266)

The following table reconciles the expected income taxes based upon the 2019 and 2018 statutory rates and the income tax expense recognized during the years ended December 31, 2019 and December 31, 2018:

	Year ended December 31,	
	2019	2018
Income before income taxes (continuing and discontinued operations)	\$ 187,890	\$ 158,764
Less: Income distributed to unitholders	(155,087)	(151,172)
Income subject to taxation in subsidiary corporations	32,803	7,592
Tax calculated at the Canadian statutory tax rate of 29.5% (2018 – 30.0%) and U.S. statutory rate of 25.7% (2018 – 24.8%)	8,340	2,065
Increase (decrease) resulting from:		
Capital losses not recognized	328	—
Non-deductible expenses	17	144
Non-taxable portion of capital gains	(1)	(722)
Other items	(226)	(251)
Deferred and current income taxes expense, net⁽¹⁾	\$ 8,458	\$ 1,236

(1) At December 31, 2019, current income taxes recovery was \$18 (December 31, 2018 – \$120).

Note 15

OTHER NON-CURRENT LIABILITIES

	Note	December 31, 2019	December 31, 2018
Tenant security deposits		\$ 13,572	\$ 13,552
Fair value of interest rate swaps	30	895	461
Total		\$ 14,467	\$ 14,013

Note 16

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	December 31, 2019	December 31, 2018
Trade payables and accrued liabilities		\$ 26,182	\$ 21,171
Accrued interest		3,610	3,746
Rent received in advance		3,082	4,733
Distributions payable	18	7,878	5,370
Total		\$ 40,752	\$ 35,020

Note 17

EQUITY

	Note	December 31, 2019		December 31, 2018	
		Number of REIT Units	Amount	Number of REIT Units	Amount
Unitholders' equity		134,801,881	\$ 1,372,564	92,062,659	\$ 887,757
Retained earnings		—	187,443	—	90,621
Accumulated other comprehensive income (loss)	19	—	(435)	—	10,947
Total equity		134,801,881	\$ 1,559,572	92,062,659	\$ 989,325

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 offerings and private placement of REIT Units

The following table summarizes the public offerings of REIT Units issued for the year ended December 31, 2019. Total costs related to the offerings were charged directly to unitholders' equity.

Date of public offering	Number of REIT Units	Unit price	Gross proceeds	Issue costs
February 13, 2019 ⁽¹⁾	13,800,000	\$ 10.45	\$ 144,210	\$ 6,408
April 25, 2019 ⁽²⁾	12,477,500	11.55	144,115	6,405
December 11, 2019 ⁽³⁾	12,834,000	13.45	172,617	7,565
Total	39,111,500		\$ 460,942	\$ 20,378

(1) Includes 1,800,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

(2) Includes 1,627,500 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

(3) Includes 1,674,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

On December 19, 2019, the Trust completed a private placement to sell an aggregate of 325,000 REIT Units to Michael J. Cooper, Trustee, and Brian Pauls, Chief Executive Officer and Trustee, at a price of \$13.45 per REIT Unit, for gross proceeds of \$4,371.

The following table summarizes the public offering of REIT Units issued for the year ended December 31, 2018. Total costs related to the offerings were charged directly to unitholders' equity.

Date of public offering	Number of REIT Units	Unit price	Gross proceeds	Issue costs
June 29, 2018 ⁽¹⁾	13,915,000	\$ 10.35	\$ 144,020	\$ 6,388

(1) Includes 1,815,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

Short form base shelf prospectus

On October 15, 2019, the Trust filed and obtained a receipt for a final short form base shelf prospectus dated October 11, 2019, 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, or any combination thereof, having an aggregate offering price of up to \$2,000,000. As at December 31, 2019, \$172,617 of REIT Units have been issued under the current base shelf prospectus. On February 12, 2020, the Trust issued a further \$230,125 of REIT Units under the current base shelf prospectus, bringing the total to \$402,742. The issuance is pursuant to the current base shelf prospectus as supplemented by the prospectus supplement.

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% of each cash distribution that is reinvested. The reinvestment price per unit is calculated by reference to a five-day weighted average closing price of the REIT Units on the TSX 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, 2019, 3,170,829 REIT Units (December 31, 2018 – 2,863,035 REIT Units) were issued under the DRIP and \$38,311 (December 31, 2018 – \$28,292) 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 an additional 547,531 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, 2019, 821 REIT Units (December 31, 2018 – 1,017 REIT Units) were issued under the Unit Purchase Plan for proceeds of \$10 (December 31, 2018 – \$10).

Note 18

DISTRIBUTIONS

Dream Industrial REIT's Declaration of Trust, as amended and restated, 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, 2019 and December 31, 2018.

The following table summarizes distributions paid and payable for the years ended December 31, 2019 and December 31, 2018:

	Year ended December 31,	
	2019	2018
Paid in cash	\$ 55,167	\$ 43,946
Paid by way of reinvestment in REIT Units ⁽¹⁾	24,935	14,916
Less: Payable at December 31, 2018/December 31, 2017	(5,370)	(4,381)
Plus: Payable at December 31, 2019/December 31, 2018	7,878	5,370
Total distributions paid and payable	\$ 82,610	\$ 59,851

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

On December 19, 2019, the Trust announced a cash distribution of \$0.05833 per REIT Unit for the month of December 2019. The December 2019 distribution will be payable on January 15, 2020 to unitholders on record as at December 31, 2019. The December 2019 distribution was settled in cash totalling \$5,267 and \$2,611 distributions were reinvested in additional 200,004 REIT Units (including 3% bonus distributions on Units reinvested pursuant to DRIP).

On January 22, 2020, the Trust announced a cash distribution of \$0.05833 per REIT Unit for the month of January 2020. The January 2020 distribution will be payable on February 14, 2020 to unitholders on record as at January 31, 2020. The January 2020 distribution was settled in cash totalling \$5,353 and \$2,526 distributions were reinvested in additional 184,943 REIT Units (including 3% bonus distributions on Units reinvested pursuant to DRIP).

Note 19

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Year ended December 31,					
	2019			2018		
	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	\$ 10,911	\$ (11,346)	\$ (435)	\$ (1,079)	\$ 11,990	\$ 10,911
Unrealized gain (loss) on effective interest rate hedge, net of taxes	36	(36)	—	(56)	92	36
Accumulated other comprehensive income (loss)	\$ 10,947	\$ (11,382)	\$ (435)	\$ (1,135)	\$ 12,082	\$ 10,947

Note 20

INVESTMENT PROPERTIES REVENUE

	Year ended December 31,	
	2019	2018
Rental income	\$ 162,278	\$ 132,827
Recoveries revenue	33,053	27,616
Total	\$ 195,331	\$ 160,443

Note 21

GENERAL AND ADMINISTRATIVE EXPENSES

	Note	Year ended December 31,	
		2019	2018
Asset management fee	27	\$ (4,775)	\$ (3,909)
Deferred compensation expenses	13	(2,156)	(2,181)
Professional service fees, public reporting, overhead-related costs and other		(5,129)	(4,005)
General and administrative expenses		\$ (12,060)	\$ (10,095)

Note 22

INTEREST

Interest on debt

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

	Year ended December 31,	
	2019	2018
Interest expense incurred, at contractual rate	\$ (34,150)	\$ (32,957)
Amortization of financing costs	(1,441)	(1,658)
Amortization of fair value adjustments	635	290
Interest expense on debt	(34,956)	(34,325)
Add (deduct):		
Amortization of financing costs	1,441	1,658
Amortization of fair value adjustments	(635)	(290)
Change in accrued interest	358	357
Cash interest paid on debt associated with discontinued operations	(1,389)	(2,614)
Cash interest paid on debt	\$ (35,181)	\$ (35,214)

Certain debt assumed in connection with acquisitions has 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 cash generated from (utilized in) operating activities within the consolidated statements of cash flows.

Interest on subsidiary redeemable units

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

	Year ended December 31,	
	2019	2018
Paid in cash	\$ —	\$ —
Paid by way of reinvestment in REIT Units	(13,376)	(13,376)
Plus: Interest payable at December 31, 2018/December 31, 2017	1,114	1,114
Less: Interest payable at December 31, 2019/December 31, 2018	(1,114)	(1,114)
Interest on subsidiary redeemable units	\$ (13,376)	\$ (13,376)

The interest payable at December 31, 2019 was satisfied through the issuance of 83,367 REIT Units on January 15, 2020. The interest payable at January 31, 2020 was satisfied through the issuance of 79,217 REIT Units on February 18, 2020.

Note 23

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Note	Year ended December 31,	
		2019	2018
Remeasurement of carrying value of subsidiary redeemable units	12	\$ (67,158)	\$ (13,357)
Remeasurement of carrying value of DUIP	13	(3,140)	(829)
Fair value adjustment on interest rate swaps		(519)	(629)
Fair value adjustment on conversion feature of convertible debentures		—	(2,305)
Total		\$ (70,817)	\$ (17,120)

Note 24

NET LOSSES ON TRANSACTIONS AND OTHER ACTIVITIES

		Year ended December 31,	
		2019	2018
Internal leasing costs		\$ (2,321)	\$ (2,613)
Foreign exchange loss		(1,572)	—
Costs on sale of investment properties ⁽¹⁾		(438)	—
Debt settlement costs ⁽²⁾		(372)	(1,932)
Transaction cost recovery (other)		(226)	151
Total		\$ (4,929)	\$ (4,394)

(1) Costs on sale of investment properties consist of transaction costs, commissions and other expenses incurred in relation to the disposal of investment properties.

(2) 2019 debt settlement costs relate to the discharge of mortgages on sold properties. 2018 debt settlement costs relate to the write-off of unamortized financing costs and fair value adjustments associated with the early repayment of the 5.25% convertible debentures.

Note 25

SUPPLEMENTARY CASH FLOW INFORMATION

The components of depreciation and amortization under operating activities include:

	Note	Year ended December 31,	
		2019	2018
Depreciation of property and equipment		\$ 55	\$ 59
Amortization of lease incentives	5, 10	1,641	1,426
Amortization of financing costs	10, 11	1,553	1,821
Amortization of fair value adjustments on assumed debt	10, 11	(692)	(307)
Total depreciation and amortization		\$ 2,557	\$ 2,999

The components of other adjustments under operating activities include:

	Note	Year ended December 31,	
		2019	2018
Change in straight-line rent	5	\$ (1,233)	\$ (968)
Deferred unit compensation expense	13	2,156	2,181
Non-cash interest on subsidiary redeemable units	22	13,376	13,376
Deferred income tax expense	14	8,476	1,356
Foreign exchange loss	24	1,572	—
Costs on sale of investment properties	10, 24	3,196	—
Debt settlement costs	10, 24	1,336	1,932
Other (transaction cost recovery)	24	226	(151)
Total other adjustments		\$ 29,105	\$ 17,726

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

	Year ended December 31,	
	2019	2018
Increase in amounts receivable	\$ (3,211)	\$ (1,087)
Decrease (increase) in prepaid expenses and other assets	2,869	(272)
Increase in other non-current assets	(105)	(84)
Increase (decrease) in amounts payable and accrued liabilities	(5,118)	502
Increase (decrease) in tenant security deposits and other	(424)	779
Change in non-cash working capital	\$ (5,989)	\$ (162)

Note 26

SEGMENTED INFORMATION

For the years ended December 31, 2019 and December 31, 2018, the Trust's reportable operating segments of its investment properties and results of operations were segmented into geographic components, namely Western Canada, Ontario, Québec, and the U.S.

The chief operating decision-maker, determined to be the Chief Executive Officer ("CEO") of the Trust, considers the performance of assets held for sale and disposed properties separately from the investment properties in the geographic segments, and discontinued operations separately from the segmented income in the geographic segments.

On June 30, 2019, the Trust classified the Eastern Canada portfolio as held for sale and the associated results of operations as a discontinued operation (see Note 10). On July 31, 2019, the Trust completed the sale of the Eastern Canada portfolio. As such, the region is no longer allocated to the geographic segments.

The Trust did not allocate interest expense to the geographic segments since financing is viewed as a corporate function. The decision as to where to incur the 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, 2019	Western Canada	Ontario	Québec	U.S.	Segment total	Other ⁽¹⁾	Total
Investment properties revenue	\$ 65,800	\$ 51,939	\$ 34,389	\$ 42,981	\$ 195,109	\$ 222	\$ 195,331
Investment properties operating expenses	(21,971)	(15,236)	(8,754)	(10,124)	(56,085)	(220)	(56,305)
Net rental income (segmented income)	43,829	36,703	25,635	32,857	139,024	2	139,026
Fair value adjustments on investment properties	(15,746)	144,547	23,883	28,162	180,846	(358)	180,488
Net losses on transactions and other activities ⁽²⁾	(1,174)	(606)	(541)	—	(2,321)	(2,608)	(4,929)

(1) Other includes properties sold and properties originally held for sale and subsequently sold during the year that were not presented separately as discontinued operations. Furthermore, other includes items within net losses on transactions and other activities that were not segmented.

(2) Net losses on transactions and other activities allocated to the geographic segments represent internal leasing costs.

Year ended December 31, 2018	Western Canada	Ontario	Québec	U.S.	Segment total	Other ⁽¹⁾	Total
Investment properties revenue	\$ 65,102	\$ 46,965	\$ 30,599	\$ 17,777	\$ 160,443	\$ —	\$ 160,443
Investment properties operating expenses	(21,754)	(13,616)	(8,123)	(2,715)	(46,208)	—	(46,208)
Net rental income (segmented income)	43,348	33,349	22,476	15,062	114,235	—	114,235
Fair value adjustments on investment properties	(19,918)	85,837	41,879	510	108,308	—	108,308
Net losses on transactions and other activities ⁽²⁾	(1,402)	(692)	(519)	—	(2,613)	(1,781)	(4,394)

(1) Other includes items within net losses on transactions and other activities that were not segmented.

(2) Net losses on transactions and other activities allocated to the geographic segments represent internal leasing costs.

Investment properties

Year ended December 31, 2019	Western Canada	Ontario	Québec	U.S.	Other ⁽¹⁾	Total
Investment properties	\$ 621,946	\$ 817,061	\$ 414,085	\$ 575,572	\$ —	\$ 2,428,664
Capital expenditures ⁽²⁾	10,451	6,058	3,669	699	3,321	24,198

(1) Includes capital expenditures associated with the Eastern Canada region prior to region being reclassified to assets held for sale at June 30, 2019.

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

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
Capital expenditures ⁽¹⁾	8,996	10,514	3,601	4,426	348	27,885

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

Note 27

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

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

Dream Asset Management Corporation (“DAM”)

Dream Industrial REIT has an asset management agreement (the “Asset Management Agreement” or the “AMA”) 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 AMA 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 AMA provides for a range of asset management services for the following fees:

- asset management fee calculated and payable on a monthly basis, equal to 0.25% of the gross asset value of properties;
- 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;
- financing fee equal to the actual expenses incurred by DAM in supplying services relating to financing transactions;
- incentive fee equal to 15% of the Trust’s adjusted funds from operations (“AFFO”) per Unit as defined in the AMA, which includes gains on the disposition of any properties in the year, in excess of the hurdle amount initially set at 80 cents per Unit and which increases annually by 50% of the increase in the consumer price index (“Hurdle Amount”); and
- capital expenditure fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of \$1,000, excluding work done on behalf of tenants or any maintenance capital expenditures.

The AMA has an initial term ending October 3, 2022 and is automatically renewed for further five-year terms unless and until terminated in accordance with its terms. The AMA may be terminated by DAM at any time after the initial term. Other than in respect of termination resulting from certain events of insolvency of DAM, on termination of the AMA, all accrued fees under the AMA, including the incentive fee, are payable to DAM. In such circumstances or if the Trust is acquired, the incentive fee is calculated as if all the Trust’s properties were sold on the applicable date.

Disposition gains in the AFFO calculation used for determining the incentive fee are based on the fair value of the Trust’s investment properties, at the applicable date, relative to their historic purchase price. As at December 31, 2019, the historic purchase price for the Trust’s investment properties was \$2,009,428 (December 31, 2018 – \$1,938,650).

For the most recently completed fiscal year ended October 3, 2019 for the AMA, the Hurdle Amount for the purpose of calculating the incentive fee was \$0.86 per Unit. As at December 31, 2019 and December 31, 2018, no incentive fees have been paid or payable by the Trust to DAM.

The amount of the incentive fee payable by the Trust on any date will be contingent upon various factors, including, but not limited to, changes in the Trust’s AFFO as defined in the AMA, movements in the fair value of investment properties, acquisitions and dispositions, future foreign exchange rates, and changes in the total number of outstanding Units of the Trust.

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.

Dream Industrial Management LP (“DIMLP”), a wholly owned subsidiary of DILP, has a Property Management Agreement with a subsidiary of DAM for DIMLP to manage one property on behalf of DAM. On February 1, 2019, the Property Management Agreement was terminated as the property is no longer owned by DAM.

On November 26, 2019, the Trust formed a company and entered into an operating agreement with a subsidiary of each of DAM and PAULS Corp, LLC, for the purpose of acquiring land to develop an industrial property in Las Vegas, Nevada. The Trust holds an 80% interest in the company and each of the subsidiaries of DAM and PAULS Corp, LLC hold 10% each (see Note 8).

Dream Hard Asset Alternatives Trust (“DHAAT”)

DILP had a co-ownership agreement to jointly own six properties at 50% ownership interest with a subsidiary of DHAAT. Furthermore, DIMLP had a Property Management Agreement to manage the co-owned properties. On August 30, 2019, the Trust completed the acquisition of DHAAT’s 50% interest in six investment properties in Regina, Saskatchewan (see Note 6). Concurrently, the co-ownership agreement and Property Management Agreement to manage the co-owned properties were terminated.

DIMLP had lease agreements with a subsidiary of DHAAT to lease roof-top space. On October 29, 2019, the lease agreements with DHAAT were assigned to a third party.

Dream Office Real Estate Investment Trust (“Dream Office REIT”)

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 4th of every year for additional one-year terms unless terminated by any party.

As at December 31, 2019, Dream Office REIT indirectly owns, through its subsidiaries, 8,792,170 REIT Units (December 31, 2018 – 7,200,736) and 18,551,855 LP B Units (December 31, 2018 – 18,551,855), representing approximately 17.8% ownership in the Trust (December 31, 2018 – 23.3%). Subsequent to the completion of the public offering of 16,859,000 REIT Units by the Trust on February 12, 2020 (see Note 33), Dream Office REIT’s ownership decreased to 16.1%.

PAULS Corp, LLC (“PAULS Corp”)

Effective January 1, 2018, Brian Pauls was appointed as the Trust’s CEO and nominated to the Board of Trustees on May 17, 2018. 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 6 and Note 8.

Dream Industrial US Holdings Inc. has 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.

As previously mentioned, a subsidiary of PAULS Corp holds a 10% interest in a company with the Trust and a subsidiary of DAM for the purpose of acquiring land to develop an industrial property in Las Vegas, Nevada. The subsidiary of PAULS Corp is responsible for managing the day-to-day operations of the development project.

Board of Trustees and officers

On December 19, 2019, the Trust completed a private placement to sell an aggregate of 325,000 REIT Units to Michael J. Cooper, Trustee, and Brian Pauls, Chief Executive Officer and Trustee, at a price of \$13.45 per REIT Unit, for gross proceeds of \$4,371 (see Note 17).

The Trust has a Deferred Unit Incentive Plan and during the year issued deferred trust units to trustees and officers (see Note 13).

Related party transactions

Fees and cost reimbursements with related parties were as follows:

Agreements with DAM

The following table summarizes our fees paid to or received from DAM, including both continuing and discontinued operations for the years ended December 31, 2019 and December 31, 2018:

	Year ended December 31,	
	2019	2018
Incurring under the AMA:		
Asset management fee (included in general and administrative expenses)	\$ (5,190)	\$ (4,621)
Acquisition fee (included in investment properties)	(2,662)	(1,556)
Expense reimbursements related to financing arrangements	(380)	(369)
Total costs incurred under the Asset Management Agreement	\$ (8,232)	\$ (6,546)
Total costs reimbursed under the Shared Services and Cost Sharing Agreement	\$ (716)	\$ (657)
Total property management fees earned under the Property Management Agreement	\$ 7	\$ 87

Agreements with DHAAT

The following table summarizes our fees received from DHAAT for the years ended December 31, 2019 and December 31, 2018:

	Year ended December 31,	
	2019	2018
Total revenue under lease agreements and the Property Management Agreement	\$ 119	\$ 151

Agreement and transactions with Dream Office REIT

The following table summarizes the costs reimbursed to Dream Office REIT for the years ended December 31, 2019 and December 31, 2018:

	Year ended December 31,	
	2019	2018
Total costs reimbursed under the Services Agreement	\$ (4,037)	\$ (3,304)

The following table summarizes our distributions paid and payable to subsidiaries of Dream Office REIT for the years ended December 31, 2019 and December 31, 2018:

	Year ended December 31,	
	2019	2018
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	(5,846)	(4,538)
Total distributions paid and payable to Dream Office REIT	\$ (19,222)	\$ (17,914)

Agreements with PAULS Corp

The following table summarizes our fees paid and costs reimbursed to an affiliate of PAULS Corp for the years ended December 31, 2019 and December 31, 2018:

	Year ended December 31,	
	2019	2018
Property management	\$ (733)	\$ (336)
Portfolio management	(439)	(122)
Leasing costs	(133)	—
Financing costs	(85)	(49)
Total costs incurred under the Property Management Agreement	\$ (1,390)	\$ (507)

Amounts due from (to) related parties

	December 31, 2019	December 31, 2018
Amounts due from related parties		
Dream Office REIT	\$ 2,275	\$ 855
Amounts due to related parties		
DAM	\$ (935)	\$ (606)
Dream Office REIT	(302)	(387)
PAULS Corp	(100)	(54)

Distributions and interest payable to Dream Office REIT

	December 31, 2019	December 31, 2018
Interest payable on subsidiary redeemable units to Dream Office REIT ⁽¹⁾	\$ (1,114)	\$ (1,114)
Distributions payable to Dream Office REIT ⁽²⁾	(529)	(421)

(1) Interest payable on subsidiary redeemable units is in relation to the 18,551,855 subsidiary redeemable units held by Dream Office REIT as at December 31, 2019 and December 31, 2018.

(2) Distributions payable is in relation to the 8,792,170 REIT Units held by Dream Office REIT as at December 31, 2019 (December 31, 2018 – 7,200,736 REIT Units).

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

Various debt ratios and cash flow metrics are used to ensure capital adequacy and to monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and net debt-to-gross carrying value. Other significant indicators include assets not pledged, weighted average interest rate, average term to maturity of debt and variable rate debt as a percentage of total debt. These indicators assist the Trust in assessing whether the debt level maintained is sufficient to provide adequate cash flows for leasing costs 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 as at December 31, 2019 and December 31, 2018, except for a \$6,830 mortgage related to a property in Edmonton, where the debt service coverage ratio was not met. During the year, the lender issued a forbearance letter for the covenant breach and confirmed that the mortgage is in good standing. For the years ended December 31, 2019 and December 31, 2018, 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. 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.

Note 30

OTHER FINANCIAL INSTRUMENTS

Interest rate swaps

The following tables summarize the details of the interest rate swaps that are outstanding as at December 31, 2019 and December 31, 2018:

Fair value assets and accumulated other comprehensive income (“AOCI”)

As at December 31, 2019					
Transaction date	Mortgage principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument measurement	Fair value assets (see Note 8)
August 26, 2015	\$ 43,760	2.93%	September 1, 2022	Fair value through profit or loss	\$ 560
July 30, 2019	50,000	3.15%	August 1, 2029	Fair value through profit or loss	862
Total	\$ 93,760				\$ 1,422

As at December 31, 2018					
Transaction date	Mortgage principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument measurement	Fair value AOCI (see Note 19)
February 24, 2014	\$ 45,173	3.31%	March 1, 2019	Hedge through other comprehensive income	\$ 36

As at December 31, 2018					
Transaction date	Mortgage principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument measurement	Fair value assets (see Note 8)
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
Total	\$ 88,753				\$ 1,507

Fair value liabilities

As at December 31, 2019					
Transaction date	Mortgage principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument measurement	Fair value liability (see Note 15)
August 30, 2017	\$ 42,349	3.44%	August 30, 2024	Fair value through profit or loss	\$ (233)
January 17, 2018	44,839	3.73%	April 3, 2023	Fair value through profit or loss	(662)
Total	\$ 87,188				\$ (895)

As at December 31, 2018					
Transaction date	Mortgage principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument measurement	Fair value liability (see Note 15)
January 17, 2018	\$ 46,036	3.73%	April 3, 2023	Fair value through profit or loss	\$ (461)
Total	\$ 46,036				\$ (461)

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 that 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. The Trust had no variable rate debt as at December 31, 2019 and December 31, 2018. 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 2020.

Interest rate risk	Carrying amount	-1%		+1%	
		Income	Equity	Income	Equity
Financial assets					
Cash and cash equivalents ⁽¹⁾	\$ 441,537	\$ (4,415)	\$ (4,415)	\$ 4,415	\$ 4,415
Financial liabilities					
Debt due to mature in 2020 ⁽²⁾	34,758	348	348	(348)	(348)

(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, 2019 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, 2019, a \$0.05 change in the value of the U.S. dollar relative to the Canadian dollar would result in a \$15,381 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

The Trust’s assets mainly consist of investment properties. 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. As at December 31, 2019 and December 31, 2018, there is no single tenant that accounts for more than 5% of the Trust’s annual gross revenue. The Trust also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. 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.

Cash and cash equivalents, deposits and restricted cash carry minimal credit risk as all funds are maintained with highly reputable financial institutions. The Trust manages its credit risk on debt assumed by purchasers of investment properties by monitoring the ongoing repayment of assumed debt by the purchasers and evaluating market conditions which would affect the purchasers’ ability to repay assumed debt.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. As at December 31, 2019, current assets exceeded current liabilities by \$349,043 (December 31, 2018 – current liabilities exceeded current assets by \$93,293). 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, monitors the repayment dates and maintains adequate cash and cash equivalents on hand and availability on the revolving credit facility to ensure sufficient capital will be available to cover obligations as they become due.

Note 32

FAIR VALUE MEASUREMENTS

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Trust maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust's policy is to recognize transfers in and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 for the years ended December 31, 2019 and December 31, 2018.

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

The following section summarizes the fair value measurements recognized in the consolidated financial statements by class of asset or liability and categorized by level according to the significance of the inputs used in making the measurements.

Investment properties

The Trust's accounting policy as indicated in Note 2 is applied in determining the fair value of investment properties by using the income approach, which is derived from one of two methods: overall cap rate method and discounted cash flow method. As a result, these measurements are classified as Level 3 in the fair value hierarchy as summarized in the tables below.

	Note	Carrying value as at	Fair value as at December 31, 2019		
		December 31, 2019	Level 1	Level 2	Level 3
Recurring fair value measurements					
Non-financial assets					
Investment properties	5	\$ 2,428,664	\$ —	\$ —	\$ 2,428,664

	Note	Carrying value as at	Fair value as at December 31, 2018		
		December 31, 2018	Level 1	Level 2	Level 3
Recurring fair value measurements					
Non-financial assets					
Investment properties	5	\$ 2,138,411	\$ —	\$ —	\$ 2,138,411

Valuations of investment properties are most sensitive to changes in discount rates and cap rates. In applying the overall cap rate method, the stabilized NOI of each property is divided by any appropriate cap rate.

In applying the discounted cash flow method, the cash flows of a specific property are projected assuming a 10-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:

Cap rate method

- Cap rates – based on actual location, size and quality of the properties and taking into account any available market data at the valuation date.
- Stabilized NOI – normalized property operating revenues less property operating expenses.

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 management’s best estimates with reference to recent leasing activity and external market data.
- Vacancy rates – reflecting management’s best estimates with reference to recent leasing activity and external market data.
- Capital expenditures – reflecting management’s best estimates of costs to complete development projects.

As at December 31, 2019, there were no investment properties classified as assets held for sale, and one was classified as held for sale as at December 31, 2018.

Investment properties are valued on a highest-and-best-use basis. For all of the Trust’s investment properties, the current use is considered the highest and best use.

Investment properties valuation process

Management is responsible for determining the fair value measurements included in the consolidated financial statements. 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 on a rotational basis for select properties; and
- 3) using internally prepared valuations applying the income approach.

The Trust includes a valuation team that analyzes the fair value of each investment property at least once a quarter. On a quarterly basis, the valuation team would engage 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 properties 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 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.

Financial instruments

Financial instruments carried at amortized cost or accounted for as investments in associates where the carrying value does not approximate fair value are noted below:

	Note	Carrying value as at December 31, 2019	Fair value as at December 31, 2019		
			Level 1	Level 2	Level 3
Financial instruments at amortized cost					
Mortgages	11	\$ 1,015,143	\$ —	\$ —	\$ 1,018,854
Revolving credit facility	11	(575)	—	—	—

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

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.

	Note	Carrying value as at December 31, 2019	Fair value as at December 31, 2019		
			Level 1	Level 2	Level 3
Recurring fair value measurements					
Financial assets					
Fair value of interest rate swaps	30	\$ 1,422	\$ —	\$ 1,422	\$ —
Financial liabilities					
Fair value of interest rate swaps	30	895	—	895	—

	Note	Carrying value as at December 31, 2018	Fair value as at December 31, 2018		
			Level 1	Level 2	Level 3
Recurring fair value measurements					
Financial assets					
Fair value of interest rate swaps	30	\$ 1,543	\$ —	\$ 1,543	\$ —
Financial liabilities					
Fair value of interest rate swaps	30	461	—	461	—

The Trust uses the following techniques in determining the fair value disclosed for the following financial instruments classified as Level 1, 2 and 3:

Mortgages

The fair value of mortgages as at December 31, 2019 and December 31, 2018 are determined by discounting the expected cash flows of each mortgage using market discount rates. 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. As a result, these measurements are classified as Level 3 in the fair value hierarchy.

Revolving credit facility

Demand revolving credit facilities are variable rate debt priced at prevailing market interest rates plus a Trust-specific credit spread. Because the interest rate on the facilities fluctuate with changes in market rates, the fair value of the credit facilities is equivalent to amounts drawn on the facilities. Because the applicable interest rate includes an unobservable Trust-specific credit spread, these are Level 3 measurements in the fair value hierarchy.

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. As a result, these measurements are classified as Level 2 in the fair value hierarchy.

Note 33

SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the Trust completed the following acquisitions in Canada, the Netherlands and Germany:

	Purchase price ⁽¹⁾	Date acquired
840 Trillium Drive, Kitchener, Ontario ⁽²⁾	\$ 5,700	January 13, 2020
Berkshire portfolio, Kitchener, Ontario ⁽²⁾	62,500	January 17, 2020
1995 Markham Road, Scarborough, Ontario ⁽²⁾	33,100	January 22, 2020
Exportweg 20–22, Waddinxveen, Netherlands ⁽³⁾	27,355	January 22, 2020
Het Sterrenbeeld 12–16, Den Bosch, Netherlands ⁽³⁾	10,700	January 28, 2020
Robert-Bosch-Straße 7–9, Dietzenbach, Germany ⁽³⁾	14,950	January 31, 2020
Heibloemweg 10, Helmond, Netherlands ⁽³⁾	13,598	February 5, 2020
Total	\$ 167,903	

(1) Gross purchase price before adjustments and transaction costs.

(2) As at December 31, 2019, the Trust had a commitment to purchase the property.

(3) Acquisitions in the Netherlands and Germany were settled in euros and translated into Canadian dollars as at the respective transaction dates.

On February 12, 2020, the Trust completed a public offering of 16,859,000 REIT Units at a price of \$13.65 per REIT Unit for gross proceeds of \$230,125, including 2,199,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.



Trustees

Michael J. Cooper²
Toronto, Ontario
President & Chief Responsible Officer
Dream Unlimited Corp.

J. Michael Knowlton^{Ind.,1,3}
Toronto, Ontario
Corporate Director

Ben Mulrone^{Ind.,3}
Toronto, Ontario
Television Anchor & Producer

Brian Pauls²
Denver, Colorado
Chief Executive Officer
Dream Industrial REIT

Vicky Schiff^{Ind.,1,3}
Los Angeles, California
Co-Founder
Mosaic Real Estate Investors

Leerom Segal^{Ind.}
Toronto, Ontario
President & Chief Executive Officer
Klick Health

Vincenza Sera^{Ind.,2,4}
Toronto, Ontario
Corporate Director

Sheldon Wiseman^{Ind.,1}
Toronto, Ontario
Chief Executive Officer
Gistex Inc.

Legend:
Ind. Independent

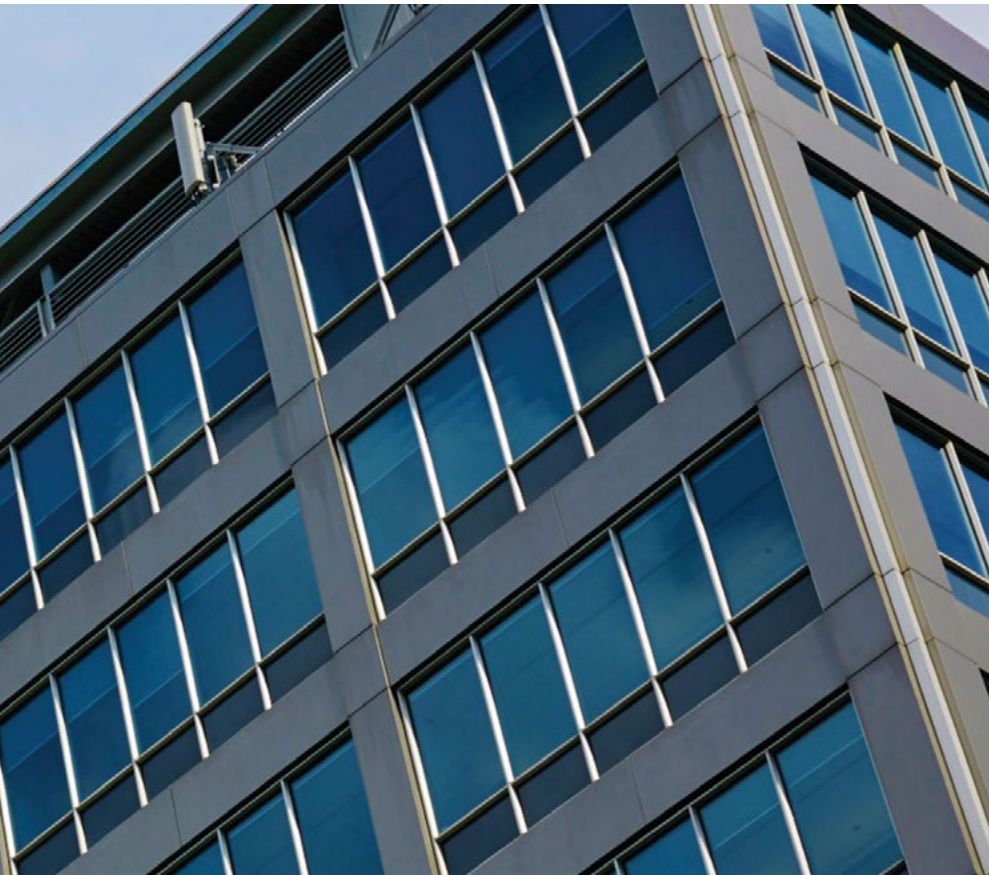
1. Member of the Audit Committee
2. Member of the Executive Committee
3. Member of the Governance, Compensation and Environmental Committee
4. Chair of the Board of Trustees

Management Team

Brian Pauls
Chief Executive Officer

Lenis Quan
Chief Financial Officer

Alexander Sannikov
Chief Operating Officer



Corporate Information

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TRANSFER AGENT

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

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Listing Symbol: DIR.UN

For more information, please visit
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 
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