

# Annual Report 2014

Dream Global REIT







## Letter to Unitholders

In 2014, Dream Global accomplished some significant milestones in the continued progress and transformation of our business.

We added over \$400 million of office properties in some of the best markets in Germany to our portfolio and continued to expand our local management platform. In addition, we were able to realize gains on some of our newer assets and leverage our operating platform through our joint venture with Public Official Benefits Association (“POBA”). Throughout 2014, we continued our strong leasing performance with over one million square feet of new leases and renewals. As a result of our accretive acquisitions and our strong leasing performance, adjusted funds from operations increased by 5% to 83 cents per unit in 2014 from 79 cents in 2013.

A key achievement in 2014 was the successful joint venture with POBA. During the fourth quarter of 2014, we closed the sale of a 50% interest in seven properties to POBA for gross proceeds of approximately \$315 million. We quickly deployed the sales proceeds into comparable or higher quality assets at more attractive cap rates and lower borrowing rates than the assets we sold. In January 2015, the Trust further expanded its partnership with POBA through the sale of a 50% interest in Officium, one of our office properties located in Stuttgart. This joint venture serves as an endorsement of Dream Global’s strong operating platform in Germany and highlights POBA’s confidence in our ability to source

accretive acquisitions. The transaction provided a new source of capital for the Trust to continue to take advantage of the attractive investment environment, and allowed us to leverage our operating platform by generating joint venture management income.

Our focus since the initial public offering has been to improve the stability and quality of the underlying cash flows in our portfolio. Throughout 2014, we continued to demonstrate our ability to execute on this strategy through high-quality office property acquisitions on attractive borrowing terms, dispositions and recycling capital. Over the last three years, we have added over \$1.8 billion in high-quality assets and have been amongst the top three buyers of German office properties. Over 70% of our assets are now located in the “Big 7” office markets in Germany.

Leasing remained a key operational focus in 2014 with the completion of over one million square feet of new leases and renewals. From our initial public offering in August 2011 to the end of 2014, our exposure to Deutsche Post has been reduced from 85% to less than 30% of the REIT’s gross rental income and will further decline as we continue to grow and diversify our portfolio.

The German economy continues to perform well with the country’s unemployment rate amongst the lowest in Europe. The German real estate market

also performed well, with vacancy in the seven largest office markets reaching its lowest level since 2002 and global investment capital continuing to identify Germany as a key target.

In 2014, Dream Global completed the sale of 35 non-core properties for total sales proceeds of approximately \$131 million, representing 101% of their book value. As part of our active capital recycling program we sold, or put under contract for sale, over \$200 million of assets since 2012. The proceeds from these dispositions were redeployed into newer, high-quality properties.

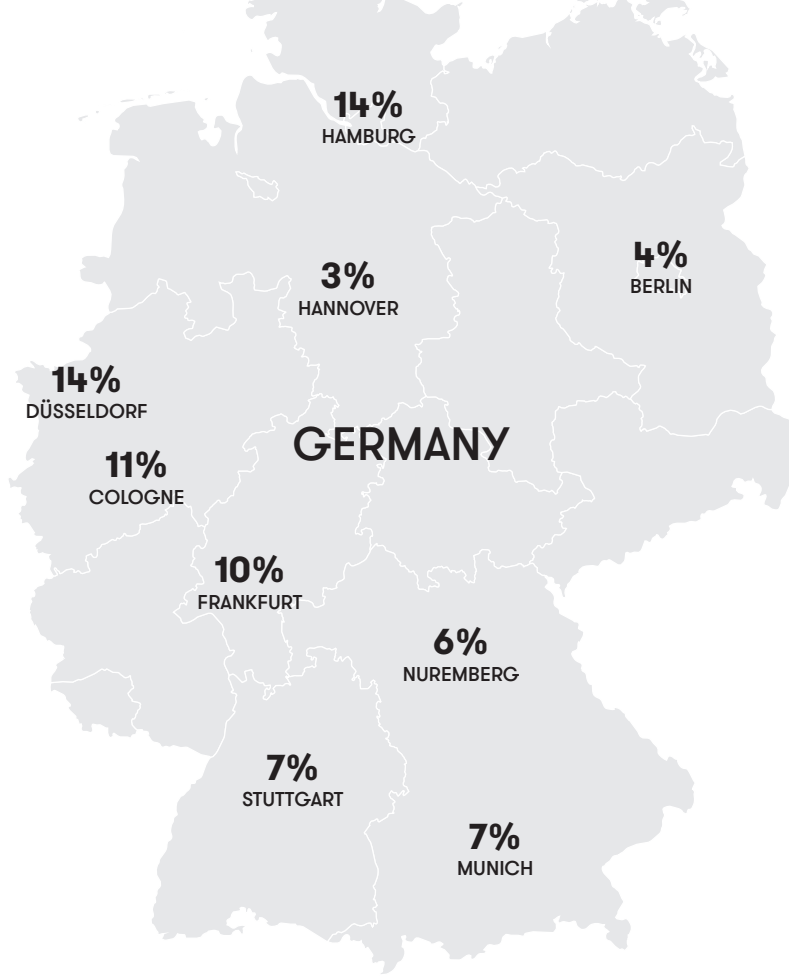
Looking ahead, we will continue to remain committed to our key objective of providing predictable and sustainable distributions to our investors. We have been recognized for establishing an excellent operating platform in Germany and will seek further opportunities to leverage our platform and to grow our asset base. On behalf of our management team and our Board of Trustees, I would like to thank you for your continued support.

**P. Jane Gavan**  
President and Chief Executive Officer  
March 15, 2015

# Portfolio at-a-Glance

DECEMBER 31, 2014

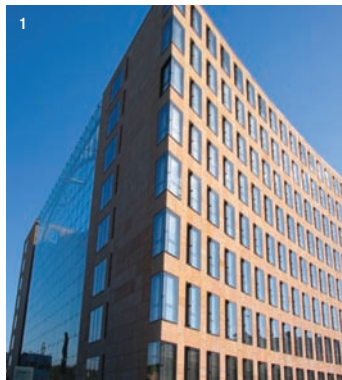
Dream Global REIT is an owner and operator of 14.8 million square feet of office and mixed-use space in Germany and provides a unique opportunity to gain exposure to the German real estate market through an established Canadian platform and six local offices in Europe.



Geographic Diversification  
(% of gross rental income in key markets)

Photos: 1. Oasis III, Stuttgart | 2. Cologne Tower, Cologne | 3. My Falkenried, Hamburg | 4. Europahaus, Darmstadt | 5. Officium, Stuttgart | 6. Millerntorplatz 1, Hamburg

**\$2.4B**  
TOTAL ASSETS



**6**  
LOCAL OFFICES  
IN EUROPE

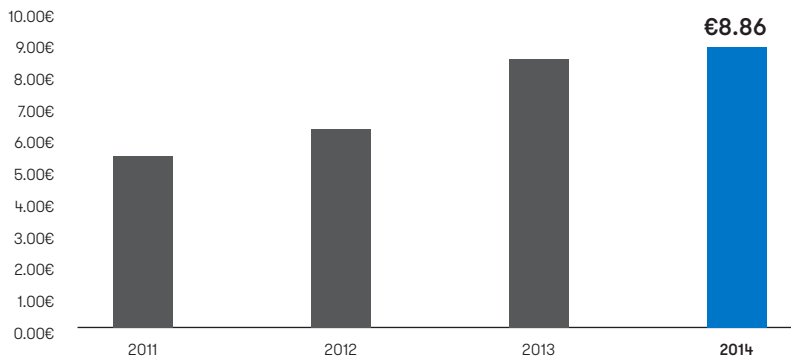


**266**  
PROPERTIES

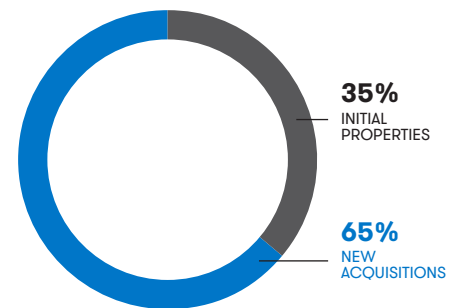
## Diversified, High-Quality Tenants

TENANT COMPOSITION	TOTAL ANNUALIZED GRI (%)	CREDIT RATING
Deutsche Post	29.5	BBB+
Freshfields Bruckhaus Deringer	3.5	n/a
ERGO Direkt Lebensversicherungs AG	3.1	AA-
Imtech Deutschland GmbH & Co. KG	2.4	n/a
BNP Paribas Fortis SA/NV	1.9	A+
Deutsche Postbank AG	1.8	A+
CinemaxX Entertainment GmbH & Co. KG	1.6	n/a
Maersk Deutschland A/S & Co. KG	1.4	BBB+
Google Germany GmbH	1.3	AA
Grohe AG	1.3	n/a
Other third-party tenants	52.2	n/a
<b>Total</b>	<b>100.0</b>	

### In-place Rent (per square foot per year)



### 2014 Adjusted Funds from Operations ["AFFO"] (Q4/2014)



**1M**  
SQUARE FEET OF  
LEASING IN 2014

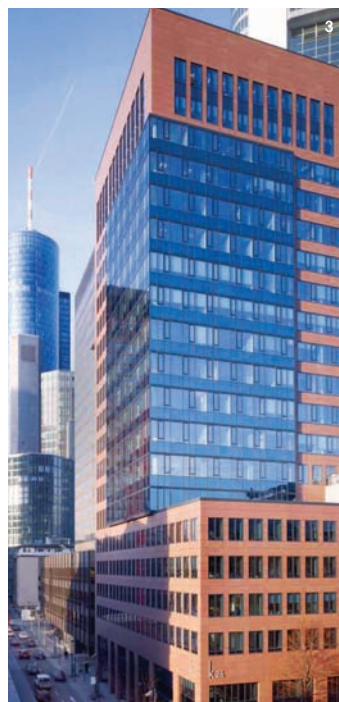
**69%**  
TENANT RETENTION



**5%**  
INCREASE IN  
2014 AFFO/UNIT



**\$400M+**  
ACQUISITIONS  
IN 2014



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Trustees	IBC
Corporate information	IBC

### Photos:

1. Feldmuehleplatz, Dusseldorf
2. Z-UP, Stuttgart
3. k26, Frankfurt
4. ABC Bogen, Hamburg

## Management's discussion and analysis

All dollar amounts in our tables are presented in thousands of Canadian dollars, except rental rates, unit and per unit amounts.

### SECTION I – OVERVIEW AND FINANCIAL HIGHLIGHTS

#### KEY PERFORMANCE INDICATORS

	As at December 31, 2014	As at September 30, 2014	As at December 31, 2013
<b>Portfolio</b>			
Number of properties <sup>(1)</sup>	266	279	296
Gross leasable area ("GLA") (in square feet) <sup>(1)</sup>	14,839,661	15,839,035	15,705,425
Occupancy rate – including committed (period-end) <sup>(1)(2)</sup>	85.3%	87.1%	86.4%
Occupancy rate – in-place (period-end) <sup>(1)(2)</sup>	84.7%	85.9%	85.9%
Average in-place net rent per square foot (period-end) <sup>(1)</sup>	€ 8.86	€ 8.90	€ 8.46
Market rents above in-place net rents <sup>(1)</sup>	2.9%	2.0%	2.2%

	Three months ended December 31,		Year ended December 31,	
	2014 <sup>(3)</sup>	2013 <sup>(3)</sup>	2014 <sup>(3)</sup>	2013 <sup>(3)</sup>
<b>Operating results</b>				
Investment properties revenue <sup>(4)</sup>	\$ 61,690	\$ 62,528	\$ 257,725	\$ 220,220
Net rental income <sup>(5)</sup>				
Total portfolio	43,069	41,872	179,464	144,853
Initial Properties	16,537	20,033	76,202	79,126
Acquisition Properties	26,532	21,839	103,262	65,727
Funds from operations ("FFO") <sup>(6)</sup>	23,428	24,235	97,496	84,422
Adjusted funds from operations ("AFFO") <sup>(7)</sup>	22,401	22,259	91,370	78,007
<b>Distributions</b>				
Declared distributions	\$ 22,263	\$ 21,910	\$ 88,547	\$ 79,784
DRIP participation ratio (for the period)	16%	17%	16%	13%
<b>Per unit amounts<sup>(8)</sup></b>				
Distribution	\$ 0.20	\$ 0.20	\$ 0.80	\$ 0.80
<b>Basic:</b>				
FFO	0.21	0.22	0.88	0.85
AFFO	0.20	0.20	0.83	0.79
<b>Diluted:</b>				
FFO	0.21	0.22	0.87	0.84
AFFO	0.20	0.20	0.82	0.79
<b>Payout ratio:<sup>(9)</sup></b>				
Distribution/AFFO (basic)	100%	100%	96%	101%

	As at December 31, 2014	As at September 30, 2014	As at December 31, 2013
<b>Financing</b>			
Weighted average effective interest rate on debt (period-end) <sup>(1)</sup>	3.54%	3.63%	3.72%
Weighted average face rate of interest on debt (period-end) <sup>(1)</sup>	3.23%	3.28%	3.37%
Interest coverage ratio <sup>(1)(10)(11)</sup>	3.26 times	3.30 times	3.40 times
Debt-to-adjusted EBITDFV (years) <sup>(1)(10)(11)</sup>	9.18	9.56	8.80
Level of debt (net debt-to-gross book value, net of cash) <sup>(1)(10)(11)</sup>	51%	56%	54%
Debt – average term to maturity (years) <sup>(1)(11)(12)</sup>	4.3	4.1	4.6
Unsecured convertible debentures	\$ 152,365	\$ 151,841	\$ 150,326

- (1) Reflects Owned Share of joint venture properties starting in Q4 2014. Number of properties includes the joint venture properties. Joint venture properties are accounted for using the equity method in our consolidated financial statements.
- (2) Occupancy rates as at December 31, 2014 and September 30, 2014 include space covered by a head lease that was classified as vacant space in the prior year. The December 31, 2013 occupancy rate has not been restated.
- (3) Results from operations were converted into Canadian dollars from euros using the average exchange rates found on page 30.
- (4) Investment properties revenue (non-GAAP measure) is defined as total revenue, including the share of investment property revenue from investments in joint ventures from the date of closing of the sale of the respective properties. The reconciliation of investment property revenue can be found in the section “Non-GAAP measures and other disclosures”.
- (5) Net rental income (non-GAAP measure) is defined as total of net rental income, including the share of net rental income from investment in joint ventures from the date of closing of the sale of the respective properties. The reconciliation of net rental income can be found in the section “Non-GAAP measures and other disclosures”.
- (6) FFO (non-GAAP measure) – The reconciliation of FFO to net income can be found in the section “Our results of operations” under the heading “Funds from operations and adjusted funds from operations”.
- (7) AFFO (non-GAAP measure) – The reconciliation of AFFO cash flow from operations can be found in the section “Non-GAAP measures and other disclosures” under the heading “Cash generated from operating activities to AFFO reconciliation”.
- (8) A description of the determination of basic and diluted amounts per unit can be found in the section “Non-GAAP measures and other disclosures” under the heading “Weighted average number of units”.
- (9) Payout ratio is calculated as the ratio of the distribution rate divided by basic AFFO per unit.
- (10) The calculation of the following non-GAAP measures are included in the section “Non-GAAP measures and other disclosures” under the headings “Interest coverage ratio”, “Debt-to-adjusted EBITDFV” and “Level of debt (debt-to-gross book value)”.
- (11) This metric includes the REIT’s share of the mortgages on the POBA properties starting in Q4 2014.
- (12) This metric excludes the revolving credit facility.



## FINANCIAL OVERVIEW

The fourth quarter results were in line with our expectations with funds from operations (“FFO”) and adjusted funds from operations (“AFFO”) of \$23.4 million and \$22.4 million, respectively, compared with \$24.2 million and \$22.3 million, respectively, for Q4 2013. The acquisitions completed over the course of 2014 were able to compensate for the impact from the Deutsche Post lease terminations and the Lonestar guarantee expiry, which were effective July 1, 2014. For the year, FFO and AFFO increased to \$97.5 million and \$91.4 million, respectively, from \$84.4 million and \$78.0 million, respectively, in 2013. On a per unit basis, basic FFO and basic AFFO both increased in 2014 to 88 cents and 83 cents, respectively, from 85 cents and 79 cents, respectively, in 2013. The increases in 2014 are a result of the acquisitions we completed in 2013 and 2014 as well as the strong leasing activity in 2014.

In the fourth quarter, we completed the sale of a 50% interest in seven assets from our Acquired Properties portfolio to the Public Officials Benefit Association (“POBA”) joint venture and were able to reinvest over two-thirds of the net proceeds into new acquisitions. The balance of the proceeds will be invested in Q1 2015 with the closing of the Millerntorplatz property in Hamburg. Our retained 50% interest in the joint venture assets is reflected as an investment in joint ventures on the consolidated balance sheet and is equity accounted for in our consolidated financial statements.

Leasing momentum and the leasing pipeline remain strong going into 2015, despite negative leasing absorption in the fourth quarter of 2014. During the fourth quarter, the previously identified expiry of short-term lease extensions in connection with Deutsche Post’s 2014 lease terminations resulted in negative leasing absorption for the quarter. The sale of the 50% interest in the seven assets also impacted our leasing and occupancy metrics in that we reflect only our 50% share of the properties we sold. Our overall in-place and committed occupancy was 85.3% at the end of 2014, a year-over-year decrease of 1.1% from 86.4% at the end of 2013. Contributing to the decline were the Deutsche Post terminations as well as the sale of 50% of the joint venture assets. The overall effect of the 2014 terminations was significantly mitigated by strong leasing and renewals across our entire portfolio as well as the acquisitions we completed.

Year-over-year, in-place rents increased from €8.46 per square foot in Q4 2013 to €8.86 in Q4 2014, largely due to the completed acquisitions, which have a higher average per square foot rent. At €9.12 per square foot, average market rents in our portfolio remain approximately 2.9% above in-place rents at the end of Q4 2014.

The Trust’s average face interest rate decreased to 3.23% at the end of Q4 2014, from 3.37% at the end of Q4 2013. Our leverage declined to 51% (net of cash) at the end of Q4 2014 from 54% at the end of Q4 2013, largely as a result of the sale to POBA of our 50% interest in seven assets, which resulted in slightly higher cash balances at the end of 2014 compared to 2013. Also contributing to the reduction in our leverage was the increase in valuations of our investment properties in 2014. Subsequent to the closing of the Millerntorplatz acquisition in Q1 2015, the leverage ratio will increase and we will continue to operate in the targeted range of 50% to 60% debt-to-book value (net of cash).

On an overall basis, management was pleased with the Trust’s performance in Q4 2014.

## OUTLOOK

The fourth quarter of 2014 was an exciting quarter for the REIT with the closing of the POBA joint venture. Subsequent to year-end, we further expanded our partnership with POBA through the sale of a 50% interest in Officium, one of our recent acquisitions in Stuttgart. With the closing of the acquisition of Millerntorplatz 1 in Hamburg for \$136.1 million (€95.9 million) on February 6, 2015, the balance of the proceeds from the sale to POBA is fully redeployed. Our ability to reinvest the proceeds from these sales into properties of equal or better value will enable us to continue to grow and develop our platform.

The Millerntorplatz office property becomes the Trust's largest asset in Hamburg. The multi-tenant property, built in 1997 and situated in a vibrant city centre location in Hamburg, is leased to a variety of tenants including Deutsche Rentenversicherung, Germany's largest state pension fund, and the City of Hamburg. The Trust acquired the property at a going-in cap rate of 6.1% and has financed it with a ten-year mortgage at an interest rate of 1.71%.

We continued with our dispositions program in Q4 and sold 14 properties from our Initial Properties for gross proceeds of \$69.4 million. In total for 2014, we sold 35 properties for \$130.7 million, which represented 101% of book value for those assets. For 2015, we will continue to dispose of properties from our Initial Properties portfolio and redeploy the proceeds into newer multi-tenant properties located in major German office markets.

The German economy continues to perform well in a difficult global environment and benefits from strong domestic demand. The fundamentals in the office sector in our key markets remain solid with overall net absorption of office space continuing to be positive across the "Big 7" office markets and a further decline in the office vacancy rates.

Our focus since the initial public offering has been to improve the stability and quality of the underlying cash flows in our portfolio. Throughout 2014, we continued to execute on this goal and for 2015, this goal will remain our focus.

## BASIS OF PRESENTATION

Our discussion and analysis of the financial position and results of operations of Dream Global Real Estate Investment Trust ("Dream Global REIT", the "REIT" or the "Trust") should be read in conjunction with the audited consolidated financial statements of the Trust for the year ended December 31, 2014.

The Trust's basis of financial reporting is International Financial Reporting Standards ("IFRS").

The REIT complies with IFRS 11, Joint Arrangements, and accounts for investments in joint ventures in its audited consolidated financial statements using the equity method of accounting. All references herein to "consolidated" refer to amounts as reported under IFRS. For the purpose of this management's discussion and analysis ("MD&A"), all references to "REIT's Interest" or "Owned Share" refer to a non-GAAP financial measure representing Dream Global REIT's proportionate share of the financial position and results of operations of its entire portfolio, including equity accounted investments, under the assumption that all investments in joint ventures have been proportionately consolidated. For a reconciliation of the Trust's results of operations and statement of financial position, please see "Non-GAAP measures and other disclosures" in this MD&A. Entities that are consolidated in our consolidated financial statements are included at 100% for the purpose of the MD&A.

This MD&A has been dated as at February 18, 2015. For simplicity, throughout this discussion, we may make reference to the following:

- "Debentures", meaning the 5.5% convertible unsecured subordinated debentures of the Trust due July 31, 2018;
- "GLA", meaning gross leasable area;
- "GRI", meaning gross rental income;
- "Initial Properties", meaning the income-producing properties we acquired on August 3, 2011;
- "Acquisition Properties", meaning the income-producing properties acquired subsequent to the Trust's initial public offering on August 3, 2011;
- "Units", meaning the Units of the Trust; and
- "POBA", meaning Public Officials Benefit Association.

Certain information has been obtained from CB Richard Ellis Germany ("CBRE"), Colliers International ("Colliers") and Jones Lang LaSalle ("JLL"), commercial firms that provide information relating to the German real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

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

When we refer to Deutsche Post as being the lessee or the tenant of the Initial Properties, we are referring to Deutsche Post Immobilien GmbH (“DPI”), which is a wholly owned subsidiary of Deutsche Post. Deutsche Post has provided a letter of support with respect to DPI and its ability to carry out its obligations under leases for the Initial Properties.

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

In addition, certain disclosure incorporated by reference into this report includes information regarding our largest tenants that has been obtained from publicly available information. We have not independently verified any such information.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dream Global REIT’s control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, global and local economic, business and government conditions; the financial condition of tenants; concentration of our tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space and the timing of lease terminations; our ability to source and complete accretive acquisitions; changes in tax and other laws or the application thereof; and interest and currency rate fluctuations.

Although the forward-looking statements contained in this management’s discussion and analysis are based upon 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; the Trust’s continued exemption from the specified investment flow-through trust (“SIFT”) rules under the *Income Tax Act* (Canada); 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, 2015, except where otherwise noted. Dream Global 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 law. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators. These filings are also available on our website at [www.dreamglobalreit.ca](http://www.dreamglobalreit.ca).

## **BACKGROUND**

Dream Global REIT is an unincorporated, open-ended real estate investment trust that was formed to provide investors with the opportunity to invest in real estate exclusively outside of Canada. Dream Global REIT was founded by Dream Asset Management Corporation (“DAM”), a subsidiary of Dream Unlimited Corp. (TSX: DRM), which is our asset manager. Our Units are listed on the Toronto Stock Exchange under the trading symbol DRG.UN.

As at December 31, 2014, our portfolio consisted of 266 properties comprising approximately 14.8 million square feet of GLA located in Germany, including seven properties held within a joint venture of which Dream Global REIT retained a 50% ownership interest.

We will be exempt from the SIFT rules, taking into account all proposed amendments to such rules, as long as we comply at all times with our investment guidelines which, among other things, only permit us to invest in properties or assets located outside of Canada. We do not rely on the REIT exception under the *Income Tax Act* (Canada) in order to be exempt from the SIFT rules. As a result, we are not subject to the same restrictions on our activities as those that apply to Canadian real estate investment trusts that do rely on the REIT exception. This gives us flexibility in terms of the nature and scope of our investments and other activities. Because we do not own taxable Canadian property, as defined in the *Income Tax Act* (Canada), we are not subject to restrictions on our ownership by non-Canadian investors.

## OUR OBJECTIVES

We are committed to:

- managing our investments to provide stable, sustainable and growing cash flows through investments in commercial real estate located outside of Canada. To date, 100% of our portfolio is located in Germany;
- building a diversified portfolio of commercial properties;
- capitalizing on internal growth and seeking accretive acquisition opportunities in our target markets;
- increasing the value of our assets and maximizing the long-term value of our Units through the active and efficient management of our assets; and
- providing predictable cash distributions per unit, on a tax-efficient basis.

## Distributions

We currently pay monthly distributions to unitholders of 6.667 cents per unit, or 80 cents per unit on an annual basis. At December 31, 2014, approximately 15.2% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP").

	December 31,		September 30,		June 30,		March 31,	
	2014	2013	2014	2013	2014	2013	2014	2013
Annualized distribution rate	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80
Monthly distribution rate	\$ 0.0667	\$ 0.0667	\$ 0.0667	\$ 0.0667	\$ 0.0667	\$ 0.0667	\$ 0.0667	\$ 0.0667
Period-end closing unit price	\$ 8.57	\$ 8.42	\$ 9.08	\$ 9.41	\$ 9.82	\$ 9.94	\$ 9.28	\$ 10.64
Annualized distribution yield on closing unit price	9.33%	9.50%	8.81%	8.50%	8.15%	8.05%	8.62%	7.52%

## OUR STRATEGY

Our core strategy to meet our objectives includes the following:

### Optimizing the performance, value and long-term cash flow of our properties

We manage our properties to optimize their performance, value and long-term cash flow. We seek to do this by achieving high occupancy and rental rates. Together with our management team in Canada, we also have an established management team in Germany and Luxembourg, bringing a history with our Initial Properties, deep market knowledge and established relationships with other market participants. Leasing, capital expenditure and construction initiatives are either internally managed or overseen by us, while property management services, including general maintenance, rent collection and administration of operating expenses and tenant leases, are carried out by third-party service providers under the oversight of our internal team.

### Diversifying our portfolio to mitigate risk

We continuously seek to diversify our portfolio to increase value on a per unit basis, further improve the sustainability of our distributions and strengthen our tenant profile. We focus on adding high-quality tenants in the most desirable office markets in Germany in addition to increasing our overall asset base in the largest office markets in Germany. A key criterion when considering potential acquisitions is the multi-tenant nature of a property.

### Investing in stable income-producing properties outside of Canada

When considering acquisition opportunities, we look for properties with quality tenancies and strong occupancy, and assess how acquisition opportunities complement our properties and have the potential to create additional value. In considering future acquisitions, we intend to focus on countries with a stable business and operating environment, a liquid market for real estate investments, a legal framework that provides adequate rights and protections for owners of property, and a manageable foreign investment regime. We will consider investment opportunities in income-producing properties that are accretive, provide stable, sustainable and growing cash flows, and enable us to realize synergies within our portfolio of properties. The execution of this strategy will be continuously reviewed and will also include dispositions of properties and optimizing our capital structure.

## Maintaining and strengthening a conservative financial profile

We operate our investments in a disciplined manner, with a focus on financial analysis and balance sheet management to ensure we maintain a prudent capital structure and conservative financial profile. We intend to generate stable cash flows sufficient to fund our distributions while maintaining a conservative debt ratio. Our preference will be to stagger our debt maturities to mitigate our interest rate risk and limit refinancing exposure in any particular period. We have also implemented a foreign exchange hedging strategy to provide greater certainty regarding the payment of distributions to unitholders and interest to debenture holders.

## OUR ASSETS

Throughout this document, we make reference to the following two asset categories:

### Initial Properties

As at December 31, 2014, this category included 237 national and regional administration offices, mixed use retail, banking and distribution properties and regional logistics headquarters of Deutsche Post. The properties are generally strategically located near central train stations and main retail areas and are easily accessible by public transportation.

### Acquisition Properties

As at December 31, 2014, this category included 29 office properties, which were acquired since the beginning of 2012. These properties are high-quality, multi-tenant office buildings located in Germany's largest office markets and are generally newer or recently refurbished buildings. A 50% interest in seven of the 29 properties was sold during the year and these seven properties are now jointly owned with POBA, a South Korean pension fund.

The majority of our portfolio is concentrated in Germany's largest office markets:

Geographic composition of portfolio <sup>(1)</sup>	Total GLA (sq. ft.)	Total GLA (%)	Total GRI (%)
Berlin	506,436	3	4
Cologne	984,938	7	11
Düsseldorf	1,745,214	12	14
Frankfurt	1,173,287	8	10
Hamburg	1,312,376	9	14
Hannover	810,208	5	3
Munich	552,157	4	7
Nuremberg	627,357	4	6
Stuttgart	752,527	5	7
Other	6,375,161	43	24
<b>Total</b>	<b>14,839,661</b>	<b>100</b>	<b>100</b>

(1) Reflects the REIT's Owned Share basis.

## TENANTS

Through an active acquisitions and dispositions program that commenced in 2012, the Trust continues to focus on the diversification of its tenant base. The table below highlights the diversification away from the single-tenant nature of our Initial Properties. At the end of Q4 2014, Deutsche Post's GRI was approximately 29.5% of the Trust's overall occupied and committed GRI, down from 37.3% at the end of 2013.

Tenant composition <sup>(1)</sup>	Total annualized GRI (%)	Credit rating <sup>(2)(3)</sup>
Deutsche Post	29.5	BBB+
Freshfields Bruckhaus Deringer	3.5	n/a
ERGO Direkt Lebensversicherungs AG	3.1	AA-
Imtech Deutschland GmbH & Co. KG	2.4	n/a
BNP Paribas Fortis SA/NV	1.9	A+
Deutsche Postbank AG	1.8	A+
CinemaxX Entertainment GmbH & Co. KG	1.6	n/a
Maersk Deutschland A/S & Co. KG	1.4	BBB+
Google Germany GmbH	1.3	AA
Grohe AG	1.3	n/a
Other third-party tenants	52.2	n/a
<b>Total</b>	<b>100.0</b>	

(1) Reflects the REIT's Owned Share.

(2) Source: Standard & Poor's, Fitch.

(3) n/a means not applicable.

### Deutsche Post

Deutsche Post is an integral part of the German economy and continues to be an important part of day-to-day life in Germany. Through its acquisition of DHL in 2002, Deutsche Post DHL has become a global logistics market leader. It employs approximately 480,000 people in more than 220 countries and territories.<sup>(1)</sup> As the only provider of universal postal services in Germany, Deutsche Post must provide certain minimum levels of service to German residents.

Some of the space leased to Deutsche Post is occupied by Postbank, a public company controlled by Deutsche Bank and integral to its retail banking business. Postbank offers retail financial services in its branches within Deutsche Post's network, which generates increased traffic through the postal services offered in those branches. As at December 31, 2014, our portfolio featured approximately 165 Postbank branches, allowing for the delivery of integrated financial and postal services. Leases for 45 Postbank branches are direct leases. Postbank branches are typically located at ground level with a view to attracting a high volume of retail and business customers seeking financial or postal services.

### Freshfields Bruckhaus Deringer ("Freshfields")

Freshfields is the second largest tenant in our portfolio as measured by GRI. Freshfields is an international law firm with offices in Europe, Asia, North America and the Middle East.<sup>(2)</sup> Freshfields occupies 71% of the space in our property located at Feldmühleplatz 1 and generated approximately 3.5% of the REIT's overall GRI as at December 31, 2014.

### ERGO Direkt Lebensversicherungs AG ("ERGO")

ERGO is the third largest tenant in our portfolio as measured by GRI. With approximately 46,000 employees in over 30 countries, ERGO is one of the largest insurance companies in Germany.<sup>(3)</sup> ERGO, which belongs to the Munich RE group of companies, occupies the entire space in our property located at Karl-Martell-Strasse 60 in Nuremberg, and generated approximately 3.1% of the REIT's overall GRI as at December 31, 2014.

### Imtech Deutschland GmbH & Co. KG ("Imtech")

Imtech Germany & Eastern Europe is a leader in the energy and technical building equipment sector in Germany, Poland, Austria, Hungary, Romania, Russia and Switzerland. Imtech Germany & Eastern Europe employs approximately 5,000 people and is part of the Royal Imtech N.V. Group, which is based in the Netherlands and employs approximately 23,000 people.<sup>(4)</sup> This tenant occupies the entire space in our property located at Hammer Strasse 30–34 in Hamburg, which is Imtech's German head office, and generated approximately 2.4% of the REIT's overall GRI as at December 31, 2014.

(1) As disclosed at Deutsche Post DHL's website at [www.dpdhl.com](http://www.dpdhl.com)

(2) As disclosed at Freshfields' website at [www.freshfields.com](http://www.freshfields.com)

(3) As disclosed at ERGO's website at [www.ergo.com](http://www.ergo.com)

(4) As disclosed at Imtech's website at [www.imtech.de](http://www.imtech.de)

### **BNP Paribas Fortis SA/NV (“BNP Paribas Fortis”)**

BNP Paribas Fortis is a financial services provider, offering services to private and professional clients, corporate clients and public entities through a number of networks. The company is owned approximately 75% by the BNP Paribas Group and 25% by the Belgian State.<sup>(5)</sup> BNP Paribas Fortis occupies approximately 55% of the space in Cäcilienkloster in Cologne as well as 8% in Z-UP in Stuttgart and generated approximately 1.9% of the REIT’s overall GRI as at December 31, 2014.

### **Deutsche Postbank AG (“Postbank”)**

Postbank is one of Germany’s largest financial service providers with approximately 14 million clients, 14,900 employees and total assets of approximately €158 billion. Postbank mainly focuses on private customers and small to medium-sized companies and has the densest branch network of any bank in Germany with 1,100 of its own branches, 4,500 Deutsche Post partner branches as well as 700 Postbank advisory centres.<sup>(6)</sup> As at December 31, 2014, Postbank generated approximately 1.8% of the REIT’s overall GRI.

### **CinemaxX Entertainment GmbH & Co. KG (“CinemaxX”)**

CinemaxX is a well-known cinema chain in Germany and Denmark with 33 cinemas and 2,000 employees in these two countries.<sup>(7)</sup> CinemaxX occupies approximately 62% of the GLA in our property located at Bertoldstrasse 48/Sedanstrasse 7 in Freiburg and generated approximately 1.6% of the REIT’s overall GRI as at December 31, 2014.

### **Maersk Deutschland A/S & Co. KG (“Maersk”)**

Maersk is one of the world’s largest shipping companies and operates in approximately 130 countries. Through its various divisions, the group employs approximately 89,000 people and generated over US\$47 billion in revenues in 2013.<sup>(8)</sup> Maersk occupies approximately 70% of the GLA in Humboldt House, our property located at Am Sandtorkai 37 in Hamburg. Maersk generated approximately 1.4% of the REIT’s overall GRI as at December 31, 2014.

### **Google Germany GmbH (“Google”)**

Google is an American multinational corporation specializing in internet-related services and products and employs over 40,000 people worldwide.<sup>(9)</sup> Google Hamburg is the company’s commercial headquarters for Germany, Austria, Switzerland and the Nordics and occupies approximately 75% of the GLA in ABC Bogen, our property located in the heart of Hamburg at ABC Strasse 19. Google generated approximately 1.3% of the REIT’s overall GRI as at December 31, 2014.

### **Grohe AG (“Grohe”)**

Grohe AG, a subsidiary of the Grohe Group, is Europe’s largest provider of sanitary fittings and has a worldwide presence in more than 130 countries. The Grohe Group employs more than 9,000 employees and had revenues of approximately €1.45 billion in 2013.<sup>(10)</sup> Grohe occupies approximately 29% of the GLA in Feldmühleplatz 15 in Düsseldorf and generated approximately 1.3% of the REIT’s overall GRI as at December 31, 2014.

(5) As disclosed at BNP Paribas’ website at [www.bnpparibas.com](http://www.bnpparibas.com)

(6) As disclosed at Deutsche Postbank AG’s website at [www.postbank.com](http://www.postbank.com)

(7) As disclosed at CinemaxX’s website at [www.cinemaxx.com](http://www.cinemaxx.com)

(8) As disclosed at Maersk’s website at [www.maersk.com](http://www.maersk.com)

(9) As disclosed at Google’s website at [www.google.com](http://www.google.com) and [www.google.ca/about/jobs/locations/hamburg](http://www.google.ca/about/jobs/locations/hamburg)

(10) As disclosed at Grohe’s website at [www.grohe.com](http://www.grohe.com)

## MARKET OVERVIEW – GERMANY

### German economy

The German economy has long been a driver as well as a beneficiary of a globalized economy. Germany has established itself as a key location for production sites and is a country with a favourable business environment. Similar to Canada, Germany is a country with a history of political, legal and financial stability and provides an attractive climate for long-term investment.

### Recent developments

Overall, the German economy continues to be the main driving force of Europe. Germany's labour market is very robust and its unemployment rate at 4.5%<sup>(1)</sup> at the end of December 2014 remains among the lowest in the European Union. The German government posted gross domestic product ("GDP") growth of 1.5% in 2014, higher than the GDP growth in the previous number of years as well as throughout the eurozone. The German economy performed well in a difficult global environment and continued to benefit from strong domestic demand in 2014.

### Economic impact on the German real estate sector

Germany remains one of the most highly sought-after real estate investment markets in Europe, benefiting from strong international investor demand. In 2014, the total investment volume for commercial real estate reached €39.8 billion<sup>(2)</sup>, the best annual result since 2007.

The office sector remains the dominant asset class, with 51%<sup>(2)</sup> of all transactions in 2014 taking place in this category. In total, approximately €20.3 billion<sup>(2)</sup> was invested in German office properties during this period. International investors contributed approximately 46%<sup>(2)</sup> of the total capital invested in German office properties, a year-over-year increase of 98%, highlighting the global demand in this market. The share of investments in secondary markets continued to increase, reflecting diversification of the German economy and the attractiveness of risk-return characteristics in these markets.

The underlying fundamentals in the office sector remain strong with overall net absorption of office space continuing to be positive across the "Big 7" office markets. Office vacancies further declined year-over-year by 60 basis points ("bps") to 7.6%<sup>(3)</sup> at December 31, 2014, the lowest level since 2002, and average market rents increased on average by 2%<sup>(3)</sup> in these markets in 2014.

(1) ILO labour market statistics overview, Destatis – Germany's Federal Statistical Office

(2) CBRE MarketView, Germany Investment Quarterly Q4 2014

(3) Jones Lang LaSalle Office Market Overview Q4 2014

## SECTION II – EXECUTING THE STRATEGY

### OUR OPERATIONS

#### Occupancy

Overall in-place and committed occupancy was 85.3% at the end of 2014, a year-over-year decrease of 1.1% from 86.4% at the end of 2013 and a decrease of 1.8% quarter-over-quarter from 87.1% at the end of Q3 2014. The year-over-year decrease results primarily from the 2014 Deutsche Post terminations, which were effective July 1, 2014. The quarter-over-quarter decrease was largely the result of the expiry of short-term lease extensions entered into by Deutsche Post for space originally terminated as at July 1, 2014. Occupancy in our Initial Properties decreased from 83.2% at the end of 2013 to 80.1% at the end of 2014, primarily due to the 2014 Deutsche Post terminations, offset by strong leasing performance in 2014. Occupancy in our Acquisition Properties increased from 96.3% at the end of 2013 to 97.9% at the end of 2014, primarily due to the acquisitions we completed in 2014 as well as leasing activity in 2014, which more than offset the impact from the sale of a 50% interest in seven assets to POBA.



The table below details the percentage of occupied and committed space for the total portfolio as well as the comparative portfolio. The comparative portfolio comprises properties owned by the Trust at December 31, 2013 and December 31, 2014, and excludes properties that were acquired or sold during 2014.

Portfolio (%)	Total portfolio		Comparative portfolio	
	December 31, 2014 <sup>(1)</sup>	December 31, 2013	December 31, 2014 <sup>(1)</sup>	December 31, 2013
Initial Properties	80.1	83.2	80.1	82.5
Acquisition Properties	97.9 <sup>(2)</sup>	96.3	98.2	96.4
<b>Total</b>	<b>85.3</b>	<b>86.4</b>	<b>84.4</b>	<b>85.8</b>

(1) Occupancy in Q4 2014 includes space covered by a head lease that was classified as vacant space prior to Q1 2014. This change in presentation results in a 27 bps increase in overall occupancy in Q4 2014.

(2) Reflects the REIT's Owned Share.

### Vacancy schedule

The tables below highlight our leasing activity for the three-month and twelve-month periods ended December 31, 2014. During Q4 2014, our overall space available for lease increased by approximately 128,200 square feet. The primary reason for the increase in vacancy was negative leasing absorption of approximately 236,700 square feet, largely due to the expiry of short-term lease extensions in connection with Deutsche Post's 2014 terminated space. The negative impact was significantly mitigated by an otherwise high retention rate across the entire portfolio of 73% and high overall leasing volumes during Q4 2014.

(in square feet)	For the three months ended December 31, 2014		
	Initial Properties	Acquisition Properties <sup>(1)</sup>	Total
Available for lease – September 30, 2014	1,954,677	96,280	2,050,957
Change in vacancy due to acquisitions	-	-	-
Change in vacancy due to dispositions <sup>(2)</sup>	(91,792)	(6,022)	(97,814)
Remeasurements	(10,952)	264	(10,688)
<b>Subtotal – Available for lease</b>	<b>1,851,933</b>	<b>90,522</b>	<b>1,942,455</b>
Expiries	82,316	128,007	210,323
Early termination and bankruptcies	5,207	13,007	18,214
Deutsche Post extension expiries	231,311	-	231,311
New leases	(24,582)	(13,007)	(37,589)
Renewals	(42,857)	(110,947)	(153,804)
Future leases for the period	(17,712)	(14,061)	(31,773)
<b>Available for lease – December 31, 2014</b>	<b>2,085,616</b>	<b>93,521</b>	<b>2,179,137</b>

(1) Reflects the REIT's Owned Share.

(2) The reduction in vacancy in our Acquisition Properties resulted from the sale of a 50% interest in seven properties to POBA.

(in square feet)	For the twelve months ended December 31, 2014		
	Initial Properties	Acquisition Properties <sup>(1)</sup>	Total
Available for lease – January 1, 2014	1,984,185	66,836	2,051,021
Change in vacancy due to acquisitions	-	37,870	37,870
Change in vacancy due to dispositions <sup>(2)</sup>	(156,088)	(6,022)	(162,110)
Remeasurements	(6,771)	(6,910)	(13,681)
Subtotal – Available for lease	1,821,326	91,774	1,913,100
Expiries	231,900	470,329	702,229
Early termination and bankruptcies	39,747	50,228	89,975
Deutsche Post terminations	1,855,803	-	1,855,803
Deutsche Post extension expiries	231,311	-	231,311
New leases	(160,185)	(34,035)	(194,220)
Renewals	(106,891)	(375,964)	(482,855)
Deutsche Post/Postbank renewals and extensions	(1,592,200)	-	(1,592,200)
Future leases for the period	(235,195)	(108,811)	(344,006)
<b>Available for lease – December 31, 2014</b>	<b>2,085,616</b>	<b>93,521</b>	<b>2,179,137</b>

(1) Reflects the REIT's Owned Share.

(2) The reduction in vacancy in our Acquisition Properties resulted from the sale of a 50% interest in seven properties to POBA.

Excluding the Deutsche Post terminations, the Trust was able to achieve a 69% tenant retention rate in 2014.

The table below highlights our occupancy, leasing activity and rental rates for the last eight quarters. Committed occupancy includes in-place occupancy as well as space for which leases have been signed but do not commence until a future quarter.

	Q4 2014 <sup>(1)(2)</sup>	Q3 2014 <sup>(1)</sup>	Q2 2014 <sup>(1)</sup>	Q1 2014 <sup>(1)</sup>	Q4 2013	Q3 2013	Q2 2013	Q1 2013
<b>Occupancy</b>								
Committed occupancy (square feet)	<b>12,660,524</b>	13,788,078	13,787,918	13,874,523	13,577,298	13,403,456	13,205,395	12,686,411
<i>Committed occupancy</i>	<b>85.3%</b>	87.1%	87.9%	87.7%	86.4%	86.2%	85.7%	84.7%
In-place occupancy (square feet)	<b>12,568,632</b>	13,603,696	13,644,620	13,753,248	13,496,358	13,183,857	13,010,931	12,578,484
<i>In-place occupancy</i>	<b>84.7%</b>	85.9%	87.0%	86.9%	85.9%	84.8%	84.5%	83.9%
<b>Leasing activity</b>								
Expiries	<b>(210,323)</b>	(203,087)	(175,716)	(113,105)	(168,754)	(130,075)	(89,824)	(113,970)
Early termination and bankruptcies	<b>(18,214)</b>	(38,709)	(8,908)	(24,143)	(2,489)	(22,021)	(7,418)	(556)
New leases	<b>37,589</b>	89,075	21,370	46,185	35,285	51,992	36,689	41,198
Renewals	<b>153,804</b>	143,271	133,149	52,633	115,914	111,609	75,373	41,985
Future leases	<b>31,773</b>	101,670	68,328	142,236	30,840	60,250	98,003	38,118
<b>Net leasing absorption</b>								
(before DP terminations)	<b>(5,371)</b>	92,220	38,223	103,806	10,796	71,755	112,823	6,775
Deutsche Post terminations	<b>(99,214)</b>	(1,756,589)	-	-	-	(22,021)	-	-
Expiries of Deutsche Post extensions	<b>(231,311)</b>	-	-	-	-	-	-	-
Deutsche Post/ Postbank renewals and extensions	<b>99,214</b>	1,492,986	-	-	-	-	-	-
<b>Net leasing absorption</b>	<b>(236,682)</b>	(171,383)	38,223	103,806	10,796	49,734	112,823	6,775
<b>Average in-place rent</b>								
(€/sq. ft./year)	<b>€8.86</b>	€8.90	€8.74	€8.72	€8.46	€8.17	€8.14	€7.87
% change	<b>(0.4)%</b>	1.8%	0.3%	3.0%	3.5%	0.4%	3.5%	25.8%

(1) Occupancy includes space covered by a head lease that was previously classified as vacant space.

(2) Reflects the REIT's Owned Share.

### In-place rental rates

In-place rents have increased from approximately €8.46 per square foot/year at December 31, 2013 to approximately €8.86 per square foot/year at December 31, 2014, reflecting higher in-place rents in the Acquisition Properties as well as leasing activity across the portfolio. The majority of the leases in the Acquisition Properties include rent adjustment clauses linked to an increase in the consumer price index ("CPI"). Overall, average market rents for our portfolio remain approximately 2.9% above in-place rents at December 31, 2014. The difference between in-place rents and market rents in our Initial Properties is approximately 12.5%, allowing for rental growth in this segment of our portfolio, which has approximately 0.8 million square feet expiring over the next two years.

For certain Acquisition Properties, where in-place rents exceeded market rents, the purchase price was adjusted at the time of underwriting these acquisitions to reflect such above-market rents. The gap between market and in-place rental rates is narrowing, reflecting the underlying market conditions, a trend which is expected to continue. The weighted average remaining lease term is 5.3 years for this category of assets, which allows for sufficient time for the market rents to increase.

The table below provides a comparison between in-place rents and market rents in our portfolio as at December 31, 2014.

(per square foot/year)	In \$ (as at December 31, 2014)		In € (as at December 31, 2014)		% of market rents above (below) in-place rents
	In-place rent	Market rent	In-place rent	Market rent	
Initial Properties – Deutsche Post	\$ 7.47	\$ 8.54	€ 5.32	€ 6.08	14.3
Initial Properties – third party	8.18	8.74	5.82	6.23	7.0
Total Initial Properties	7.63	8.59	5.44	6.12	12.5
Acquisition Properties <sup>(1)</sup>	21.83	21.05	15.55	14.99	(3.0)
<b>Overall</b>	<b>\$ 12.44</b>	<b>\$ 12.80</b>	<b>€ 8.86</b>	<b>€ 9.12</b>	<b>2.9</b>

(1) Reflects the REIT's Owned Share.

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

At December 31, 2014, the weighted average remaining lease term ("WALT") of all leases was approximately 4.4 years. The WALT of the Acquisition Properties was 5.3 years.

(years) <sup>(1)</sup>	WALT at December 31, 2014	WALT at December 31, 2013
Initial Properties – Deutsche Post	3.5	4.1
Initial Properties – third party	5.4	5.1
Total Initial Properties	3.9	4.3
Acquisition Properties <sup>(2)</sup>	5.3	6.0
<b>Overall</b>	<b>4.4</b>	<b>4.8</b>

(1) For the purpose of calculating WALT, month-to-month leases are reflected as leases with a one-year term.

(2) Reflects the REIT's Owned Share.

The WALT for the Initial Properties declined in 2014, reflecting the Deutsche Post terminations, partially offset by strong leasing activity. The WALT for the Acquisition Properties declined in 2014, primarily due to the sale of a 50% interest in seven assets to POBA.

## Leasing and tenant profile

### Lease rollover profile

The following table outlines our lease maturity profile by asset type as at December 31, 2014. Our lease maturity profile remains staggered with only approximately 16% (excluding space leased on a month-to-month basis) of our portfolio expiring prior to 2018.

(in square feet)	Current vacancy	Month-to- month	2015	2016	2017	2018	2019 to 2039	Total
Initial Properties	2,085,616	296,060	614,892	204,559	177,763	5,026,640	2,055,783	10,461,313
Acquisition Properties	93,521	35,106	212,480	597,922	544,098	331,764	2,563,457	4,378,348
<b>Total</b>	<b>2,179,137</b>	<b>331,166</b>	<b>827,372</b>	<b>802,481</b>	<b>721,861</b>	<b>5,358,404</b>	<b>4,619,240</b>	<b>14,839,661</b>
<b>Total (%)</b>	<b>14.7%</b>	<b>2.2%</b>	<b>5.6%</b>	<b>5.4%</b>	<b>4.9%</b>	<b>36.1%</b>	<b>31.1%</b>	<b>100%</b>

## Deutsche Post leases

The leases with Deutsche Post, which generally expire on June 30, 2018 (many of which provide Deutsche Post with an option to extend the term until June 30, 2023), and contractual extensions described below comprise approximately 43% of the portfolio's GLA and account for approximately 29.5% of the portfolio's GRI. Of the total leases, less than 7% expire prior to 2018.

	Total GLA (sq. ft.)
<b>Deutsche Post lease expiries</b>	
Q1 2015	308,765
Q2 2015	45,069
Q3 2015	13,307
Q4 2015	-
<b>Total near-term lease expiries</b>	<b>367,141</b>
2016	37,091
2017	29,145
2018 <sup>(1)</sup>	4,971,982
2019	679,581
2020	325,026
2023	5,745
<b>Total Deutsche Post lease expiries</b>	<b>6,415,711</b>

(1) Subject to lease extensions.

### **Rent adjustment**

The rents under the Deutsche Post leases are subject to automatic adjustments (up or down) in relation to the CPI for Germany. If the consumer price index for Germany changes by more than 4.3 index points as compared to the index at the commencement of the applicable lease or the previous rent adjustment, the rent payable under the Deutsche Post leases is automatically adjusted by 100% of the index change, with effect as of the time of the index change. Based on the index at the last CPI adjustment date, the index will have to exceed 107.2 index points before the next adjustment will become effective. CPI numbers from December 2014 indicate that the CPI has reached 106.7 index points.

### **Termination rights and head lease**

In general, the Deutsche Post leases have a fixed term of ten years, expiring on June 30, 2018. These leases entitle Deutsche Post to terminate space in 2012, 2014 and 2016, subject to certain limitations and requirements. The rights of Deutsche Post to terminate a lease are limited by various tests that apply collectively to the Deutsche Post leases and the leases in respect of the remaining properties forming the portfolio that the vendor acquired from Deutsche Post in July 2008 (the "Caroline DP Leases"), considered as a whole. Deutsche Post exercised or waived their termination rights with respect to 2012 and 2014.

In addition, by June 30, 2017, Deutsche Post is required to provide the REIT with a list of Deutsche Post leases and/or Caroline DP Leases that have no termination options and for which the term of such lease shall be extended for two additional years. This list must amount to at least 33.33% of the total Reference Rent of all Deutsche Post leases and Caroline DP Leases, considered as a whole, that at the beginning of the lease had no termination options.

### **2012 termination rights**

One of the opportunities that Deutsche Post terminations afforded the REIT is the ability to take advantage of the large blocks of contiguous vacant space that the tenant left, making the terminated space more attractive for re-leasing to some prospective tenants. When combined with higher rents that we generally achieve on the terminated space, we see this reflected in the overall performance of the terminated properties. Through our leasing efforts, as of December 31, 2014, we have been able to successfully replace approximately 79%<sup>(1)</sup> of the GRI generated by the terminated properties prior to the 2012 terminations.

(1) Compared to GRI of the terminated properties as of Q2 2012, excluding properties sold, under contract for sale. GRI as of December 31, 2014 includes in-place leases and leases committed for future occupancy.

### **2014 termination rights**

On July 1, 2014, Deutsche Post terminated a total of approximately 1,757,000 square feet of space, of which approximately 1,493,000 square feet were either extended by Deutsche Post or re-leased to Postbank. Of the 1,493,000 square feet, approximately 812,000 square feet will not expire until 2019 or later.

Through our efforts in negotiating lease extensions with Deutsche Post and Postbank, as well as third-party leases for 2014 terminated buildings, we have been able to replace approximately 77%<sup>(1)</sup> of the GRI generated from the 2014 terminated properties as at December 31, 2014.

(1) Compared to GRI of the terminated properties as of Q2 2014, excluding properties sold, under contract for sale and a redevelopment asset in Mannheim. GRI as of December 31, 2014 includes in-place leases and leases committed for future occupancy.

### **2016 termination rights**

Excluding dispositions and early renewals, Deutsche Post has the right to terminate up to approximately 484,000 square feet effective as at June 30, 2016. In 2014, the Trust reduced its exposure to 2016 terminable space from approximately 821,000 to 484,000 square feet through lease negotiation leading to Deutsche Post waiving its termination rights for six properties amounting to approximately 85,000 square feet and the sale of properties comprising 252,000 square feet of space.

## **OUR RESOURCES AND FINANCIAL CONDITION**

### **Investment properties**

As at December 31, 2014, the value of our investment property portfolio was \$2.1 billion (December 31, 2013 – \$2.4 billion). The primary reason for the decrease compared to December 31, 2013 was the sale of a 50% interest in seven assets to POBA, which is subject to equity accounting, offset by acquisitions during the year. For IFRS reporting purposes, as a result of the sale and the co-ownership arrangement with POBA over these assets, the REIT must derecognize the investment properties. The REIT's retained 50% interest in these assets is reflected as an investment in joint ventures.

The REIT's management is responsible for determining fair value measurements included in the consolidated financial statements, including fair values of investment properties, which are valued on a highest-and-best-use basis. Fair values for investment properties are calculated using both the direct income capitalization and discounted cash flow ("DCF") methods. The results of both methods are evaluated by considering the reasonableness of the range of values calculated under both methods. Fair value of a property is determined at the point within that range that is most representative of the fair value in the circumstances.

Changes in the value of our investment properties for the year ended December 31, 2014 and for the year ended December 31, 2013 are summarized in the table below as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2013
<b>Balance at beginning of year</b>	<b>\$ 2,390,244</b>	<b>\$ 1,182,757</b>
Additions		
Acquisitions	422,166	1,075,558
Building improvements	12,730	5,821
Lease incentives and initial direct leasing costs	14,908	6,055
Amortization of lease incentives	(1,458)	(616)
Disposals (Initial Properties)	(144)	(23,943)
Reclassified to assets held for sale	(161,174)	(21,147)
POBA joint venture assets reclassified to assets held for sale	(573,521)	-
Fair value adjustments	76,639	(57,032)
Foreign currency translation	(100,719)	222,791
<b>Balance at end of year (per consolidated financial statements)</b>	<b>\$ 2,079,671</b>	<b>\$ 2,390,244</b>

#### Investment properties held for sale

	For the year ended December 31, 2014	For the year ended December 31, 2013
<b>Balance at beginning of year</b>	<b>\$ 21,147</b>	<b>\$ -</b>
Building improvements	11	-
Lease incentives and initial direct leasing costs	(131)	-
Investment properties reclassified as held for sale	161,174	21,147
Investment properties reclassified as held for sale – POBA joint venture assets	573,521	-
Fair value adjustments	(4,392)	-
Disposals	(130,746)	-
Disposals – POBA joint venture assets	(573,521)	-
Foreign currency translation	(4,166)	-
<b>Balance at end of year</b>	<b>\$ 42,897</b>	<b>\$ 21,147</b>

During the year ended December 31, 2014, seven of the Acquisition Properties were reclassified as assets held for sale and then subsequently sold to POBA at a fair value of \$573.5 million. In addition, we reclassified other properties from the initial portfolio valued at \$161.2 million as assets held for sale. We acquired one property during Q4, bringing our year-to-date total to five property acquisitions valued at \$419.9 million (including transaction costs). In addition, we recorded \$2.3 million of acquisition cost adjustments related to 2013 acquisitions.

During the year ended December 31, 2014, due primarily to capitalization rate (“cap rate”) compression, the fair value of the Acquisition Properties increased by \$110.7 million, partially reduced by a write-off of \$20.9 million of capitalized transaction costs, resulting in a net increase in fair value adjustments of \$89.8 million. During the year ended December 31, 2014, the fair value of the Initial Properties decreased by \$13.2 million, primarily due to an increase in vacancies relating to the Deutsche Post terminations. Due to depreciation of the euro against the Canadian dollar since December 31, 2013, the investment property value decreased by \$100.7 million, representing an unrealized foreign exchange loss.

## Acquisitions

During the year ended December 31, 2014, we completed the following acquisitions:

Office property	Acquired GLA (sq. ft.)	Occupancy at acquisition (%)	Purchase price <sup>(1)</sup>	Date acquired
Werner-Eckert-Straße 8, 10, 12, Munich	64,735	91	\$ 22,120	February 14, 2014
My Falkenried, Hamburg	221,243	100	92,183	March 31, 2014
Liebknechtstr. 33/35, Heßbrühlstr. 7 (Officium), Stuttgart	268,034	89	68,410	July 31, 2014
Robert-Bosch-Str. 9–11 (Europahaus), Darmstadt	210,662	99	57,045	September 30, 2014
Im Mediapark 8 (Cologne Tower), Cologne	296,699	100	161,923	November 14, 2014
<b>Total</b>	<b>1,061,373</b>	<b>96</b>	<b>\$ 401,681</b>	

(1) Excludes transaction costs of \$18.2 million.

## Dispositions

The REIT completed the sale of 14 properties, excluding the seven properties sold to POBA, during the last quarter ended December 31, 2014, for an aggregate sales price of approximately \$69.4 million. A portion of the net proceeds of \$31.2 million was used to reduce our term loan credit facility. During 2014, we disposed a total of 35 investment properties for \$130.7 million, which represented 101% of book value at the last reporting period date prior to their sale. Five of the assets were reclassified as assets held for sale at December 31, 2013. As of December 31, 2014, we have also entered into agreements to dispose of an additional 12 properties with a total fair value of \$42.9 million. These 12 properties have been reclassified as assets held for sale on the balance sheet and excluded from the value of investment properties, as the REIT has committed to a plan of sale for these investment properties. In total, we realized a fair value loss of \$4.4 million on these properties and dispositions.

## Building improvements

Building improvements represent investments made in our investment properties to ensure our buildings are operating at an optimal level. During the three and twelve months ended December 31, 2014, we spent \$4.9 million and \$12.7 million, respectively, in building improvements. In general, building improvements are non-recoverable from the tenants unless specifically provided for in the lease agreement.

## Initial direct leasing costs and lease incentives

Initial direct leasing costs include external leasing fees and related costs, and broker commissions incurred in negotiating and arranging tenant leases. Lease incentives include costs incurred to make leasehold improvements to tenant spaces and cash allowances. Initial direct leasing costs and lease incentives are dependent on 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.

During the three and twelve months ended December 31, 2014, we incurred \$4.9 million and \$14.9 million, respectively, of lease incentives and initial direct leasing costs. As at December 31, 2014, we had outstanding initial direct leasing cost commitments of \$3.2 million, on average for lease terms in excess of ten years.



## OUR CAPITAL

### Liquidity and capital resources

Dream Global REIT's primary sources of capital are cash generated from operating activities, a credit facility, 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 amortization and interest payments, and property acquisitions. We expect to meet all of our ongoing obligations through current cash and cash equivalents, cash flows from operations, credit facility, debt refinancings and, as growth requires and when appropriate, new equity or debt issues.

As at December 31, 2014, we had \$121.9 million of cash on hand. After reserving for current payables and operating requirements, and the equity required for the Millerntorplatz acquisition, approximately \$25.0 million is available for general purposes. Our debt-to-book value excluding cash, at December 31, 2014, is 51%. Excluding cash and convertible debentures, our debt-to-book value (non-GAAP measure) is 45%.

### Debt

	December 31, 2014	December 31, 2013
Total debt	\$ 1,381,132	\$ 1,424,312
Less debt related to:		
Investment in joint venture	152,736	-
<b>Debt (per consolidated financial statements)</b>	<b>\$ 1,228,396</b>	<b>\$ 1,424,312</b>

	December 31, 2014	December 31, 2013
Mortgage debt	\$ 854,061	825,014
Less mortgage debt related to:		
Investment in joint ventures	152,736	-
<b>Mortgage debt (per consolidated financial statements)</b>	<b>\$ 701,325</b>	<b>825,014</b>

### Debt strategy

Our debt strategy is to obtain secured mortgage financing on a fixed rate basis, with a term to maturity that is appropriate in relation to the lease maturity profile of our portfolio. Our preference is to have staggered debt maturities to mitigate interest rate risk and limit refinancing exposure in any particular period. We also intend to enter into long-term loans at fixed rates when borrowing conditions are favourable. This strategy will be complemented with the use of unsecured convertible debentures and floating rate credit facilities. We operate within a targeted debt-to-book value range of 50% to 60% (net of cash). The decrease in the debt-to-book value ratio at December 31, 2014 compared to December 31, 2013 reflects the increase in cash on hand compared to December 31, 2013 as well as the increase in the underlying valuation of the investment properties during 2014.

During the fourth quarter of 2014, the Trust entered into agreements to refinance a \$23.2 million mortgage on Grammophon Business Park located at Podbielskistrasse 158–168 in Hannover for a term of eight years. In addition, we extended the term to maturity on three additional mortgages comprising \$150.5 million by two years for Cäcilienkloster 2–10, Moskauer Strasse 25–27 and My Falkenried. The weighted average interest rate for these four mortgages was 1.99%, representing an interest rate reduction of 44 bps before mark-to-market adjustments.

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

	For the year ended December 31, 2014	For the year ended December 31, 2013
<b>Financing activities</b>		
Weighted average interest rate <sup>(1)(2)</sup>	<b>3.23%</b>	3.37%
Level of debt (debt-to-book value, net of cash, net of convertible debentures) <sup>(2)(3)</sup>	<b>45%</b>	48%
Level of debt (debt-to-book value, net of cash) <sup>(2)(3)</sup>	<b>51%</b>	54%
Interest coverage ratio <sup>(2)(3)</sup>	<b>3.26 times</b>	3.40 times
Debt-to-adjusted EBITDFV (years) <sup>(2)(3)(4)</sup>	<b>9.2</b>	8.8
Proportion of total debt due in current year <sup>(2)</sup>	<b>5.3%</b>	1.4%
Debt – average term to maturity (years) <sup>(2)</sup>	<b>4.3</b>	4.6
Variable rate debt as percentage of total debt <sup>(2)</sup>	<b>1%</b>	5%

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

(2) Reflects the REIT's Owned Share.

(3) Level of debt, interest coverage ratio and debt-to-adjusted EBITDFV are non-GAAP measures. Calculations for each reconciled to IFRS balances can be found commencing on page 42.

(4) Calculated as total debt divided by adjusted EBITDFV.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio for the year is 3.26 times and reflects our ability to cover interest expense requirements. We also monitor our debt-to-adjusted EBITDFV ratio to gauge our ability to pay off existing debt. Our current debt-to-adjusted EBITDFV ratio is 9.2 years, and reflects the approximate amount of time to pay off all debt from operating cash flows.

### Financing activities

We finance our ownership of assets using equity as well as conventional mortgage financing, term debt, floating rate credit facilities and convertible debentures.

### New debt

During the year ended December 31, 2014, we obtained the following new mortgages:

Property	Mortgage (\$000s)	Mortgage (€000s)	Face rate	Date of funding	Date of maturity
Werner-Eckert-Straße 8, 10, 12, Munich	\$ 13,237	€ 8,700	1.98%	March 28, 2014	March 31, 2019
My Falkenried, Hamburg	55,765	36,840	2.33%	April 29, 2014	February 26, 2021
Liebknachtstr. 33/35, Heßbrühlstr. 7 (Officium), Stuttgart	41,556	28,500	1.99%	July 31, 2014	January 31, 2022
Robert-Bosch-Str. 9–11 (Europahaus), Darmstadt	35,317	24,500	1.82%	October 20, 2014	September 30, 2022
Im Mediapark 8 (Cologne Tower), Cologne	97,500	69,100	1.77%	November 14, 2014	November 14, 2024
<b>Total</b>	<b>\$ 243,375</b>	<b>€ 167,640</b>			

On November 14, 2014, the Trust withdrew a mortgage with a principal balance of €69.1 million (\$97.5 million) at a fixed rate of 1.77% per annum, maturing on November 14, 2024, in connection with the acquisition of Im Mediapark 8 (Cologne Tower).

During the last quarter of 2014, the REIT sold a 50% interest in seven Acquisition Properties as part of a joint venture agreement with POBA. In conjunction with this sale, \$314.4 million of the mortgage debt relating to the seven assets was sold to the joint venture (net of deferred financing costs – \$310.8 million). As the REIT still retained a 50% interest in the POBA joint venture, the REIT still owed a \$157.2 million mortgage debt through its obligations in the joint venture investments.

Subsequent to year-end on February 6, 2015, the Trust drew down a mortgage with a principal balance of €59.4 million (\$84.3 million) at a fixed rate of 1.71% per annum, maturing on February 6, 2025, in connection with the acquisition of Millerntorplatz in Hamburg.

## Debt composition

	December 31, 2014			December 31, 2013		
	Variable	Fixed	Total	Variable	Fixed	Total
Term loan credit facility <sup>(1)</sup>	\$ 7,957	\$ 366,749 <sup>(2)</sup>	\$ 374,706	\$ 74,474	\$ 384,604 <sup>(2)</sup>	\$ 459,078
Mortgage debt <sup>(1)(3)</sup>	-	854,061	854,061	-	825,014	825,014
Debentures <sup>(1)</sup>	-	152,365	152,365	-	150,326	150,326
<b>Total</b>	<b>\$ 7,957</b>	<b>\$ 1,373,175</b>	<b>\$ 1,381,132</b>	<b>\$ 74,474</b>	<b>\$ 1,359,944</b>	<b>\$ 1,434,418</b>
Reclass debt related to assets held for sale	-	-	-	(10,106)	-	(10,106)
	<b>\$ 7,957</b>	<b>\$ 1,373,175</b>	<b>\$ 1,381,132</b>	<b>\$ 64,368</b>	<b>\$ 1,359,944</b>	<b>\$ 1,424,312</b>
Percentage	<b>1%</b>	<b>99%</b>	<b>100%</b>	<b>5%</b>	<b>95%</b>	<b>100%</b>

(1) Balance shown is net of deferred financing costs and mark-to-market adjustments.

(2) As at December 31, 2014, 98% of the term loan credit facility is subject to an interest rate swap in place until August 3, 2016. Pursuant to the term loan credit facility agreement, we are required to have a minimum of 80% subject to an interest rate swap. The portion subject to the swap has been presented as fixed rate debt.

(3) Includes the REIT's share of mortgages related to the POBA joint venture.

Amounts recorded as at December 31, 2014 for the Debentures are net of \$4.7 million of premiums allocated to their conversion features on issuance. The premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

### Term loan credit facility

Concurrent with the closing of our initial public offering, we obtained a term loan credit facility (the "Facility") from a syndicate of German and French banks for gross proceeds of \$448.4 million (€328.5 million). During the year ended December 31, 2014, we repaid \$67.0 million (€46.6 million) in connection with the disposition of 35 properties as well as mandatory repayments. As at December 31, 2014, the remaining principal balance on the term loan credit facility was \$375.0 million (€267.2 million). The initial term of the Facility is five years with a two-year renewal option. Variable rate interest is payable quarterly under the Facility at a rate equal to the three-month EURIBOR, plus a margin of 200 basis points and agency fees of 10 basis points. Pursuant to the requirements of the Facility, we entered into an interest rate swap to fix 80% of the interest payments at 1.89% plus margin and agency fees, and purchased an instrument to cap 10% of the Facility, such that the interest rate does not exceed 5% on that portion.

As at December 31, 2014, the weighted average rate of the Facility was 4.21%. Including financing costs, the effective interest rate under the Facility was 4.21%. At December 31, 2013, the weighted average rate was 4.09% and the effective rate was 4.13%.

The Facility requires that, at each interest rate payment date, the debt service coverage ratio be equal to or above 145% and that the loan-to-value ratio not exceed 59% during the first three years the loan is outstanding and 54% during the final two years. As at December 31, 2014, we were in compliance with these covenants.

Under the terms of the Facility, we were required to pay additional interest of 1% per annum beginning on August 3, 2013 on €100 million plus a 15% prepayment amount, less any amounts repaid. Mandatory repayments of between 110% and 125% (with the average being 115%) of the principal allocated to a particular Initial Property are required for any Initial Property sold or refinanced by the Trust. Since the initial public offering, the Trust has repaid \$87.2 million (€61.3 million) in principal payments including prepayment amounts on various property dispositions. Opportunities to repay the balance of €53.7 million will come from maximizing the leverage on new acquisitions and from additional dispositions of non-core properties.

### Revolving credit facility

On October 9, 2013, the Trust entered into a credit agreement with a Canadian bank to provide a revolving credit facility not to exceed €25 million. The interest rate on Canadian dollar advances is prime plus 200 basis points and/or bankers' acceptance rates plus 300 basis points. The interest rate for euro advances is 300 basis points over the three-month EURIBOR rate. The revolving credit facility has a term of two years.

On August 14, 2014, the Trust entered into an amending agreement to increase this facility to €50 million with no changes in the interest rate spreads or covenant requirements. The revised facility expires on September 25, 2016. The revolving credit facility was undrawn at December 31, 2014, except for a letter of credit commitment for €1.2 million.

## Convertible debentures

As at December 31, 2014, the total principal amount of Debentures outstanding was \$161.0 million, convertible into an aggregate of 12,384,619 Units. The Debentures bear interest at 5.5% per annum, are payable semi-annually on July 31 and January 31 each year, and mature on July 31, 2018. Each \$1,000 principal amount of the Debentures is convertible at any time by the holder into 76.9231 Units, representing a conversion price of \$13.00 per unit. On or after August 31, 2014, and prior to August 31, 2016, the Debentures may be redeemed by the Trust, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided the weighted average trading price for the Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On or after August 31, 2016, and prior to July 31, 2018, the maturity date, the Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest.

The conversion feature of the Debentures is remeasured in each reporting period to fair value, with changes in fair value recorded in comprehensive income. During the three-month period ended December 31, 2014, the fair value loss attributed to the conversion feature increased by \$0.9 million. During the twelve-month period ended December 31, 2014, the fair value gain attributed to the conversion feature increased by \$0.2 million.

The table below highlights our debt maturity profile:

	Debt maturities	Scheduled principal repayments on non-matured debt	Total
2015	\$ 48,930	\$ 24,573	\$ 73,503
2016	332,399	20,153	352,552
2017	70,143	14,752	84,895
2018	343,347	11,099	354,446
2019	30,781	9,829	40,610
2020 and thereafter	481,148	13,433	494,581
	\$ 1,306,748	\$ 93,839	\$ 1,400,587
Acquisition date fair value adjustments			(4,682)
Transaction costs			(14,773)
<b>Total<sup>(1)</sup></b>			<b>\$ 1,381,132</b>

(1) Includes the REIT's share of mortgages related to the POBA joint venture.

## 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 condensed consolidated financial statements.

As at December 31, 2014, the REIT's future minimum commitments under operating leases are as follows:

	Operating lease payments
Less than 1 year	\$ 730
1–5 years	1,151
Longer than 5 years	-
<b>Total</b>	<b>\$ 1,881</b>

During the three and twelve months ended December 31, 2014, the Trust paid \$0.2 million and \$0.9 million in minimum lease payments, respectively, which have been included in comprehensive income for the period.

## Foreign currency contracts

At December 31, 2014, we had various currency forward contracts in place to sell euros for Canadian dollars for the next 36 months. On settlement of a contract, we realize a gain or loss on the difference between the forward rate and the spot rate. We also mark the contracts to market quarterly and recorded an unrealized gain of \$1.1 million and \$6.4 million for the three- and twelve-month periods ended December 31, 2014, respectively. The Trust currently has foreign exchange forward contracts to sell €121.2 million in total from January 2015 to December 2017 at an average exchange rate of \$1.417 per euro.

## Equity

The table below highlights our outstanding equity:

	December 31, 2014		Unitholders' equity December 31, 2013	
	Number of Units	Amount	Number of Units	Amount
Units	111,466,697	\$ 1,120,220	109,698,977	\$ 1,034,005

## Units

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: Units and Special Trust Units. The Special Trust Units may only be issued to holders of securities exchangeable for Units, are not transferable and are used to provide holders of such securities with voting rights with respect to Dream Global REIT. Each Unit and Special Trust Unit entitles the holder thereof to one vote for each Unit at all meetings of unitholders of the Trust.

The Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the grant of deferred trust units and income deferred units to trustees, officers, employees, affiliates and their service providers, including DAM, our asset manager.

The following table summarizes the changes in our outstanding equity:

	Units
<b>Total Units outstanding on December 31, 2013</b>	109,698,977
Units issued pursuant to the DUIP	86,415
Units issued pursuant to the DRIP <sup>(1)</sup>	1,681,305
<b>Total Units outstanding on December 31, 2014</b>	111,466,697
Units issued pursuant to the DRIP on January 15, 2015	134,206
<b>Total Units outstanding on January 31, 2015</b>	111,600,903

(1) Distribution Reinvestment and Unit Purchase Plan.

For the year ended December 31, 2014, 86,415 Units were issued pursuant to the Deferred Unit Incentive Plan (December 31, 2013 – 17,632 Units) to trustees, officers and employees.

## Distribution policy

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect our distribution policy, we disregard it when determining our distributions. We also exclude the impact of leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. We evaluate the impact of leasing activity based on averages for our portfolio over a two- to three-year time frame. We exclude the impact of transaction costs expensed on business combinations as these are considered to be non-recurring. In order to manage the exposure to currency risk of unitholders and holders of Debentures, the Trust has entered into foreign exchange forward contracts.

For the quarter ended December 31, 2014, distributions declared amounted to \$22.3 million. Of this amount, \$3.5 million was reinvested in additional Units pursuant to the DRIP, resulting in a cash payout ratio of 84.5%. Distributions declared for the year ended December 31, 2014 were \$88.5 million. Of this amount, \$14.5 million was reinvested in additional units pursuant to the DRIP, resulting in a cash payout ratio of 83.6%.

	Three months ended December 31, 2014			Year ended December 31, 2014		
	Declared amounts	4% bonus distribution	Total	Declared amounts	4% bonus distribution	Total
<b>2014 distributions</b>						
Paid in cash or reinvested in Units	\$ 14,832	\$ 93	\$ 14,925	\$ 81,116	\$ 535	\$ 81,651
Payable at December 31, 2014	7,431	-	7,431	7,431	-	7,431
<b>Total distributions</b>	<b>\$ 22,263</b>	<b>\$ 93</b>	<b>\$ 22,356</b>	<b>\$ 88,547</b>	<b>\$ 535</b>	<b>\$ 89,082</b>
<b>2014 reinvestment</b>						
Reinvested to December 31, 2014	\$ 2,320	\$ 93	\$ 2,413	\$ 13,365	\$ 535	\$ 13,900
Reinvested on January 15, 2015	1,131	45	1,176	1,131	45	1,176
<b>Total distributions reinvested</b>	<b>\$ 3,451</b>	<b>\$ 138</b>	<b>\$ 3,589</b>	<b>\$ 14,496</b>	<b>\$ 580</b>	<b>\$ 15,076</b>
Distributions paid in cash	\$ 18,812			\$ 74,051		
Reinvestment to distribution ratio (for the period)	15.5%			16.4%		
Cash payout ratio	84.5%			83.6%		

We currently pay monthly distributions to unitholders of \$0.06667 per unit, or \$0.80 per unit on an annual basis. At December 31, 2014, approximately 15.2% of our total Units were enrolled in the DRIP.

## OUR RESULTS OF OPERATIONS

### Basis of accounting

Our discussion of results of operations includes our share of income from investments in joint ventures. Refer to “Non-GAAP measures and other disclosures” for a reconciliation to our consolidated financial statements.

	Three months ended December 31,		Year ended December 31,	
	2014 <sup>(1)</sup>	2013 <sup>(1)</sup>	2014 <sup>(1)</sup>	2013 <sup>(1)</sup>
Investment properties revenue	\$ 61,690	\$ 62,528	\$ 257,725	\$ 220,220
Investment properties operating expenses	(18,621)	(20,656)	(78,261)	(75,367)
<b>Net rental income</b>	<b>43,069</b>	<b>41,872</b>	<b>179,464</b>	<b>144,853</b>
<b>Other income</b>				
Interest and other income	396	352	432	1,547
Share of net income from investment in other joint ventures	7	10	26	28
	<b>403</b>	<b>362</b>	<b>458</b>	<b>1,575</b>
<b>Other expenses</b>				
Portfolio management	(1,067)	(409)	(4,571)	(3,173)
General and administrative	(4,763)	(3,332)	(17,058)	(12,226)
Depreciation and amortization	(45)	(16)	(138)	(88)
Interest expense	(12,063)	(11,288)	(48,571)	(38,506)
	<b>(17,938)</b>	<b>(15,045)</b>	<b>(70,338)</b>	<b>(53,993)</b>
<b>Fair value adjustments, loss on sale of investment properties and other activities</b>				
Fair value adjustments to investment properties	(11,173)	891	73,950	(57,032)
Fair value adjustments to financial instruments	876	(9,460)	3,056	(11,450)
Internal direct leasing costs	(324)	(679)	(1,954)	(2,191)
Gain (loss) on sale of investment properties	44,332	(550)	41,873	(1,142)
Contract termination fees incurred on sale to POBA	(510)	-	(510)	-
	<b>33,201</b>	<b>(9,798)</b>	<b>116,415</b>	<b>(71,815)</b>
<b>Income before income taxes</b>	<b>58,735</b>	<b>17,391</b>	<b>225,999</b>	<b>20,620</b>
Current income taxes recovery (expense)	107	(142)	(1,328)	(689)
Deferred income taxes recovery (expense)	1,455	(2,019)	(15,734)	2,834
Recovery of (provision for) income taxes	1,562	(2,161)	(17,062)	2,145
<b>Net income</b>	<b>\$ 60,297</b>	<b>\$ 15,230</b>	<b>\$ 208,937</b>	<b>\$ 22,765</b>
<b>Total earnings for the year attributable to:</b>				
Unitholders of the Trust	\$ 59,388	\$ 15,230	\$ 208,028	\$ 22,765
Shareholders of the subsidiaries	909	-	909	-
Net income	<b>60,297</b>	<b>15,230</b>	<b>208,937</b>	<b>22,765</b>
<b>Foreign currency translation adjustments for the period attributable to:</b>				
Unitholders of the Trust	(10,068)	57,950	(54,671)	109,133
Shareholders of the subsidiaries	(98)	-	(98)	-
	<b>(10,166)</b>	<b>57,950</b>	<b>(54,769)</b>	<b>109,133</b>
<b>Comprehensive income for the year attributable to:</b>				
Unitholders of the Trust	49,320	73,180	153,357	131,898
Shareholders of the subsidiaries	811	-	811	-
	<b>\$ 50,131</b>	<b>\$ 73,180</b>	<b>\$ 154,168</b>	<b>\$ 131,898</b>

(1) Results from operations were converted into Canadian dollars from euros using the following average exchange rates: the three- and twelve-month periods ended December 31, 2014 were converted at \$1.419:€1 and \$1.467:€1, respectively; for 2013, the three- and twelve-month periods ended December 31, 2013 were converted at \$1.430:€1 and \$1.369:€1, respectively.

## Investment properties revenue

Investment properties revenue includes net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants.

Investment properties revenue for the quarter was \$61.7 million, a decrease of \$0.8 million, or 1.3%, over the prior year comparative quarter. Excluding the \$0.5 million negative impact of foreign currency translation, the decrease of \$0.3 million was mainly the result of a \$6.2 million negative impact caused by our disposition program with respect to our Initial Properties, largely offset by a \$5.9 million increase in revenue due to acquisitions. For the year ended December 31, 2014, investment properties revenue was \$257.7 million, an increase of \$37.5 million, or 17.0%, over the prior year comparative period. The increase was mainly attributable to acquisitions completed in 2013 and 2014, offset by the disposition of some of our Initial Properties.

## Investment properties operating expenses

Investment properties operating expenses comprises occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to major repairs and maintenance. Operating expenses fluctuate with changes in occupancy levels and levels of repairs and maintenance.

Investment properties operating expenses for the quarter was \$18.6 million, a decrease of \$2.0 million, or 9.9%, over the prior year comparative quarter mainly due to dispositions of some Initial Properties, partially offset by an increase due to acquisitions in 2013 and 2014. For the year ended December 31, 2014, investment properties operating expenses were \$78.3 million, an increase of \$2.9 million, or 3.8%, over the prior year. The increase was mainly attributable to the acquisitions completed in 2013 and 2014, offset by dispositions during 2014.

## Interest and other income

Interest and other income comprises interest earned on notes receivable, the POBA loan facility and bank accounts. Except for the interest earned on the notes receivable and the POBA loan facility, the income included in interest income is not necessarily of a recurring nature and the amounts may vary quarter-over-quarter.

Interest and other income for the quarter was \$0.4 million, unchanged from the prior year comparative quarter. Interest and other income for the year ended December 31, 2014 was \$0.4 million, a decrease of \$1.1 million from the previous year. The decrease is mainly due to lower overall excess cash on hand in 2014 compared to 2013, resulting in lower interest income in 2014, partially offset by interest earned on the notes receivable and the POBA loan facility.

## Statement of comprehensive income results

### Net rental income

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Initial Properties	\$ 16,537	\$ 20,033	\$ 76,202	\$ 79,126
Acquisition Properties	26,532	21,839	103,262	65,727
<b>Net rental income</b>	<b>\$ 43,069</b>	<b>\$ 41,872</b>	<b>\$ 179,464</b>	<b>\$ 144,853</b>

For the three months ended December 31, 2014, net rental income was \$43.1 million, representing an increase of \$1.2 million compared to the same quarter in 2013. Excluding the \$0.3 million negative impact of a weaker euro against the dollar, net rental income increased by \$1.5 million compared to the same quarter last year, mainly as a result of contributions from new acquisitions since October 2013, neutralizing the impact from the Deutsche Post terminations as well as the end of scheduled Lonestar head lease payments in July 2014. On a comparative property basis, net rental income for the Acquisition Properties was 6.4% higher in 2014 compared to 2013.



The table below summarizes our revenue and operating expenses in euros:

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Investment properties revenue	€ 43,487	€ 43,738	€ 175,670	€ 160,885
Investment properties operating expenses	(13,126)	(14,449)	(53,344)	(55,061)
<b>Net rental income</b>	<b>€ 30,361</b>	<b>€ 29,289</b>	<b>€ 122,326</b>	<b>€ 105,824</b>

### Portfolio management

Our portfolio management team comprises the employees of our advisory subsidiaries in Germany and Luxembourg who are responsible for providing asset management services for the investment properties, including asset strategy and leasing activities.

Portfolio management expense was \$1.1 million for the three months ended December 31, 2014, higher than that of the same period in 2013 due to an increase in staff costs to support our growth. For the year ended December 31, 2014, an expense of \$4.6 million was recorded, representing an increase of \$1.4 million compared to the same period in 2013, reflecting the need to add resources to support our business growth and corporate strategy.

### General and administrative

General and administrative expenses totalled \$4.8 million and \$17.1 million for the three and twelve months ended December 31, 2014, respectively, representing increases of \$1.4 million and \$4.8 million over the same periods last year. The increase mainly resulted from higher asset management fees, regulatory and corporate compliance costs associated with the new acquisitions, and higher corporate general and administrative expenses, as well as the impact of a strengthening euro against the dollar.

### Interest expense

Interest expense was \$12.1 million for the three-month period ended December 31, 2014, an increase of \$0.8 million compared to the same quarter last year. New mortgage debt placed on properties we acquired in 2013 and 2014 accounted for a \$1.0 million increase. The increasing use of our revolving credit facility to bridge the investing and financing activities contributed to a \$0.3 million increase. These increases were partially reduced by repayments on our term credit facility during the year relating to property dispositions, resulting in interest savings of \$0.5 million.

Interest expense was \$48.6 million for the year ended December 31, 2014, an increase of \$10.1 million compared to the same period last year. Excluding the unfavourable exchange rate impact of \$2.5 million, interest expense increased by \$6.9 million as a result of new mortgage debt placed on properties we acquired in 2013 and 2014. In addition, included in interest expense is a \$0.5 million increase related to our revolving credit facility and a \$0.2 million increase related to the term credit facility reflecting the additional 1% interest payable on \$100 million (plus 15% prepayment amount) principal effective August 3, 2013, offset by interest savings from term debt repayment over the course of 2014 relating to our property dispositions.

We currently have interest rate swaps in place that fix the interest rate payable on €260.1 million at an underlying rate of 1.89%. The REIT does not apply hedge accounting in relation to these swaps and, as a result, their impact is not included in interest expense but accounted for through the fair value adjustments as described below. During the quarter, \$1.7 million of swaps were settled, the same amount as in the same quarter last year. During the year ended December 31, 2014, \$6.5 million of swaps were settled compared to \$6.2 million in the same period last year. Excluding the impact of the strengthening of the euro, the swap settlement was slightly higher, reflecting the slight decrease in underlying interest rates. Including the swaps and the additional 1% interest rate on the Facility, the actual weighted average interest rate on the Facility as at December 31, 2014 is 4.21%. Any adjustments arising from the interest rate swaps are reflected in the fair value adjustments to financial instruments and not in interest expense.

### Fair value adjustment to investment properties

For the three months ended December 31, 2014, a loss of \$11.2 million was recognized compared to a gain of \$0.9 million in the comparative quarter last year. The loss in the current quarter was driven by a \$12.6 million fair value loss on the Initial Properties due to an increase in vacancies relating to the Deutsche Post terminations and a \$7.7 million fair value loss on properties sold and properties under contract for sale (properties held for sale) during the quarter. A \$12.9 million gain is recognized for Acquisition Properties due to yield compressions experienced in certain markets, offset by a \$4.0 million fair value loss mainly related to transaction costs of the two properties acquired in the period. The gain in the comparative quarter in 2013 comprised a \$0.9 million gain in fair value due to an increase in fair value of Acquisition Properties net of transaction costs incurred on properties. For the year ended December 31, 2014, the fair value adjustment to investment properties amounted to a gain of \$74.0 million compared to a loss of \$57.0 million during the same period in 2013. The gain for the year ended December 31, 2014 comprises a \$112.4 million gain recognized for Acquisition Properties due to yield compressions experienced in certain markets and positive leasing developments for some assets, reduced by a \$13.2 million fair value loss on the Initial Properties, a \$4.4 million loss related to properties sold and properties under contract for sale and a \$20.9 million loss on transaction costs incurred on properties acquired during the year ended December 31, 2014. The loss for the year ended December 31, 2013 was mainly due to the write-off of transaction costs related to the acquisition of 18 assets during 2013.

### Fair value adjustment to financial instruments

For the three months ended December 31, 2014, we incurred an unrealized gain in the fair value of financial instruments of \$0.9 million compared to a loss of \$9.5 million in the comparative period. The fair value adjustments in the quarter mainly comprise the following components:

- a \$0.1 million loss recognized on the fair value change in the interest rate swaps and cap as a result of the settlement of one contract in the quarter for \$1.7 million and a decrease in the forward price of interest rates. A \$1.1 million loss was recognized in the comparative quarter last year due to a similar decrease in the forward price of interest rates;
- a \$0.9 million fair value loss recognized on the conversion feature of the convertible debentures mainly reflecting an increase in the credit spread and risk-free interest rate applicable to our Units, compared to a similar loss of \$0.4 million in the same period in 2013;
- an unrealized gain of \$1.1 million was recognized related to our foreign currency forward contracts due to a depreciation of the euro compared to the Canadian dollar, versus a \$8.0 million unrealized loss during the comparative quarter due to a depreciation of the Canadian dollar compared to the euro; and
- a \$0.7 million gain was recognized related to our DUIP, mainly reflecting a decrease in the market price of our Units, compared to a loss of \$0.1 million in the same period in 2013.

For the year ended December 31, 2014, we incurred an unrealized gain in the fair value of financial instruments of \$3.1 million compared to a loss of \$11.5 million in the comparative period. The fair value adjustments in the year mainly comprise the following components:

- a \$3.9 million loss recognized on the fair value change in the interest rate swaps and cap as a result of the settlement of four contracts in the period for \$6.5 million and a decrease in the forward price of interest rates. A \$0.2 million gain was recognized in the comparative period last year due to an increase in the forward price of interest rates;
- a \$0.2 million fair value gain recognized on the conversion feature of the convertible debentures mainly reflecting a decrease in credit spread and risk-free interest rate applicable to the valuation of our Units, compared to a gain of \$3.8 million in the same period in 2013 reflecting a decrease in the price of our Units;
- an unrealized gain of \$6.4 million was recognized related to our foreign currency forward contracts due to a depreciation of the euro compared to the Canadian dollar, versus a \$16.0 million unrealized loss during the comparative quarter due to a depreciation of the Canadian dollar compared to the euro; and
- a \$0.3 million gain was recognized related to our DUIP, mainly reflecting a change in discounts applied in valuating of our Units, compared to a gain of \$0.6 million in the same period in 2013.

### Internal direct leasing costs

During the first quarter of 2014, we adopted a change in accounting policy regarding the accounting treatment of incremental internal leasing costs governed by International Accounting Standard (“IAS”) 17, after consideration of an IFRS Interpretations Committee agenda decision issued in April 2014. Incremental internal leasing costs are now expensed during the period incurred. Prior to adopting this interpretation, incremental leasing costs were capitalized to investment properties; however, we have restated all affected prior periods to give effect to this change in accounting policy. This interpretation does not affect the accounting treatment of leasing costs paid to third parties, which will continue to be capitalized in accordance with IAS 17.

In accordance with IAS 17, a total of \$0.3 million and \$2.0 million of incremental internal leasing staff costs incurred during the three and twelve months ended December 31, 2014 have been classified as internal direct leasing costs of the respective properties. In the comparative periods in 2013, leasing staff costs of \$0.7 million and \$2.2 million were incurred, which were originally capitalized but have been restated to remain consistent with the policy adopted in the current year.

### Gain (loss) on sale of investment properties

Gain on sale of investment properties for the quarter was \$44.3 million, an increase of \$44.9 million over the prior year comparative quarter. For the twelve months ended December 31, 2014, gain on sale of investment properties was \$41.9 million, an increase of \$43.0 million over the prior year comparative period. The increase was mainly attributable to the \$46.3 million gain on sale of seven Acquisition Properties to the POBA joint venture during the quarter, reduced by loss on sale of investment properties during the quarter and sale of 35 properties during the year. This compares to \$0.6 million and \$1.1 million loss on the sale of investment properties during the same quarter last year and 15 properties for the entire 2013 year.

### Contract termination fee

Under the terms of the POBA joint venture agreement, the REIT terminated an asset management agreement that was in place on certain of the Acquired Portfolio assets including three joint venture assets and was required to pay a cancellation fee. The portion of the cancellation fee relating to the non-joint venture assets has been recorded as a one-time contract termination fee of \$0.5 million.

### Income taxes

We recognized current income tax recovery of \$0.1 million and income tax expenses of \$1.3 million for the three and twelve months ended December 31, 2014, respectively, compared to current income tax expenses of \$0.1 million and \$0.7 million for the comparative periods in 2013.

We also recognized deferred income tax recovery of \$1.5 million and income tax expense of \$15.7 million for the three and twelve months ended December 31, 2014, respectively, compared to a deferred income tax expense of \$2.0 million and income tax recovery of \$2.8 million for the comparative periods in 2013. The difference is mainly a result of the deferred income tax impact associated with the loss carry-forwards, fair value adjustments related to investment properties net of tax depreciation, and fair value changes related to financial instruments.

### Asset management fee

On August 3, 2011, DAM elected to receive the base asset management fees payable on the Initial Properties acquired on August 3, 2011 by way of deferred trust units under the Asset Management Agreement for up to \$3.5 million per year for the next five years. These deferred trust units vest 20% annually, commencing on the fifth anniversary date of being granted. On termination of the Asset Management Agreement, unvested trust units will vest immediately.

During the three and twelve months ended December 31, 2014, asset management expenses pertaining to the Initial Properties were \$0.6 million and \$2.5 million, respectively. A total of 86,716 and 422,171 deferred units were granted during the respective periods as compensation for the fees. An additional 30,410 deferred units were granted on January 1, 2015 pertaining to the asset management fee for the month of December 2014. As at January 1, 2015, 1,364,659 unvested deferred and income deferred units were outstanding with respect to the Asset Management Agreement. The asset management fees were recorded based on the fair value of the deferred units issued, with an appropriate discount applied to reflect the restricted period of exercise.

In addition, the Trust paid in cash an asset management fee of \$1.3 million and \$4.9 million, respectively, for the three and twelve months ended December 31, 2014, for properties acquired since the acquisition of our Initial Properties. It further paid a financing fee of \$0.1 million and \$0.4 million related to mortgage financing services provided during the three and twelve months ended December 31, 2014, respectively, and acquisition fees of \$1.2 million and \$2.8 million related to properties acquired during the three and twelve months ended December 31, 2014, respectively.

During the three and twelve months ended December 31, 2014, the REIT also reimbursed DAM for out-of-pocket and incidental costs of \$0.1 million and \$0.6 million for the three and twelve months ended December 31, 2014, respectively.

### Shared Services and Cost Sharing Agreement

The Trust entered into a shared services and cost sharing agreement with DAM on December 1, 2013. The agreement is for a one-year term and will be automatically renewed for further one-year terms unless and until the agreement is terminated in accordance with its terms or by mutual agreement of the parties. Pursuant to the agreement, DAM will be providing additional administrative and support services in order to expand and improve DAM’s service capability in connection with the provision of its asset management services. DAM will receive an annual fee sufficient to reimburse it for all the expenses incurred in providing these additional administrative and support services. Additionally, the Trust will also reimburse DAM in each calendar year for its share of costs incurred in connection with certain business transformation services provided by DAM.

During the year ended December 31, 2014, the Trust recorded an amount of \$0.2 million payable to DAM pursuant to the Shared Services and Cost Sharing Agreement.

The Trust’s future commitment under the Shared Services and Cost Sharing Agreement over the next six years is \$1.2 million.

### Impact of foreign exchange

Exchange rate fluctuations between the Canadian dollar and the euro impact the Trust’s reported revenues, expenses, income, cash flows, assets and liabilities. The table below summarizes changes in the exchange rates.

	Three months ended December 31,			Year ended December 31,		
	2014	2013	Change	2014	2013	Change
Average exchange rate (Cdn. dollars to one euro)	<b>1.419</b>	1.430	-0.8%	<b>1.467</b>	1.369	7.2%
Exchange rate at period-end (Cdn. dollars to one euro)	<b>1.404</b>	1.466	-4.2%	<b>1.404</b>	1.466	-4.2%

Comprehensive income was impacted by a foreign currency translation loss of \$10.1 million and \$54.7 million for the three and twelve months ended December 31, 2014, respectively. The exchange rates decreased from \$1.466:€1 as at December 31, 2013 to \$1.404:€1 as at December 31, 2014. The quarterly results of our euro-denominated operations included in net income were translated at an average exchange rate of \$1.419:€1 compared to \$1.430:€1 in the same quarter last year. For the year ended December 31, 2014, results were translated at an average exchange rate of \$1.467:€1 compared to \$1.369:€1 in the same period last year.

## Funds from operations and adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
<b>Net income for the period</b>	\$ 60,297	\$ 15,230	\$ 208,937	\$ 22,765
Add (deduct):				
Net income attributable to non-controlling interest	(909)	-	(909)	-
Net FFO impact attributable to non-controlling interests	634	3	535	3
Amortization of lease incentives	554	259	1,467	616
Internal direct leasing costs	324	679	1,954	2,191
Net (gain) loss on sale of investment properties	(44,332)	550	(41,873)	1,142
Tax on gains on sale of investment properties	(159)	(33)	342	62
Deferred income taxes	(1,455)	2,019	15,734	(2,834)
Cash settlement on interest rate swap	(1,695)	(1,585)	(6,493)	(6,179)
Loss on settlement of foreign currency contracts	(128)	(1,456)	(5,192)	(1,826)
Fair value adjustments to investment properties	11,173	(891)	(73,950)	57,032
Fair value adjustments to financial instruments	(876)	9,460	(3,056)	11,450
<b>FFO</b>	\$ 23,428	\$ 24,235	\$ 97,496	\$ 84,422
Add (deduct):				
Amortization of financing costs	\$ 859	\$ 794	\$ 3,484	\$ 2,651
Amortization of initial discount on convertible debentures	281	260	1,092	1,008
Amortization of fair value adjustment on acquired debt	(96)	(92)	(387)	(402)
Contract termination fees incurred on sale to the POBA joint venture	510	-	510	-
Deferred unit compensation expense	377	313	1,648	1,313
Deferred asset management fees	616	539	2,541	2,113
Straight-line rent	(129)	(440)	(657)	(1,510)
	25,846	25,609	105,727	89,595
Deduct:				
Normalized leasing costs and tenant incentives	(1,938)	(1,884)	(8,076)	(6,518)
Normalized non-recoverable recurring capital expenditures	(1,507)	(1,466)	(6,281)	(5,070)
<b>AFFO</b>	\$ 22,401	\$ 22,259	\$ 91,370	\$ 78,007

## Funds from operations

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
FFO	\$ 23,428	\$ 24,235	\$ 97,496	\$ 84,422
FFO per unit – basic	\$ 0.21	\$ 0.22	\$ 0.88	\$ 0.85
FFO per unit – diluted	\$ 0.21	\$ 0.22	\$ 0.87	\$ 0.84

Excluding the impact of undeployed cash:

FFO per unit – basic	\$ 0.22	\$ 0.24	\$ 0.89	\$ 0.94
FFO per unit – diluted	\$ 0.22	\$ 0.24	\$ 0.88	\$ 0.93

Total FFO for the quarter was \$23.4 million, a decrease of \$0.8 million or 3.3% over the prior year comparative quarter, reflecting the impact from Deutsche Post lease terminations and Lonestar head lease payments cessation starting in July 2014, largely offset by completed acquisition and leasing activity. Total FFO for the year ended December 31, 2014 was \$97.5 million, an increase of \$13.1 million, or 15.5%, over the prior year comparative period. For the quarter ended December 31, 2014, basic FFO on a per unit basis was \$0.21 per unit, slightly lower than prior year comparative quarter. For the year ended December 31, 2014, basic FFO increased to \$0.88 per unit from \$0.85 per unit over the prior year comparative period. For the quarter ended December 31, 2014, diluted FFO on a per unit basis was also \$0.21 per unit, also slightly lower than the prior year comparative quarter. For the year ended December 31, 2014, diluted FFO increased to \$0.87 per unit from \$0.84 per unit over the prior year comparative period, a 3.6% increase. Assuming this excess cash had been invested, basic FFO per unit would have been \$0.22 per unit for the quarter and \$0.89 per unit for the year.

## Adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
AFFO	\$ 22,401	\$ 22,259	\$ 91,370	\$ 78,007
AFFO per unit – basic	\$ 0.20	\$ 0.20	\$ 0.83	\$ 0.79
AFFO per unit – diluted	\$ 0.20	\$ 0.20	\$ 0.82	\$ 0.79

Excluding the impact of undeployed cash:

AFFO per unit – basic	\$ 0.21	\$ 0.22	\$ 0.84	\$ 0.88
AFFO per unit – diluted	\$ 0.20	\$ 0.22	\$ 0.83	\$ 0.87

Total AFFO for the quarter ended December 31, 2014 was \$0.1 million higher than the prior year comparative quarter, reflecting the impact of acquisitions completed subsequent to the second quarter of 2013, reduced by the impact of terminated Deutsche Post space as well as the cessation of the Lonestar head lease payments, both coming into effect on July 1, 2014. Total AFFO for the year ended December 31, 2014 was \$91.4 million, an increase of \$13.4 million, or 17.1%, over the prior year comparative period. For the quarter ended December 31, 2014, basic AFFO on a per unit basis was \$0.20 per unit, same as the prior year comparative quarter. For the year ended December 31, 2014, diluted AFFO on a per unit basis increased from \$0.79 per unit to \$0.82 per unit over the prior year comparative period, an increase of 3.8%. Assuming this excess cash had been invested, basic AFFO per unit would have been \$0.21 per unit for the quarter and \$0.84 per unit for the year.

## SELECTED ANNUAL INFORMATION

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

	For the year ended December 31, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012
Investment properties revenue <sup>(1)</sup>	\$ 257,725	\$ 220,220	\$ 138,661
Net income	208,937	22,765	10,916
Total assets <sup>(1)</sup>	2,588,425	2,558,674	1,400,269
Non-current liabilities <sup>(1)</sup>	\$ 1,323,081	\$ 1,428,461	\$ 752,846
Distributions declared	\$ 89,134	\$ 80,173	\$ 43,568
REIT Units	111,466,697	109,698,977	72,232,494

(1) Reflects the REIT's Owned Share.

## QUARTERLY INFORMATION (per consolidated financial statements)

The following table shows quarterly information since January 1, 2013:

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Investment properties revenue	\$ 60,042	\$ 61,388	\$ 67,514	\$ 67,133	\$ 62,528	\$ 56,915	\$ 54,413	\$ 46,364
Investment properties operating expenses	(18,325)	(17,872)	(20,435)	(21,333)	(20,656)	(17,436)	(18,222)	(19,053)
<b>Net rental income</b>	<b>41,717</b>	<b>43,516</b>	<b>47,079</b>	<b>45,800</b>	<b>41,872</b>	<b>39,479</b>	<b>36,191</b>	<b>27,311</b>
<b>Other income</b>								
Interest and other income	382	8	(28)	56	352	351	446	398
Share of net losses from investment in joint ventures	2,494	7	9	3	10	(2)	13	7
	<b>2,876</b>	<b>15</b>	<b>(19)</b>	<b>59</b>	<b>362</b>	<b>349</b>	<b>459</b>	<b>405</b>
<b>Other expenses</b>								
Portfolio management	(1,067)	(1,019)	(1,207)	(1,278)	(409)	(1,006)	(882)	(876)
General and administrative	(4,557)	(4,295)	(4,350)	(3,650)	(3,332)	(3,399)	(3,045)	(2,450)
Amortization and depreciation	(45)	(30)	(38)	(25)	(16)	(33)	(24)	(15)
Interest expense	(11,690)	(12,221)	(12,273)	(12,014)	(11,288)	(10,441)	(9,700)	(7,077)
	<b>(17,359)</b>	<b>(17,565)</b>	<b>(17,868)</b>	<b>(16,967)</b>	<b>(15,045)</b>	<b>(14,879)</b>	<b>(13,651)</b>	<b>(10,418)</b>
<b>Fair value adjustments, loss on sale of investment properties and other activities</b>								
Fair value adjustments to investment properties	(12,876)	49,335	42,011	(6,223)	891	(3,901)	(8,352)	(45,670)
Fair value adjustments to financial instruments	876	6,914	3,434	(8,168)	(9,460)	(1,808)	(4,570)	4,388
Internal direct leasing costs	(324)	(577)	(541)	(512)	(679)	(586)	(374)	(552)
Gain (loss) on sale of investment properties	44,332	(1,172)	(811)	(476)	(550)	(79)	(252)	(261)
Contract termination fees	(510)	-	-	-	-	-	-	-
	<b>31,498</b>	<b>54,500</b>	<b>44,093</b>	<b>(15,379)</b>	<b>(9,798)</b>	<b>(6,374)</b>	<b>(13,548)</b>	<b>(42,095)</b>
<b>Income (loss) before taxes</b>	<b>58,732</b>	<b>80,466</b>	<b>73,285</b>	<b>13,513</b>	<b>17,391</b>	<b>18,575</b>	<b>9,451</b>	<b>(24,797)</b>
Current income taxes recovery (expense)	110	(857)	(383)	(195)	142	100	(316)	(331)
Deferred income taxes recovery (expense)	1,455	(8,223)	(8,140)	(826)	(2,019)	(983)	(128)	5,964
Recovery of (provision for) income taxes	1,565	(9,080)	(8,523)	(1,021)	(2,161)	(883)	(444)	5,633
<b>Net income (loss)</b>	<b>\$ 60,297</b>	<b>\$ 71,386</b>	<b>\$ 64,762</b>	<b>\$ 12,492</b>	<b>\$ 15,230</b>	<b>\$ 17,692</b>	<b>\$ 9,007</b>	<b>\$ (19,164)</b>
<b>Total income for the period attributable to:</b>								
Unitholders of the Trust	\$ 59,388	\$ 71,386	\$ 64,762	\$ 12,492	\$ 15,230	\$ 17,692	\$ 9,007	\$ (19,164)
Shareholders of the subsidiaries	909	-	-	-	-	-	-	-
<b>Net income (loss)</b>	<b>\$ 60,297</b>	<b>\$ 71,386</b>	<b>\$ 64,762</b>	<b>\$ 12,492</b>	<b>\$ 15,230</b>	<b>\$ 17,692</b>	<b>\$ 9,007</b>	<b>\$ (19,164)</b>
Add (deduct):								
Income allocated to non-controlling interest	(909)	-	-	-	-	-	-	-
Net FFO impact attributable to non-controlling interests	634	(29)	(34)	(36)	3	-	-	-
Amortization of lease incentives	554	110	424	379	259	108	112	137
Internal direct leasing costs	324	577	541	512	679	586	374	552
(Gain) loss on sale of investment properties	(44,332)	1,172	811	476	550	79	252	261
Tax on gains on sale of investment properties	(159)	337	98	66	(33)	(126)	79	142
Deferred income taxes	(1,455)	8,223	8,140	826	2,019	983	128	(5,964)
Term debt swap settlement	(1,695)	(1,628)	(1,567)	(1,603)	(1,585)	(1,574)	(1,533)	(1,487)
Gain (loss) on settlement of Forex contracts	(128)	(666)	(1,651)	(2,747)	(1,456)	(456)	52	34
Fair value adjustments to investment properties	11,173	(49,335)	(42,011)	6,223	(891)	3,901	8,352	45,670
Fair value adjustments to financial instruments	(876)	(6,914)	(3,434)	8,168	9,460	1,808	4,570	(4,388)
<b>FFO</b>	<b>\$ 23,428</b>	<b>\$ 23,233</b>	<b>\$ 26,079</b>	<b>\$ 24,756</b>	<b>\$ 24,235</b>	<b>\$ 23,001</b>	<b>\$ 21,393</b>	<b>\$ 15,793</b>
<b>FFO per unit – basic</b>	<b>\$ 0.21</b>	<b>\$ 0.21</b>	<b>\$ 0.24</b>	<b>\$ 0.23</b>	<b>\$ 0.22</b>	<b>\$ 0.21</b>	<b>\$ 0.22</b>	<b>\$ 0.20</b>
<b>FFO per unit – diluted</b>	<b>\$ 0.21</b>	<b>\$ 0.21</b>	<b>\$ 0.23</b>	<b>\$ 0.22</b>	<b>\$ 0.21</b>	<b>\$ 0.21</b>	<b>\$ 0.21</b>	<b>\$ 0.20</b>
<b>Funds from operations</b>	<b>\$ 23,428</b>	<b>\$ 23,233</b>	<b>\$ 26,079</b>	<b>\$ 24,756</b>	<b>\$ 24,235</b>	<b>\$ 23,001</b>	<b>\$ 21,393</b>	<b>\$ 15,793</b>
Add (deduct):								
Amortization of financing costs	859	904	909	812	794	744	666	447
Accretion of debenture conversion feature	281	276	270	265	260	254	250	244
Amortization of fair value adjustment of debt	(96)	(96)	(97)	(98)	(92)	(88)	(84)	(138)
Contract termination fees incurred on sale to the POBA joint venture	510	-	-	-	-	-	-	-
Deferred compensation expense	377	394	538	339	313	356	378	266
Deferred asset management expense	616	638	645	642	539	529	523	522
Straight-line rent	(129)	(182)	(378)	32	(440)	(268)	(623)	(179)
	<b>25,846</b>	<b>25,167</b>	<b>27,966</b>	<b>26,748</b>	<b>25,609</b>	<b>24,528</b>	<b>22,503</b>	<b>16,955</b>
Deduct:								
Normalized leasing costs and tenant incentives	(1,938)	(1,958)	(2,119)	(2,061)	(1,884)	(1,776)	(1,629)	(1,229)
Normalized non-recoverable recurring capital expenditures	(1,507)	(1,523)	(1,648)	(1,603)	(1,466)	(1,381)	(1,267)	(956)
<b>AFFO</b>	<b>\$ 22,401</b>	<b>\$ 21,686</b>	<b>\$ 24,199</b>	<b>\$ 23,084</b>	<b>\$ 22,259</b>	<b>\$ 21,371</b>	<b>\$ 19,607</b>	<b>\$ 14,770</b>
<b>AFFO per unit – basic</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.22</b>	<b>\$ 0.21</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.19</b>
<b>AFFO per unit – diluted</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.22</b>	<b>\$ 0.21</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.19</b>
<b>Weighted average number of Units:</b>								
Basic	111,301,061	110,878,351	110,469,257	109,987,243	109,482,435	109,116,985	99,037,061	79,267,113
Diluted	125,355,097	124,824,789	124,295,625	123,638,848	123,028,441	122,552,770	112,358,396	92,382,159
Quarterly average exchange rate (\$:€1)	1.419	1.442	1.496	1.512	1.430	1.376	1.337	1.332

## NON-GAAP MEASURES AND OTHER DISCLOSURES

The following additional 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 standardized meaning and may not be comparable with similar measures presented by other income trusts.

### Funds from operations ("FFO")

Management believes FFO is an important measure of our operating performance. This non-IFRS measurement is a commonly used measure of performance of real estate operations; however, it does not represent net income or cash flow from operating activities as defined by IFRS and is not necessarily indicative of cash available to fund Dream Global REIT's needs.

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

### Adjusted funds from operations ("AFFO")

Management believes AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This non-IFRS measurement is commonly used for assessing real estate performance; however, it does not represent cash flow from operating activities as defined by IFRS and is not necessarily indicative of cash available to fund Dream Global REIT's needs.

Our calculation of AFFO includes an estimated amount (8% of net rental income) of normalized non-recoverable capital expenditures, as well as initial direct leasing costs and tenant incentives that we expect to incur based on our current portfolio and expected average leasing activity over time. Our estimates of initial direct leasing costs and lease incentives are based on the average of our expected leasing activity over the next two to three years multiplied by the average cost per square foot that we expect to incur. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditures for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and any growth in our business resulting from property acquisitions.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", AFFO has been reconciled to cash generated from operating activities in this section under the heading "Cash generated from operating activities to AFFO reconciliation".

### Net operating income ("NOI")

NOI is defined by the Trust as the total investment property revenue less investment property operating expenses, including the share of net rental income from investment in joint ventures. 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", NOI has been reconciled to net rental income in the table below:

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Net rental income (per consolidated financial statements)	\$ 41,717	\$ 41,872	\$ 178,112	\$ 144,853
Add: Share of net rental income from investments in joint ventures	1,352	-	1,352	-
<b>NOI</b>	<b>\$ 43,069</b>	<b>\$ 41,872</b>	<b>\$ 179,464</b>	<b>\$ 144,853</b>



### Weighted average number of units

The basic weighted average number of Units outstanding used in the FFO and AFFO calculations includes all Units. The diluted weighted average number of Units assumes the conversion of the Debentures and incremental unvested deferred trust units related to the Deferred Unit Incentive Plan represented by the potential Units that would have to be purchased in the open market to fund the unvested obligation. The weighted average number of Units outstanding for basic and diluted FFO and AFFO calculations for the three and twelve months ended December 31, 2014 is noted in the table below. Diluted FFO and AFFO include interest and amortization adjustments related to the Debentures of \$2.2 million and \$10.3 million for the three and twelve months ended December 31, 2014.

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Weighted average Units outstanding for basic per unit amounts	<b>111,301,061</b>	109,482,435	<b>110,663,178</b>	99,335,779
Weighted average Units outstanding for diluted per unit amounts	<b>125,355,097</b>	123,028,441	<b>124,534,099</b>	112,691,725

Over the course of the quarter, the REIT had approximately \$39.6 million on average of excess undeployed cash available for acquisitions. We estimate that these funds, if invested, would generate a return on equity of approximately 9.5%, which is consistent with historic returns for acquired investment properties, and would have contributed \$0.9 million to FFO and AFFO for the quarter ended December 31, 2014.

## Investment in joint ventures

The Trust's proportionate share of the financial position and results of operation of its investment in joint ventures, which are accounted for using the equity method in the consolidated financial statements and as presented and discussed throughout the MD&A using the proportionate consolidation method, is a non-GAAP measure. A reconciliation of the financial position and results of operations to the consolidated balance sheets and consolidated statements of comprehensive income is included in the following tables.

### Balance sheet reconciliation to consolidated financial statements

	December 31, 2014			December 31, 2013
	Amounts per consolidated financial statements	Share from investment in POBA joint ventures	Total	
<b>Assets</b>				
<b>NON-CURRENT ASSETS</b>				
Investment properties	\$ 2,079,671	\$ 284,417	\$ 2,364,088	\$ 2,390,244
Investment in joint ventures	159,967	(134,237)	25,730	-
Amount in escrow	4,930	-	4,930	-
Deferred income tax assets	-	-	-	12,313
Other non-current assets	1,698	484	2,182	2,288
	2,246,266	150,664	2,396,930	2,404,845
<b>CURRENT ASSETS</b>				
Amounts receivable	17,455	2,228	19,683	18,149
Prepaid expenses	2,360	28	2,388	1,962
Amount in escrow	-	-	-	6,220
Cash	121,939	3,122	125,061	106,292
	141,754	5,378	147,132	132,623
Assets held for sale	44,363	-	44,363	21,206
<b>Total assets</b>	\$ 2,432,383	\$ 156,042	\$ 2,588,425	\$ 2,558,674
<b>Liabilities</b>				
<b>NON-CURRENT LIABILITIES</b>				
Debt	\$ 1,157,882	\$ 149,747	\$ 1,307,629	\$ 1,403,956
Deposits	1,802	146	1,948	1,900
Derivative financial instruments	3,420	-	3,420	16,299
Deferred Unit Incentive Plan	9,365	-	9,365	6,306
Deferred income tax liabilities	719	-	719	-
	1,173,188	149,893	1,323,081	1,428,461
<b>CURRENT LIABILITIES</b>				
Debt	70,514	2,989	73,503	20,356
Amounts payable and accrued liabilities	49,485	3,111	52,596	32,940
Income tax payable	1,268	49	1,317	523
Deferred rent	-	-	-	6,220
Derivative financial instruments	8,853	-	8,853	13,772
Distributions payable	7,431	-	7,431	7,314
	137,551	6,149	143,700	81,125
Liabilities related to assets held for sale	1,424	-	1,424	15,083
<b>Total liabilities</b>	\$ 1,312,163	\$ 156,042	\$ 1,468,205	\$ 1,524,669

During Q3 2014, the REIT entered into a joint venture agreement with POBA to sell a 50% interest in seven of the Acquisition Properties, which were each held in separate subsidiaries. The closings were completed in three tranches over the course of Q4 2014. Pursuant to this arrangement, the REIT co-owns these seven assets and, as such, has classified its 50% interest in each of these entities as investments in joint ventures and accounted for the investment using the equity method. As a result, seven Acquisition Properties valued at \$573.5 million, and the related mortgages valued at \$314.5 million were derecognized at December 31, 2014.

The total consideration to the REIT for the 50% interest in the investment properties was \$311.3 million. The consideration consisted of the assumption of working capital of \$2.2 million, POBA assuming 50% of the outstanding mortgages, which totalled \$157.2 million, with the balance of \$156.3 million paid to the REIT in cash. The REIT incurred transaction costs of \$4.5 million relating to the sale, resulting in net proceeds to the REIT of \$151.9 million.

In selling a 50% interest in the seven properties, the REIT and POBA entered into a co-ownership arrangement regarding these assets. Under these circumstances, IFRS requires the REIT to derecognize the assets and record the gain that accrued prior to selling control on 100% of the assets sold. The purchase price consideration paid by POBA and the fair value of the REIT's retained interest in the joint venture exceeded the carrying value of the net assets held within each subsidiary entity. As such, the REIT recorded a gain on the sale of \$46.3 million, net of transaction costs of \$4.5 million, of which \$25.6 million relates to remeasuring the retained interest in the joint venture at fair value. The gain on sale also includes \$3.1 million relating to the derecognition of deferred tax liability on the sale. As at December 31, 2014, the carrying value of the investment in the POBA joint venture is \$159.8 million, which includes the fair value remeasurement of \$25.6 million.

As part of the arrangement with POBA, the REIT has extended a loan facility to POBA to fund POBA's share of the loan amortization payments over the term of the outstanding mortgages assumed on the seven properties. The REIT has received prepaid interest of \$2.8 million, which will be amortized over the term of the respective mortgages. In addition, POBA will pay the REIT the interest savings on its 50% share of the interest saved from the loan amortization payments. The balance of the loan facility outstanding at the time of maturity of the respective mortgages is due and payable to the REIT.

## Statement of comprehensive income reconciliation to consolidated financial statements

	Three months ended December 31,			
	2014		2013	
	Amounts included in consolidated financial statements	Share of income from investments in POBA joint ventures	Total	
Investment properties revenue	\$ 60,042	\$ 1,648	\$ 61,690	\$ 62,528
Investment properties operating expenses	(18,325)	(296)	(18,621)	(20,656)
<b>Net rental income</b>	41,717	1,352	43,069	41,872
<b>Other income</b>				
Interest and other income	382	14	396	352
Share of net income from investment in joint ventures	2,487	(2,487)	-	-
Share of net income from investment in other joint ventures	7	-	7	10
	2,876	(2,473)	403	362
<b>Other expenses</b>				
Portfolio management	(1,067)	-	(1,067)	(409)
General and administrative	(4,557)	(206)	(4,763)	(3,332)
Depreciation and amortization	(45)	-	(45)	(16)
Interest expense	(11,690)	(373)	(12,063)	(11,288)
	(17,359)	(579)	(17,938)	(15,045)
<b>Fair value adjustments, loss on sale of investment properties and other activities</b>				
Fair value adjustments to investment properties	(12,876)	1,703	(11,173)	891
Fair value adjustments to financial instruments	876	-	876	(9,460)
Internal direct leasing costs	(324)	-	(324)	(679)
Gain (loss) on sale of investment properties	44,332	-	44,332	(550)
Contract termination fees incurred on sale to the POBA joint venture	(510)	-	(510)	-
	31,498	1,703	33,201	(9,798)
<b>Income before income taxes</b>	58,732	3	58,735	17,391
Current income taxes recovery (expense)	110	(3)	107	(142)
Deferred income taxes recovery (expense)	1,455	-	1,455	(2,019)
Recovery of (provision for) income taxes	1,565	(3)	1,562	(2,161)
<b>Net income</b>	\$ 60,297	\$ -	\$ 60,297	\$ 15,230
<b>Total earnings for the year attributable to:</b>				
Unitholders of the Trust	\$ 59,388	\$ -	\$ 59,388	\$ 15,230
Shareholders of the subsidiaries	909	-	909	-
Net income	60,297	-	60,297	15,230
<b>Foreign currency translation adjustments for the year attributable to:</b>				
Unitholders of the Trust	(10,068)	-	(10,068)	57,950
Shareholders of the subsidiaries	(98)	-	(98)	-
	(10,166)	-	(10,166)	57,950
<b>Comprehensive income for the year attributable to:</b>				
Unitholders of the Trust	49,320	-	49,320	73,180
Shareholders of the subsidiaries	811	-	811	-
	\$ 50,131	\$ -	\$ 50,131	\$ 73,180

	Year ended December 31,			
	2014		2013	
	Amounts per consolidated financial statements	Share of income from investments in POBA joint ventures	Total	
Investment properties revenue	\$ 256,077	\$ 1,648	\$ 257,725	\$ 220,220
Investment properties operating expenses	(77,965)	(296)	(78,261)	(75,367)
<b>Net rental income</b>	178,112	1,352	179,464	144,853
<b>Other income</b>				
Interest and other income	418	14	432	1,547
Share of net income from investment in joint ventures	2,487	(2,487)	-	-
Share of net income from investment in other joint ventures	26	-	26	28
	2,931	(2,473)	458	1,575
<b>Other expenses</b>				
Portfolio management	(4,571)	-	(4,571)	(3,173)
General and administrative	(16,852)	(206)	(17,058)	(12,226)
Depreciation and amortization	(138)	-	(138)	(88)
Interest expense	(48,198)	(373)	(48,571)	(38,506)
	(69,759)	(579)	(70,338)	(53,993)
<b>Fair value adjustments, loss on sale of investment properties and other activities</b>				
Fair value adjustments to investment properties	72,247	1,703	73,950	(57,032)
Fair value adjustments to financial instruments	3,056	-	3,056	(11,450)
Internal direct leasing costs	(1,954)	-	(1,954)	(2,191)
Gain (loss) on sale of investment properties	41,873	-	41,873	(1,142)
Contract termination fees incurred on sale to the POBA joint venture	(510)	-	(510)	-
	114,712	1,703	116,415	(71,815)
<b>Income before income taxes</b>	225,996	3	225,999	20,620
Current income taxes expense	(1,325)	(3)	(1,328)	(689)
Deferred income taxes recovery (expense)	(15,734)	-	(15,734)	2,834
Recovery of (provision for) income taxes	(17,059)	(3)	(17,062)	2,145
<b>Net income</b>	\$ 208,937	\$ -	\$ 208,937	\$ 22,765
<b>Total earnings for the year attributable to:</b>				
Unitholders of the Trust	\$ 208,028	\$ -	\$ 208,028	\$ 22,765
Shareholders of the subsidiaries	909	-	909	-
Net income	208,937	-	208,937	22,765
<b>Foreign currency translation adjustments for the year attributable to:</b>				
Unitholders of the Trust	(54,671)	-	(54,671)	109,133
Shareholders of the subsidiaries	(98)	-	(98)	-
	(54,769)	-	(54,769)	109,133
<b>Comprehensive income for the year attributable to:</b>				
Unitholders of the Trust	153,357	-	153,357	131,898
Shareholders of the subsidiaries	811	-	811	-
	\$ 154,168	\$ -	\$ 154,168	\$ 131,898

## Cash generated from operating activities to AFFO reconciliation

AFFO is not defined by IFRS and, therefore, may not be comparable to similar measures presented by other real estate investment trusts. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles AFFO to cash generated from operating activities.

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
<b>Cash generated from operating activities</b>	\$ 29,366	\$ 29,798	\$ 96,065	\$ 85,228
Add (deduct):				
Change in non-cash working capital	(10,507)	(6,704)	(11,092)	(2,568)
Share of net income from investment in POBA joint venture	2,487	-	2,487	-
Internal direct leasing costs	324	679	1,954	2,191
Non-cash impact of income attributable to non-controlling interest	(271)	13	(351)	31
Depreciation and amortization	(45)	(16)	(138)	(88)
Unrealized loss (gain) on settlement of foreign exchange contracts	975	(519)	2,866	(1,316)
Tax on gains on sale of investment properties	(159)	(33)	342	62
Investment in lease incentives and initial direct leasing costs	4,859	2,391	14,777	6,055
Contract termination fees	510	-	510	-
Adjustments for investment in joint ventures:				
Fair value adjustments to investment properties	(1,703)	-	(1,703)	-
Amortization of lease incentives	10	-	10	-
Normalized leasing costs and tenant incentives	(1,938)	(1,884)	(8,076)	(6,518)
Normalized non-recoverable recurring capital expenditures	(1,507)	(1,466)	(6,281)	(5,070)
<b>AFFO</b>	\$ 22,401	\$ 22,259	\$ 91,370	\$ 78,007

## Net income, cash flows from operating activities and distributions declared

In any given period, actual distributions declared may differ from cash generated from (utilized in) operating activities, primarily due to seasonal fluctuations in non-cash working capital and the impact of leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. These seasonal or short-term fluctuations are funded, if necessary, with our existing credit facilities. The Trust determines the distribution rate by, among other considerations, its assessment of cash flow as determined using adjusted cash flows from operating activities (a non-GAAP measure), which includes cash flows from operating activities of our investments in joint ventures that are equity accounted and excludes the fluctuations in non-cash working capital, transaction costs on business combinations and investment in lease incentives and initial direct leasing costs.

In any given period, the Trust anticipates that actual distributions declared will, in the foreseeable future, continue to vary from net income as net income includes non-cash items such as fair value adjustments to investment properties and fair value adjustments to financial instruments. Accordingly, the Trust does not use net income as a proxy for distributions.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash generated from (utilized in) operating activities (per condensed consolidated financial statements) and distributions declared, as well as the differences between net income and distributions declared, in accordance with the guidelines.

When the Trust determines its cash available for distribution, it uses adjusted cash flows from operating activities, which excludes fluctuations in working capital, transaction costs on business combinations and investment in lease incentives and initial direct leasing costs. The Trust funds its working capital needs and investments in lease incentives and initial direct leasing costs with cash and cash equivalent on hand and its credit facilities. Accordingly, management believes adjusted cash flows from operating activities is an important measure that reflects our ability to pay cash distributions. This non-GAAP measurement does not represent cash flow from operating activities, as defined by GAAP.

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Net income for the period	\$ 60,297	\$ 15,230	\$ 208,937	\$ 22,765
<b>Cash generated from operating activities (per consolidated financial statements)</b>	<b>29,366</b>	29,798	<b>96,065</b>	85,228
Add:				
Investment in joint ventures' cash flows from operating activities	518	-	518	-
<b>Cash flow from operating activities (including investment in joint ventures)</b>	<b>29,884</b>	29,798	<b>96,583</b>	85,228
Add (deduct):				
Lease incentives and initial direct leasing costs	5,088	2,391	15,006	6,055
Change in non-cash working capital	(10,430)	(6,704)	(11,015)	(2,568)
<b>Adjusted cash flows from operating activities</b>	<b>24,542</b>	25,485	<b>100,574</b>	88,715
Distributions declared	22,263	21,910	88,547	79,784
<b>Adjusted surplus of cash flow from operating activities over distributions declared</b>	<b>2,279</b>	3,575	<b>12,027</b>	8,931
<b>Surplus (shortfall) of net income (loss) over distributions declared</b>	<b>38,034</b>	(6,680)	<b>120,390</b>	(57,019)
<b>Surplus of cash flow from operating activities over distributions declared</b>	<b>7,621</b>	7,888	<b>8,036</b>	5,444
<b>Surplus of cash flow from operating activities (per consolidated financial statements) over distributions declared</b>	<b>\$ 7,103</b>	\$ 7,888	<b>\$ 7,518</b>	\$ 5,444

Adjusted cash flow from operating activities exceeded distributions paid and payable for the three months ended December 31, 2014 by \$2.3 million and net income exceeded distributions paid and payable by \$38.0 million for the same period. This compares to a surplus of \$3.6 million of adjusted cash flow from operations over distributions paid and payable for the three months ended December 31, 2013 and a shortfall of \$6.7 million of net income over distributions paid and payable for the same period in 2013.

Adjusted cash flow from operating activities exceeded distributions paid and payable for the year ended December 31, 2014 by \$12.0 million and net income exceeded distributions paid and payable by \$120.4 million for the same period. This compares to a surplus of \$8.9 million of adjusted cash flow from operations over distributions paid and payable for the year ended December 31, 2013 and a shortfall of \$57.0 million of net income over distributions paid and payable for the same period in 2013.

As a general rule, we do not take fluctuations in working capital into consideration and we use a normalized amount as a proxy for leasing and building improvement costs in establishing our distribution policy. The surplus or shortfall in net income for each period reflects mainly fair value adjustments to financial instruments and investment properties. These non-cash items do not impact cash flows and are not considered when we establish our distribution policy.

### Level of debt (debt-to-gross book value)

Management believes this non-GAAP measurement is an important measure in the management of our debt levels. Level of debt as shown below is determined as total debt, divided by total assets.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below calculates the level of debt.

	December 31, 2014			December 31, 2013
	Amounts per consolidated financial statements	Share of amounts from investment in joint ventures	Total	
Non-current debt <sup>(1)</sup>	\$ 1,157,882	\$ 149,747	\$ 1,307,629	\$ 1,403,956
Current debt	70,514	2,989	73,503	20,356
Total debt	1,228,396	152,736	1,381,132	1,424,312
Debt related to assets held for sale	-	-	-	10,106
Total adjusted debt	1,228,396	152,736	1,381,132	1,434,418
Less cash	121,939	3,122	125,061	106,292
<b>Total adjusted debt, net of cash</b>	<b>1,106,457</b>	<b>149,614</b>	<b>1,256,071</b>	<b>1,328,126</b>
Total assets	2,432,383	156,042	2,588,425	2,558,674
Adjustments: Investment in joint ventures	(159,967)	159,967	-	-
	2,272,416	316,009	2,588,425	2,558,674
Less cash	121,939	3,122	125,061	106,292
<b>Total assets, net of cash</b>	<b>\$ 2,150,477</b>	<b>\$ 312,887</b>	<b>\$ 2,463,364</b>	<b>\$ 2,452,382</b>
<b>Debt-to-gross book value</b>			<b>53%</b>	56%
<b>Debt-to-gross book value, net of cash</b>			<b>51%</b>	54%
<b>Debt-to-gross book value, net of cash, net of convertible debentures</b>			<b>45%</b>	48%

(1) Non-current debt includes convertible debentures valued at \$152,365 and \$150,326 at December 31, 2014 and December 31, 2013, respectively.

### Interest coverage ratio

Management believes this non-GAAP measurement is an important measure in determining our ability to cover interest expense based on our operating performance. Interest coverage ratio as shown below is calculated as net rental income plus interest and fee income, less general and administrative expenses and portfolio management expenses, all divided by interest expense on total debt.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below calculates the interest coverage ratio.

	For the year ended December 31, 2014			For the year ended December 31, 2013
	Amounts per consolidated financial statements	Share of amounts from investment in joint ventures	Total	
Net rental income	\$ 178,112	\$ 1,352	\$ 179,464	\$ 144,853
Add: Interest and other income	418	14	432	1,547
Less: General and administrative expenses	16,852	206	17,058	12,226
Less: Portfolio management expenses	4,571	-	4,571	3,173
	157,107	1,160	158,267	131,001
Interest expense	\$ 48,198	\$ 373	\$ 48,571	\$ 38,506
<b>Interest coverage ratio</b>			<b>3.26</b>	3.40



## Debt-to-adjusted EBITDFV

Management believes this non-GAAP measurement is an important measure in determining the time it takes the Trust, based on its operating performance, to repay its debt. Debt-to-adjusted EBITDFV as shown below is calculated as total debt divided by the sum of net income for the quarter adjusted for fair value adjustments to investment properties and financial instruments, gain/loss on sale of investment properties, interest expense, depreciation and income taxes. A further adjustment is made for properties acquired during the quarter to reflect net rental income as if the properties were held for the full quarter.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the table below calculates the debt-to-adjusted EBITDFV.

	December 31, 2014			December 31, 2013
	Amounts per consolidated financial statements	Share of amounts from investment in joint ventures	Total	
Non-current debt	\$ 1,157,882	\$ 149,747	\$ 1,307,629	\$ 1,403,956
Current debt	70,514	2,989	73,503	20,356
Total debt	1,228,396	152,736	1,381,132	1,424,312
Debt related to assets held for sale	-	-	-	10,106
<b>Total adjusted debt</b>	<b>1,228,396</b>	<b>152,736</b>	<b>1,381,132</b>	<b>1,434,418</b>
Net income for the quarter	57,810	2,487	60,297	15,230
Fair value adjustments to investment properties	12,876	(1,703)	11,173	679
Fair value adjustments to financial instruments	(876)	-	(876)	9,460
Internal direct leasing costs	324	-	324	(891)
(Gain) loss on sale of investment properties	(44,332)	-	(44,332)	550
Depreciation and amortization	45	-	45	16
Interest expense	11,690	373	12,063	11,288
Provision for income taxes	(1,565)	3	(1,562)	2,161
Adjusted net rental income of properties acquired in the quarter	892	-	892	1,296
<b>EBITDFV</b>	<b>\$ 36,864</b>	<b>\$ 1,160</b>	<b>\$ 38,024</b>	<b>\$ 39,789</b>
<b>EBITDFV – adjusted for foreign exchange<sup>(1)</sup></b>			<b>\$ 37,627</b>	<b>\$ 40,788</b>
<b>Debt-to-adjusted EBITDFV (three months ended)</b>			<b>36.7</b>	<b>35.2</b>
<b>Debt-to-adjusted EBITDFV (years) annualized</b>			<b>9.2</b>	<b>8.8</b>

(1) EBITDFV is adjusted to the period-end exchange rate from the quarterly average exchange rate.

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

For the December 31, 2014 financial year-end, 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 Global 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 Global REIT and its consolidated subsidiary entities, within the required time periods.

Dream Global 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 financial statements for external purposes in accordance with generally accepted accounting principles (“GAAP”). Using the framework established in “Risk Management and Governance: Guidance on Control (COCO Framework)”, published by The Canadian Institute of Chartered Accountants, the Certifying Officers, together with other members of management, have evaluated the design and operation of Dream Global REIT’s internal control over financial reporting. Based on that evaluation, the Certifying Officers have concluded that Dream Global REIT’s internal control over financial reporting was effective as at December 31, 2014.

There were no changes in Dream Global REIT’s internal control over financial reporting during the financial year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, Dream Global REIT’s internal control over financial reporting.

## **SECTION IV – RISKS AND OUR STRATEGY TO MANAGE**

We are exposed to various risks and uncertainties, many of which are beyond our control. The following is a review of the material risks and uncertainties that could materially affect our operations and future performance. A more detailed description of our business environment and risks is contained in our Annual Information Form, which is posted on our website at [www.dreamglobalreit.ca](http://www.dreamglobalreit.ca) or at [www.sedar.com](http://www.sedar.com).

### **REAL ESTATE OWNERSHIP**

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit), local economic conditions (such as an oversupply of office and other commercial 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 for operations and for making 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.

The majority of the Deutsche Post leases expire in 2018. Deutsche Post has early termination rights entitling it to terminate certain leases prior to their expiry upon twelve months' prior notice. As of the date hereof, these termination rights pertain to approximately 3% of the Trust's GLA at December 31, 2014.

## **CONCENTRATION OF PROPERTIES AND TENANTS**

Currently, all of our properties are located in Germany and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in Germany. 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 Germany 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.

We derive a significant portion of our rental income from Deutsche Post. Consequently, these revenues are dependent on the ability of Deutsche Post to meet its rent obligations and our ability to collect rent from Deutsche Post.

## **CHANGE IN INDEXATION FOR INFLATION**

The rents payable under the Deutsche Post leases are automatically adjusted if the consumer price index for Germany changes by more than 4.3 index points. This means that our rental income will increase if the consumer price index for Germany increases by more than 4.3 index points. However, it also means that our rental income will decrease if the consumer price index for Germany decreases by more than 4.3 index points. As a result, a significant decrease in the consumer price index for Germany could have a material and adverse effect on our cash flows, operating results and financial condition. The fixed rents payable under other lease agreements in respect of the Initial Properties and other properties we may acquire will not normally provide for adjustments following a general change in prices. As a result, our revenues adjusted for inflation could be materially and adversely affected from an unexpected rise in inflation, which could have a materially adverse effect on our cash flows, operating results or financial condition.

## **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; cash interest payments; and the market price of our 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 for 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 the 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.

## **TAX MATTERS**

Although we have been structured with the objective of maximizing after-tax distributions, tax charges and withholding taxes in various jurisdictions in which we invest will affect the level of distributions made to us by our subsidiaries. No assurance can be given as to the level of taxation suffered by us or our subsidiaries. Currently, our revenues are derived from our investments located in Germany. As a result of legislation passed on November 29, 2013, certain of our subsidiaries are subject to German corporate income tax on their net rental income and capital gains from the sale of properties. Although we have previously structured our tax affairs on the assumption that those subsidiaries will be subject to German corporate income tax (with a view to minimizing, to the extent possible, the amount of taxable income from operations in Germany), there is no certainty that we will not pay German corporate income tax. In addition, German real estate transfer tax ("RETT") is triggered when, among other things, there is a transfer of legal title of properties from one legal person to another. In the case of the initial reallocation of our properties, legal title was not transferred and, consequently, no RETT should be payable in connection therewith. However, if, unexpectedly, RETT does become payable as a result of the reallocation of our properties, we will be required to pay 50% of such RETT.

Our debt financing agreements with third parties and affiliates require us to pay principal and interest. Several rules in German tax laws restrict the tax deductibility of interest expenses for corporate income and municipal trade tax purposes. Such rules have been changed considerably on several occasions in the recent past. As a result, major uncertainties exist as to the interpretation and application of such rules, which are not yet clarified by the tax authorities and the tax courts. Accordingly, there is a risk of additional taxes being triggered on the rental income and capital gains in the event the tax authorities or the tax courts adopt deviating views on such rules.

We have structured our affairs to ensure that none of the Luxembourg entities through which we hold our real property investment in Germany (our *fonds communs de placement* – "FCPs") has a permanent establishment in Germany, which is relevant for determining whether they would also be liable to municipal trade tax. If it is determined that any of our subsidiaries does have a permanent establishment in one or more German municipalities, the overall rate of German income tax applicable to taxable income could materially increase.

## **CHANGES IN LAW**

We are subject to applicable federal, 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 to and title in the properties and the revenues we are able to generate from our investments.

## **FOREIGN EXCHANGE RATE FLUCTUATIONS**

Substantially all of our investments and operations will be conducted in currencies other than Canadian dollars; however, we pay distributions to unitholders and interest payments on our Debentures in Canadian dollars. We also raise funds primarily in Canada from the sale of securities in Canadian dollars and invest such funds indirectly through our subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on our financial results, which will be denominated and reported in Canadian dollars, and on our ability to pay cash distributions to unitholders and cash interest payments on our Debentures. We have implemented active hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to unitholders and interest payments on our Debentures if the Canadian dollar increases in value compared to foreign currencies. However, to the extent that we fail to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, our financial results, and our ability to pay distributions to unitholders and cash interest payments on our Debentures, may be negatively impacted. Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on our ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes.

## **INTEREST RATES**

When entering into financing agreements or extending such agreements, we depend on our ability to obtain 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 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 paid by us to service debt, which could limit our ability to pay distributions to unitholders and could impact the market price of the Units and/or the Debentures. We have implemented an active hedging program in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to unitholders and cash interest payments under the Debentures should current variable interest rates increase. However, to the extent that we fail to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge increases in variable interest rates, our financial results, and our ability to pay distributions to unitholders and cash interest payments under our financing arrangements, the Debentures and future financings may be negatively affected. Hedging transactions involve inherent risks. 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. See “Foreign exchange rate fluctuations” above.

## **ENVIRONMENTAL RISK**

We are subject to various laws relating to environmental matters. Our properties may contain ground contamination, hazardous substances, wartime relics or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances above the allowable or recommended thresholds, or the buildings could bear other environmental risks. Actual and contingent liabilities may be imposed on us under applicable environmental laws to assess and, if required, undertake remedial action on contaminated sites and in contaminated buildings. These obligations may relate to sites we currently own or operate, sites we formerly owned or operated, or sites where waste from our operations has been deposited. Furthermore, actions for damages or remediation measures may be brought against us, including under the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*). According to this Act, not only the polluter but also its legal successor, the owner of the contaminated site and certain previous owners may be held liable for soil contamination. The costs of any removal, investigation or remediation of any residual pollution on such sites or in such buildings, as well as costs related to legal proceedings, including potential damages, regarding such matters, may be substantial, and it may be impossible, for a number of reasons, for us to have recourse against a polluter and/or former seller of a contaminated site or building or the party that may otherwise be responsible for the contamination. Furthermore, the discovery of any residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause or for damages or other breach of warranty claims against us. Environmental laws may also impose liability on us for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages.

## **JOINT ARRANGEMENTS**

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

- (i) the possibility that such third parties may at any time have economic or business interests or goals that will be inconsistent with ours, or take actions contrary to our instructions or requests or to our policies or objectives with respect to our real estate investments;
- (ii) the risk that such third parties could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands on us to maintain and operate such properties or repay the third parties’ share of property debt guaranteed by us or for which we will be liable, and/or result in our suffering or incurring delays, expenses and other problems associated with obtaining court approval of the joint arrangement;
- (iii) the risk that such third parties may, through their activities on behalf of or in the name of the joint arrangements, expose or subject us to liability; and
- (iv) the need to obtain third parties’ consents with respect to certain major decisions, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the joint arrangements may be subject to rights of first refusal or first offer, and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not desire to sell but may be forced to do so because we do not have the cash to purchase the other party’s interests. Such rights may also inhibit our ability to sell an interest in a property or a joint arrangement within the time frame or otherwise on the basis we desire.

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

## **ORGANIZATIONAL STRUCTURE**

We hold a 50% equity interest in Lorac, which is the manager of our FCPs and the registered owner on title to our Initial Properties. Lorac is also the manager of another fund and the registered owner on title to a portfolio of properties on behalf of that other fund. We and the owner of the remaining Lorac shares have entered into a shareholders’ agreement, which provides us with the right to appoint three of the six directors of Lorac. In addition, the directors of Lorac have adopted governance rules pursuant to which, subject to applicable law, our appointed directors generally have responsibility for matters relating to our properties, and the other three directors, who are nominated by the other owner of the Lorac shares, generally have responsibility for matters affecting other properties of which Lorac is the registered owner on title. Pursuant to such shareholders’ agreement and the governance rules, certain matters such as filing tax returns and shared employee matters will require the approval of a majority of the directors. Each of the directors has a fiduciary duty to act in the best interests of Lorac and Lorac has a duty to manage our FCPs and the other fund in the best interests of the respective unitholders. However, it is possible that we will need the approval of a majority of the directors of Lorac with respect to certain matters involving our properties and there can be no assurance that such matters will be approved at all or on the terms requested. Any matter with respect to which our appointed directors and those appointed by the other owner of the Lorac shares cannot agree will be submitted to the Lorac shareholders. However, since we have only 50% of the voting shares of Lorac, there can be no assurance that any such matter will be approved in the manner in which we would hope. Such dispute could have a material and adverse effect on our cash flows, financial condition and results of operations, and on our ability to make distributions on the Units or cash interest payments on the Debentures.

As manager of the other fund since 2008, Lorac has incurred and will continue to incur liabilities as a result of managing that other fund and its assets. To the extent that the other fund is unable to satisfy such liabilities, a third party could seek recourse against Lorac. If Lorac is unable to satisfy such liabilities, Lorac could be required to seek protection from creditors under applicable bankruptcy or insolvency legislation. Taking such steps could result in Lorac being replaced as the manager of our FCPs, with the result that legal title to our properties would be required to be transferred to a new manager. This would result in the payment of RETT in Germany. The amount of such taxes could have a material and adverse effect on our cash flows, financial condition and results of operations. We have negotiated certain limited indemnities from the other fund in connection with any prior existing liabilities of the other fund and with those that may arise as a result of actions or omissions of the other fund. In addition to the foregoing, we have been advised by our Luxembourg counsel that creditors of the other fund could only seek recourse against the assets of the other fund and could not seek recourse against the assets of our FCPs regardless of the fact that Lorac may have entered into the contract on behalf of the other fund or our FCPs creating such right to a claim.

New properties acquired by the Trust are held through Luxembourg limited liability entities outside of the Lorac arrangement.

## **COMPETITION**

The real estate market in Germany is 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 better located, 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 stronger financially, they will be better able to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on our ability to lease space in our properties and on the rents charged or concessions granted, and could materially and adversely affect our cash flows, operating results and financial condition.

## **INSURANCE**

We carry general liability, umbrella liability and excess liability insurance with limits that are typically obtained for similar real estate portfolios in Germany 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 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.

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

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

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent liabilities. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but that 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 amounts of the asset or liability affected. Dream Global REIT's critical accounting judgments, estimates and assumptions in applying accounting policies are described in Note 4 to the consolidated financial statements.

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

#### **Accounting policy changes**

Dream Global REIT's future accounting policy changes are described in Note 5 to the audited consolidated financial statements.

Additional information relating to Dream Global REIT, including our Annual Information Form dated March 31, 2014, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Management's responsibility for 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 Global Real Estate Investment Trust. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments as appropriate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The audit committee, which comprises trustees, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditors. The audit committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

PricewaterhouseCoopers LLP, the independent auditors, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditors have full and unrestricted access to the audit committee, with or without management present.



**P. Jane Gavan**  
President and Chief Executive Officer

Toronto, Ontario, February 18, 2015



**Rene D. Gulliver**  
Chief Financial Officer



## Independent auditor's report

### To the Unitholders of Dream Global Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Dream Global Real Estate Investment Trust and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013 and the consolidated statements of net income and comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and December 31, 2013 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dream Global Real Estate Investment Trust and its subsidiaries as at December 31, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

Toronto, Ontario, February 18, 2015

## Consolidated balance sheets

(in thousands of Canadian dollars)	Note	December 31, 2014	December 31, 2013
<b>Assets</b>			
<b>NON-CURRENT ASSETS</b>			
Investment properties	7	\$ 2,079,671	\$ 2,390,244
Investment in joint ventures	9	159,967	-
Notes receivable	22	4,930	-
Deferred income tax assets	21	-	12,313
Other non-current assets	10	1,698	2,288
		<b>2,246,266</b>	<b>2,404,845</b>
<b>CURRENT ASSETS</b>			
Amounts receivable	11	17,455	18,149
Prepaid expenses		2,360	1,962
Amount in escrow	8	-	6,220
Cash		121,939	106,292
		<b>141,754</b>	<b>132,623</b>
Assets held for sale	18	44,363	21,206
<b>Total assets</b>		<b>\$ 2,432,383</b>	<b>\$ 2,558,674</b>
<b>Liabilities</b>			
<b>NON-CURRENT LIABILITIES</b>			
Debt	12	\$ 1,157,882	\$ 1,403,956
Deposits		1,802	1,900
Derivative financial instruments	13	3,420	16,299
Deferred Unit Incentive Plan	14	9,365	6,306
Deferred income tax liabilities	21	719	-
		<b>1,173,188</b>	<b>1,428,461</b>
<b>CURRENT LIABILITIES</b>			
Debt	12	70,514	20,356
Amounts payable and accrued liabilities	15	49,485	32,940
Income tax payable		1,268	523
Deferred rent	8	-	6,220
Derivative financial instruments	13	8,853	13,772
Distributions payable	16	7,431	7,314
		<b>137,551</b>	<b>81,125</b>
Liabilities related to assets held for sale	18	1,424	15,083
<b>Total liabilities</b>		<b>1,312,163</b>	<b>1,524,669</b>
<b>Equity</b>			
Unitholders' equity		1,091,317	1,075,520
Deficit		(8,808)	(127,702)
Accumulated other comprehensive income		31,516	86,187
Total Unitholders' equity		<b>1,114,025</b>	<b>1,034,005</b>
Non-controlling interest	22	6,195	-
<b>Total equity</b>	17	<b>1,120,220</b>	<b>1,034,005</b>
<b>Total liabilities and equity</b>		<b>\$ 2,432,383</b>	<b>\$ 2,558,674</b>

See accompanying notes to the consolidated financial statements.

On Behalf of the Board of Trustees of Dream Global Real Estate Investment Trust:



**MICHAEL J. COOPER**  
Trustee



**P. JANE GAVAN**  
Trustee

## Consolidated statements of net income and comprehensive income

(in thousands of Canadian dollars)	Note	Year ended December 31,	
		2014	2013
Investment properties revenue		\$ 256,077	\$ 220,220
Investment properties operating expenses		(77,965)	(75,367)
<b>Net rental income</b>		<b>178,112</b>	<b>144,853</b>
<b>Other income</b>			
Interest and other income		418	1,547
Share of net income from investment in joint ventures	9	2,513	28
		<b>2,931</b>	<b>1,575</b>
<b>Other expenses</b>			
Portfolio management		(4,571)	(3,173)
General and administrative		(16,852)	(12,226)
Depreciation and amortization		(138)	(88)
Interest expense	19	(48,198)	(38,506)
		<b>(69,759)</b>	<b>(53,993)</b>
<b>Fair value adjustments, loss on sale of investment properties and other activities</b>			
Fair value adjustments to investment properties	7, 18	72,247	(57,032)
Fair value adjustments to financial instruments	20	3,056	(11,450)
Internal direct leasing costs	3	(1,954)	(2,191)
Gain (loss) on sale of investment properties	7, 9	41,873	(1,142)
Contract termination fees incurred on sale to the joint venture	9	(510)	-
		<b>114,712</b>	<b>(71,815)</b>
<b>Income before income taxes</b>		<b>225,996</b>	<b>20,620</b>
Current income taxes expense		(1,325)	(689)
Deferred income taxes recovery (expense)		(15,734)	2,834
Recovery of (provision for) income taxes	21	(17,059)	2,145
<b>Net income</b>		<b>\$ 208,937</b>	<b>\$ 22,765</b>
<b>Total earnings for the year attributable to:</b>			
Unitholders of the Trust		\$ 208,028	\$ 22,765
Shareholders of the subsidiaries	22	909	-
<b>Net income</b>		<b>208,937</b>	<b>22,765</b>
<b>Foreign currency translation adjustments for the year attributable to:</b>			
Unitholders of the Trust		(54,671)	109,133
Shareholders of the subsidiaries		(98)	-
		<b>(54,769)</b>	<b>109,133</b>
<b>Comprehensive income for the year attributable to:</b>			
Unitholders of the Trust		153,357	131,898
Shareholders of the subsidiaries		811	-
		<b>\$ 154,168</b>	<b>\$ 131,898</b>

See accompanying notes to the consolidated financial statements.

## Consolidated statements of changes in equity

		Attributable to unitholders of the Trust						
		Number of Units	Unitholders' equity	Deficit	Accumulated		Non- controlling interest	Total
(in thousands of Canadian dollars, except number of Units)	Note				other comprehensive income	Total unitholders' equity		
<b>Balance at January 1, 2014</b>		<b>109,698,977</b>	<b>\$ 1,075,520</b>	<b>\$ (127,702)</b>	<b>\$ 86,187</b>	<b>\$ 1,034,005</b>	<b>\$ -</b>	<b>\$ 1,034,005</b>
Net income for the year		-	-	208,028	-	208,028	909	208,937
Distributions paid	16	-	-	(81,703)	-	(81,703)	-	(81,703)
Distributions payable	16	-	-	(7,431)	-	(7,431)	-	(7,431)
Contribution from non-controlling interest	6, 22	-	-	-	-	-	4,599	4,599
Distribution Reinvestment Plan	17	1,677,622	15,222	-	-	15,222	-	15,222
Unit Purchase Plan	17	3,683	34	-	-	34	-	34
Deferred Unit Incentive Plan	17	86,415	793	-	-	793	-	793
Issue costs		-	(252)	-	-	(252)	-	(252)
Reclassification from amounts payable and accrued liabilities		-	-	-	-	-	785	785
Foreign currency translation adjustment		-	-	-	(54,671)	(54,671)	(98)	(54,769)
<b>Balance at December 31, 2014</b>		<b>111,466,697</b>	<b>\$ 1,091,317</b>	<b>\$ (8,808)</b>	<b>\$ 31,516</b>	<b>\$ 1,114,025</b>	<b>\$ 6,195</b>	<b>\$ 1,120,220</b>

		Attributable to unitholders of the Trust						
		Number of Units	Unitholders' equity	Deficit	Accumulated		Total	
(in thousands of Canadian dollars, except number of Units)	Note				other comprehensive income (loss)			
<b>Balance at January 1, 2013</b>		<b>72,232,494</b>	<b>\$ 689,318</b>	<b>\$ (70,294)</b>	<b>\$ (22,946)</b>	<b>\$ 596,078</b>		
Net income for the year		-	-	22,765	-	22,765		
Distributions paid	16	-	-	(72,859)	-	(72,859)		
Distributions payable	16	-	-	(7,314)	-	(7,314)		
Public offering of Units		36,375,000	393,859	-	-	393,859		
Distribution Reinvestment Plan	17	1,066,792	10,145	-	-	10,145		
Unit Purchase Plan	17	7,059	72	-	-	72		
Deferred Unit Incentive Plan	17	17,632	164	-	-	164		
Issue costs		-	(18,038)	-	-	(18,038)		
Foreign currency translation adjustment		-	-	-	109,133	109,133		
<b>Balance at December 31, 2013</b>		<b>109,698,977</b>	<b>\$ 1,075,520</b>	<b>\$ (127,702)</b>	<b>\$ 86,187</b>	<b>\$ 1,034,005</b>		

See accompanying notes to the consolidated financial statements.

## Consolidated statements of cash flows

(in thousands of Canadian dollars)	Note	Year ended December 31,	
		2014	2013
<b>Generated from (utilized in) operating activities</b>			
Net income		\$ 208,937	\$ 22,765
Non-cash items:			
Share of net income from investment in joint ventures		(2,513)	(28)
Deferred income taxes (recovery)		15,734	(2,834)
Amortization of lease incentives		1,458	616
Amortization of financing costs		3,453	2,651
Amortization of fair value adjustment on acquired debt		(387)	(402)
Amortization of initial discount on convertible debentures		1,092	1,008
(Gain) loss on sale of investment properties		(41,873)	1,142
Depreciation and amortization		138	88
Deferred unit compensation expense and deferred asset management fees	14	4,189	3,426
Straight-line rent adjustment		(624)	(1,510)
Fair value adjustments to financial instruments	20	(3,056)	11,450
Fair value adjustments to investment properties		(72,247)	57,032
Cash settlement on foreign exchange contracts		(8,058)	(510)
Cash settlement on interest rate swap		(6,493)	(6,179)
Lease incentives and initial direct leasing costs	7, 18	(14,777)	(6,055)
Change in non-cash working capital	23	11,092	2,568
		<b>96,065</b>	<b>85,228</b>
<b>Generated from (utilized in) investing activities</b>			
Investment in building improvements	7, 18	(12,741)	(5,821)
Acquisition of investment properties	6	(411,077)	(1,080,279)
Net proceeds from sale of interest to POBA	9	151,889	-
Cash disposed to the POBA joint venture		(7,604)	-
Notes receivable		(4,930)	-
Net proceeds from disposal of investment properties	7	126,425	22,801
Distributions from investment in joint ventures		682	-
		<b>(157,356)</b>	<b>(1,063,299)</b>
<b>Generated from (utilized in) financing activities</b>			
Mortgage proceeds		243,374	625,817
Financing costs on debts placed		(4,459)	(9,305)
Mortgage principal repayments		(16,467)	(11,197)
Repayment of term loan credit facility		(67,036)	(16,779)
Drawdown on revolving credit facility		164,223	35,925
Revolving credit facility repayments		(164,209)	(36,810)
Units issued for cash	17	34	393,931
Unit issue costs		(252)	(18,604)
Distributions paid on Units	16	(73,795)	(67,530)
		<b>81,413</b>	<b>895,448</b>
<b>Increase (decrease) in cash</b>		<b>20,122</b>	<b>(82,623)</b>
<b>Effect of exchange rate changes on cash</b>		<b>(4,475)</b>	<b>7,296</b>
<b>Cash, beginning of year</b>		<b>106,292</b>	<b>181,619</b>
<b>Cash, end of year</b>		<b>\$ 121,939</b>	<b>\$ 106,292</b>

See accompanying notes to the consolidated financial statements.

# Notes to the consolidated financial statements

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

## Note 1

### ORGANIZATION

Dream Global Real Estate Investment Trust (the “REIT” or the “Trust”), formerly called Dundee International REIT, is an open-ended investment trust created pursuant to a Declaration of Trust dated April 21, 2011, under the laws of the Province of Ontario, and is domiciled in Ontario. The consolidated financial statements of the REIT include the accounts of the REIT and its consolidated subsidiaries. The REIT’s portfolio comprises office, industrial and mixed use properties located in Germany.

The address of the Trust’s registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol DRG.UN. The Trust’s consolidated financial statements for the year ended December 31, 2014 were authorized for issue by the Board of Trustees on February 18, 2015, after which date the consolidated financial statements may only be amended with Board approval.

## Note 2

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

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

#### Basis of presentation

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars, which is also the Trust’s functional currency. All financial information has been rounded to the nearest thousand except when otherwise indicated. The accounting policies set out below have been applied consistently in all material respects. Certain future accounting standards and guidelines relevant to the Trust that were issued at the date of approval of the consolidated financial statements, but not yet effective for the current accounting period, are described in Note 5.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, the conversion feature of the convertible debentures, and financial derivatives, which are measured at fair value, and the Deferred Unit Incentive Plan, which is measured at amortized cost impacted by the fair value of the Trust’s units.

#### Basis of consolidation

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

Where the REIT consolidates a subsidiary in which it does not have 100% ownership, the non-controlling interest is classified as a component of equity.

#### 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. 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 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 through 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 net income from investments in joint venture in the consolidated statements of comprehensive income.

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 with 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 is referred to as a joint operation. Joint arrangements that involve the establishment of a separate entity in which each 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 described under "Equity accounted investments" above. 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 venturers as well as any liabilities incurred directly, its share of any revenues earned or expenses incurred by the joint venture and any expenses incurred directly.

### **Note 3**

#### **ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS**

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

#### **Investment properties**

Investment properties are initially recorded at cost including related transaction costs in connection with asset acquisitions, except if acquired in a business combination, in which case they are initially recorded at fair value, and include primarily office properties held to earn rental income and/or for capital appreciation. Investment properties are subsequently measured at fair value, determined based on available market evidence, at the consolidated balance sheet dates. Related fair value gains and losses are recorded in comprehensive income in the period in which they arise. The fair value of each investment property is based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the consolidated balance sheet dates, less future estimated cash outflows in respect of such properties. To determine fair value, the Trust first considers whether it can use current prices in an active market for a similar property in the same location and condition, and subject to similar leases and other contracts. The Trust has concluded there is insufficient market evidence on which to base investment property valuation using this approach and has therefore determined to use the income approach. The income approach is one in which the fair value is estimated by capitalizing the net operating income that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate method whereby the net operating income is capitalized at the requisite overall capitalization rate; and/or the discounted cash flow method in which the income and expenses are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate. Valuations of investment properties are most sensitive to changes in discount rates and capitalization rates.

Third-party initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. Internal direct leasing costs are expensed as incurred in the consolidated statements of net income and comprehensive income. Lease incentives, which include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, are added to the carrying amount of investment properties and are amortized on a straight-line basis over the term of the lease as a reduction of investment properties revenue.

### **Fair value hierarchy**

Fair value measurements recognized in the consolidated balance sheets or disclosed in the Trust's consolidated financial statements for financial or non-financial assets and liabilities are categorized by level in accordance with the significance of the observable market inputs used in making the measurements, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data; and
- Level 3 – use of a model with inputs that are not based on observable market data.

### **Non-controlling interest**

Non-controlling interest represents equity interests in subsidiaries owned by outside parties. The share of net assets, net earnings and other comprehensive income of subsidiaries attributable to non-controlling interest is reported in equity.

### **Assets held for sale**

Assets and liabilities 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 and assets held for sale continue to be measured at fair value.

### **Segment reporting**

The Trust owns and operates investment properties located in Germany. In measuring performance, the Trust does not distinguish or group its operations on a geographic or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

The Trust's major tenant is Deutsche Post, accounting for approximately 30% of the gross rental income generated by the Trust's properties for the year ended December 31, 2014 (December 31, 2013 – 37%).

### **Foreign currency translation**

#### **Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the REIT's operating subsidiaries is the euro. The consolidated financial statements are presented in Canadian dollars, which is the group's presentation currency.

#### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statements of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated statements of comprehensive income.



## Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statements of net income as part of the gain or loss on sale.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## Other non-current assets

Other non-current assets include equity accounted investments, office furniture and computer equipment, and straight-line rent receivables. Office furniture and computer equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation of office furniture and computer equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their expected useful lives of three to ten years. The residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at least at each financial year-end. Cost includes expenditures that are directly attributable to the acquisition and expenditures for replacing part of the office furniture and computer equipment when that cost is incurred, if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to comprehensive income during the financial 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 comprehensive income in the year the asset is derecognized.

## 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 that 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.

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 risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## Revenue recognition

The Trust accounts for leases with tenants as operating leases, as it has retained substantially all of the risks and benefits of ownership of its investment properties. Revenues from investment properties include base rents, recoveries of operating expenses including property taxes, lease termination fees, parking income and incidental income. 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 other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred and collectability is reasonably assured. Other revenues are recorded as earned.

## Business combinations

The purchase method of accounting is used for acquisitions meeting the definition of a business. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. 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 comprehensive income for the year as an acquisition gain. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

## Distributions

Distributions to unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as an increase to the deficit.

## Income taxes

The REIT is taxed as a mutual fund trust under the *Income Tax Act* (Canada). The REIT is not a specified investment flow-through trust ("SIFT"), and will not be, provided the REIT complies at all times with its investment restrictions, which preclude the REIT from investing in any entity other than a portfolio investment entity or from holding any non-portfolio property. The Trust intends to distribute all taxable income directly earned by the REIT to unitholders and to deduct such distributions for income tax purposes. The tax deductibility of the REIT's distributions to unitholders represents, in substance, an exception from current Canadian tax, and from deferred tax relating to temporary differences in the REIT, so long as the REIT continues to expect to distribute all of its taxable income and taxable capital gains to its unitholders. Accordingly, no net current Canadian income tax expense or deferred income tax assets or liabilities have been recorded in these consolidated financial statements.

The tax expense related to non-Canadian taxable subsidiaries for the year comprises current and deferred taxes. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet date where the subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated balance sheet date, and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

## Unit-based compensation plan

The Trust has a Deferred Unit Incentive Plan ("DUIP"), as described in Note 17, that provides for the grant of deferred trust units and income deferred trust units to trustees, officers, employees, affiliates and their service providers (including the asset manager). Unvested deferred trust units are recorded as a liability and compensation expense and, where applicable, asset management expense. Grants to trustees, officers and employees are recognized as compensation expense and included in general and administrative expense. The grants are recognized over the vesting period at the 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 units, with changes in fair value recognized in comprehensive income, as a fair value adjustment to the financial instruments. Deferred units granted to Dream Asset Management Corporation ("DAM"), formerly called Dundee Realty Corporation or "DRC", for payment of asset management fees are included in general and administrative expense during the year for accounting purposes as they relate to services provided during the year, and the units and fees are initially measured by applying a discount to the fair value of the corresponding units. The discount is estimated by applying the Black Scholes option pricing model, taking into consideration the volatility of the Canadian REIT equity market and the German real estate industry. Once recognized, the liability is remeasured at each reporting date at a discount to the fair values of the corresponding units, with the change recognized in comprehensive income as a fair value adjustment to financial instruments.

## Cash

Cash excludes cash subject to restrictions that prevent its use for current purposes. Excluded from cash are amounts held for repayment of tenant security deposits as required by various lending agreements.

## Financial instruments

### Designation of financial instruments

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

	Classification	Measurement
<b>Financial assets</b>		
Amounts receivable	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Mortgage debt	Other liabilities	Amortized cost
Term loan credit facility	Other liabilities	Amortized cost
Convertible debentures – host instrument	Other liabilities	Amortized cost
Deposits	Other liabilities	Amortized cost
Deferred Unit Incentive Plan	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost
Income taxes payable	Other liabilities	Amortized cost
<b>Financial derivatives</b>		
Derivative assets	Fair value through profit or loss	Fair value
Derivative liabilities	Fair value through profit or loss	Fair value
Conversion feature of the convertible debentures	Fair value through profit or loss	Fair value

### Financial assets

The Trust classifies its financial assets on initial recognition as loans and receivables. All financial assets are initially measured at fair value, less any related transaction costs. Subsequently, financial assets are measured at amortized cost.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of comprehensive income within investment property operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment property operating expenses in the consolidated statements of comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence collection is not possible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of net income and comprehensive income.

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

The Trust classifies its financial liabilities on initial recognition as either fair value through profit or loss or other liabilities measured at amortized cost. Financial liabilities classified as other liabilities are initially recognized at fair value (net of transaction costs) and are subsequently measured at amortized cost 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 debt.

Term loans are initially recognized at fair value less attributable transaction costs, or at fair value when assumed in a business or asset acquisition. Subsequent to initial recognition, term loans are recognized at amortized cost.

On issuance, convertible debentures are separated into two financial liability components: the host instrument and the conversion feature. This presentation is required because the conversion feature permits the holder to convert the debenture into Units that, except for the available exemption under IAS 32, "Financial Instruments: Presentation" ("IAS 32"), would normally be presented as a liability because of the redemption feature attached to the Units. Both components are measured based on their respective estimated fair values at the date of issuance. The fair value of the host instrument is net of any related transaction costs. The fair value of the host instrument is estimated based on the present value of future interest and principal payments due under the terms of the debenture using a discount rate for similar debt instruments without a conversion feature. Subsequent to initial recognition, the host instrument is accounted for at amortized cost. The conversion feature is accounted for at fair value with changes in fair value recognized in comprehensive income each year. When the holder of a convertible debenture converts its interest into Units, the host instrument and conversion feature are reclassified to unitholders' equity in proportion to the units converted over the total equivalent units outstanding.

The DUIP is measured at amortized cost because it is settled in Units, which in accordance with IAS 32 are liabilities. Consequently, the DUIP is remeasured each year based on the fair value of Units, with changes in the liabilities recorded in comprehensive income.

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

### Financial derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Derivative instruments are recorded in the consolidated balance sheets at fair value. Changes in fair value of derivative instruments that are not designated as hedges for accounting purposes are recognized in fair value adjustments to financial instruments.

The Trust has not designated any derivatives as hedges for accounting purposes.

### Interest

Interest on debt includes coupon interest on term loans, mortgage debt, revolving credit facilities and debentures, amortization of premiums allocated to the conversion features of the convertible debentures, amortization of ancillary costs incurred in connection with the arrangement of borrowings, and net settlement of financial interest rate derivatives. Finance costs are amortized to interest expense unless they relate to a qualifying asset.

### Internal direct leasing costs

Prior to January 1, 2014, the Trust capitalized incremental internal leasing costs within initial direct leasing costs to investment properties, where these costs would not be incurred had no leasing activity taken place and are directly attributable to the leasing activity.

On April 2, 2014, IFRIC issued an agenda decision indicating that internal leasing costs, such as salary costs of permanent staff involved in negotiating and arranging new leases, do not qualify as incremental costs. As a result, the Trust has adopted an accounting policy of recognizing all salary costs of permanent staff involved in negotiating and arranging new leases in internal direct leasing costs as incurred. This accounting policy has been applied retrospectively. The impact to the years ended December 31, 2014 and December 31, 2013 is an incurrence of internal direct leasing costs of \$1,954 and \$2,191, respectively, and a corresponding decrease in fair value adjustments to investment properties of \$1,954 and \$2,191, respectively. This change did not result in an impact to the consolidated balance sheets.

## Equity

The Trust classifies the Units as equity, notwithstanding the fact that the Trust's Units meet the definition of a financial liability. Under IAS 32, the Units are considered a puttable financial instrument because of the holder's option to redeem 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 or 100% of the closing market price on the redemption date. The total amount payable by the REIT in any calendar month shall not exceed \$50 unless waived by the REIT's trustees at their sole discretion. The Trust has determined that the Units can be presented as equity and not financial liabilities because the Units have the following features, as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- Units entitle the holder to a pro rata share of the Trust's net assets in the event of the Trust's liquidation. The Trust's net assets are those assets that remain after deducting all other claims on its assets.
- Units are the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Trust on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments.
- All instruments in the class of instruments that are subordinate to all other classes of instruments have identical features.
- Apart from the contractual obligation for the Trust to redeem the Units for cash or another financial asset, the 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 Units over their life are based substantially on the profit or loss, the change in the recognized net assets and unrecognized net assets of the Trust over the life of the Units.

In addition to the Units meeting all of the above criteria, the REIT has determined it has no other financial instrument or contract that has total cash flows based substantially on the profit or loss, the change in the recognized assets, or the change in the fair value of the recognized and unrecognized net assets of the REIT. The REIT also has no other financial instrument or contract that has the effect of substantially restricting or fixing the residual return to unitholders.

Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising on the issue of Units are recognized directly in unitholders' equity as a reduction of the proceeds received.

## Note 4

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

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on experience in the industry and other various 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 values of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### **Critical accounting judgments**

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

#### **Valuation of investment properties**

Critical judgments are made by the Trust in respect of the fair values of investment properties. The fair value of these investments is reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. Judgment is also applied in determining the extent and frequency of independent appraisals.

The determination of fair values requires management to make estimates and assumptions that affect the values presented, such that actual values in sales transactions may differ from those presented. The Trust's critical assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates, and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

The REIT determines the fair value of an investment property at the end of each reporting period using the following methods:

- External appraisals – by an independent appraisal firm, according to professional appraisal standards and IFRS.
- Internal valuation – performed by management using the income approach and primarily consisting of reviewing the key assumptions from previous appraisals and updating the value for changes in the property cash flow, physical condition and changes in market conditions. In applying the income approach to valuation, management may use the direct income capitalization method or the discounted cash flow method, both of which are consistent with professional appraisal standards and IFRS.

The selection of the method for each property is made based on the following criteria:

- Regulatory requirements – the Initial Properties are held indirectly through regulated entities that require an external appraisal annually.
- Property type – this includes an evaluation of a property's complexity, time since acquisition, and other specific opportunities or risks with properties. Recently acquired properties will generally receive a value update.
- Market risks – specific risks in a region may warrant a full external appraisal for certain properties.
- Changes in overall economic conditions – significant changes in overall economic conditions may increase the number of external appraisals performed.
- Business needs – financings or acquisitions and dispositions may require an external appraisal.

The REIT makes no adjustments for portfolio premiums and discounts, nor for any value attributable to the REIT's management platform.

Investment properties are appraised at highest and best use, primarily based on stabilized cash flows from tenancies, since purchasers typically focus on expected income.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property or are of a repair and maintenance nature.

#### Income tax treatment

The REIT indirectly owns its remaining initial properties through 15 FCPs (fonds communs de placement). The income tax treatment of non-German residents, such as the FCP unitholders indirectly owned by the REIT, is not entirely clear and is subject to significant judgment, and accordingly it is not currently possible to determine with certainty whether the FCP unitholders will or will not be taxable in Germany on their net rental income and capital gains. In light of this uncertainty, the REIT has structured its affairs assuming that the FCP unitholders would be subject to corporate income tax in Germany, and has prepared these consolidated financial statements on that basis.

The German federal government has indicated it intends to reform the *Investment Tax Act* in the future. It is unclear what exactly the consequences of the reform would be and how it would impact the FCPs or the FCP unitholders. Currently, the German fiscal authorities view foreign investment funds such as the FCPs or the FCP unitholders as potentially subject to corporate income tax in Germany. However, the REIT believes that the consequences of the uncertainty of the tax status of the FCPs would be the same from a German corporate tax perspective irrespective of whether it is the FCPs or the FCP unitholders that are determined to be the taxpayer.

The Trust computes current and deferred income taxes included in the consolidated financial statements based on the following:

- The rate of corporate tax payable on German taxable income is 15.825%, including a 5.5% solidarity surcharge;
- Taxable income for German corporate income tax purposes is determined by deducting certain expenses incurred in connection with the acquisition and ownership of real property as well as certain operating expenses, provided that the costs are incurred under arm's length terms;
- Buildings can generally be amortized on a straight-line basis at a rate of 2% to 3% depending on the age and the use of the property; and
- The deduction of interest expense, which must reflect arm's length terms, is generally restricted by the so-called "interest capping rules". These rules apply to limit the deduction of all interest expense incurred up to a maximum of 30% of the taxable earnings before interest, tax, depreciation and amortization. However, an exception is available when annual interest expense is less than €3,000 for each taxpayer.

### 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. The Trust applies judgment in determining whether property acquisitions qualify as a business combination in accordance with IFRS 3 or as an asset acquisition.

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

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

In particular, the Trust considers the following:

- whether employees were assumed in the acquisition
- whether an operating platform has been acquired

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

### Impairment

The Trust uses judgments, estimates and assumptions when it assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable and other assets.

### Estimates and assumptions

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

### Valuation of financial instruments

The Trust makes estimates and assumptions relating to the fair value measurement of the DUIP, the convertible debenture conversion feature, derivative instruments, and the fair value disclosure of the convertible debentures, mortgages and term loans. The critical assumptions underlying the fair value measurements and disclosures include the market price of Units, market interest rates for debt and interest rate derivatives, unsecured debentures and foreign currency derivatives.

## Note 5

### FUTURE ACCOUNTING POLICY CHANGES

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

#### Revenue recognition

IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Trust is currently evaluating the impact of adopting this standard in the consolidated financial statements.

#### Financial instruments

The final version of IFRS 9, “Financial Instruments” (“IFRS 9”), was issued by the IASB in July 2014 and will replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces a model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. The Trust has yet to assess the full impact of IFRS 9 and has not yet determined when it will adopt the new standard.

## Note 6

### PROPERTY ACQUISITIONS

Detailed below are the acquisitions completed during the year ended December 31, 2014:

	Property type	Interest acquired	Purchase price <sup>(1)</sup>	Date acquired
Werner-Eckert-Straße 8, 10, 12, Munich	Office	100%	\$ 23,431	February 14, 2014
My Falkenried, Hamburg	Office	100%	97,578	March 31, 2014
Liebkechtstr. 33/35, Heßbrühlstr. 7 (Officium), Stuttgart	Office	100%	72,893	July 31, 2014
Robert-Bosch-Str. 9–11 (Europahaus), Darmstadt	Office	100%	61,204	September 30, 2014
Im Mediapark 8 (Cologne Tower), Cologne	Office	95%	164,748	November 14, 2014
			419,854	
Greifswalder Str. 154–156 and Erich-Weinert-Str. 145 (Goldpunkt-Haus), Berlin – earnout amount			933	
Prior year acquisition cost adjustments			1,379	
<b>Total</b>			\$ 422,166	

(1) Includes transaction costs.

On February 14, 2014, the REIT acquired Werner-Eckert-Straße 8, 10, 12, an office property located in Munich, Germany, for \$23,431. In connection with the acquisition, the REIT entered into a mortgage agreement with a principal balance of \$13,237. The mortgage was drawn on March 28, 2014.

On March 31, 2014, the REIT acquired Strassenbahnring 15, 17–19, Hoheluftchaussee 18-20 and Lehmweg 8, 8a, 7 (“My Falkenried”), an office property located in Hamburg, Germany, for \$97,578. In connection with the acquisition, the REIT entered into a mortgage agreement with a principal balance of \$55,765. The mortgage was drawn on April 29, 2014.

On July 31, 2014, the REIT acquired Liebkechtstr. 33/35, Heßbrühlstr. 7 (Officium), an office property located in Stuttgart, Germany, for \$72,893. The acquisition was partially financed by a new mortgage of \$41,556.



On September 30, 2014, the REIT acquired Robert-Bosch-Str. 9–11 (Europahaus), an office property located in Darmstadt, Germany, for \$61,204. In connection with the acquisition, the REIT entered into a mortgage agreement with a principal balance of \$35,317. The mortgage was drawn on October 20, 2014.

On November 14, 2014, the REIT acquired Im Mediapark 8 (Cologne Tower), an office property located in Cologne, Germany, for \$164,748. The acquisition was partially financed by a new mortgage of \$97,500.

Pursuant to the terms of the purchase and sale agreement related to the acquisition of Goldpunkt-Haus, Berlin on December 7, 2012, the REIT paid a final purchase price adjustment of \$933 to the vendor for successfully leasing certain vacant space on April 14, 2014 (December 31, 2013 – \$2,074).

Detailed below are the acquisitions completed during the year ended December 31, 2013:

For the year ended December 31, 2013	Property type	Interest acquired	Purchase price <sup>(1)</sup>	Date acquired
Hammer Strasse 30–34, Hamburg	office	100%	\$ 59,788	January 31, 2013
Neue Mainzer Strasse 28 (K26), Frankfurt	office	100%	86,298	February 15, 2013
Dillwächterstrasse 5 and Tübinger Strasse 11, Munich	office	100%	25,920	March 2, 2013
Schlossstrasse 8a–8g, Hamburg	office	100%	45,606	March 12, 2013
ABC-Strasse 19 (ABC Bogen), Hamburg	office	100%	99,479	March 12, 2013
Moskauer Strasse 25, 27, Düsseldorf	office	100%	66,705	March 12, 2013
Cäcilienkloster 2, 6, 8, 10, Cologne	office	100%	102,527	March 12, 2013
Vorderbergstrasse 6/Heilbronner Strasse 35 (Z-UP), Stuttgart	office	100%	40,998	March 13, 2013
Bertoldstrasse 48, 50/Sedanstrasse 7, Freiburg	office	100%	43,015	March 13, 2013
Lörracher Strasse 16–16a, Freiburg	office	100%	11,516	March 13, 2013
Westendstrasse 160, 162/Barthstrasse 24, 26, Munich	office	100%	32,301	March 13, 2013
Am Stadtpark 2/Bayreuther Str. 33 (Parcside), Nuremberg	office	100%	35,175	March 13, 2013
Speicherstrasse 55 (Werfthaus), Frankfurt	office	100%	86,778	March 14, 2013
Reichskanzler-Müller-Strasse 21, 23, 25, Mannheim	office	100%	32,101	March 14, 2013
Löwenkontor, Berlin	office	100%	58,258	April 30, 2013
Marsstrasse 20–22, Munich	office	100%	90,331	June 28, 2013
Leitzstrasse 45 (Oasis III), Stuttgart	office	100%	46,509	September 30, 2013
Feldmühleplatz 1 + 15, Düsseldorf	office	95%	109,632	November 29, 2013
Greifswalder Str. 154–156 and Erich-Weinert-Str. 145 (Goldpunkt-Haus), Berlin – additional purchase price adjustment	office	100%	2,074	
Other prior year acquisition cost adjustments	office	100%	547	
<b>Total</b>			<b>\$ 1,075,558</b>	

(1) Includes transaction costs.

The assets acquired and liabilities assumed in the transactions were allocated as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Investment properties <sup>(1)</sup>	\$ 422,166	\$ 1,075,558
<b>Total purchase price</b>	<b>\$ 422,166</b>	<b>\$ 1,075,558</b>

The consideration paid consists of:

Cash	\$ 411,077	\$ 1,080,279
Working capital adjustments	2,641	763
Net transaction costs	3,849	(5,484)
Non-controlling interest	4,599	-
<b>Total consideration</b>	<b>\$ 422,166</b>	<b>\$ 1,075,558</b>

(1) Includes transaction costs.

## Note 7

### INVESTMENT PROPERTIES

The REIT has determined that it has two asset classes of investment properties reflecting their distinct nature, characteristics and risks.

#### Initial Properties

The Initial Properties consist of the properties that were acquired on August 3, 2011. These properties consist of national and regional administration offices, mixed use retail, banking and distribution properties and regional logistics headquarters of Deutsche Post. The properties are generally situated in city centres and geographically dispersed throughout Germany and are smaller and older than the properties acquired subsequent to 2011.

#### Acquisition Properties

These investment properties were acquired during 2012 to 2014, consist of high-quality office buildings located in Germany's largest office markets and are generally newer or recently refurbished buildings.

	Total	Initial Properties	Acquisition Properties
<b>Balance as at January 1, 2014</b>	\$ 2,390,244	\$ 985,212	\$ 1,405,032
Purchase of investment properties:			
Acquisition of properties	422,166	-	422,166
Building improvements	12,730	9,949	2,781
Lease incentives and initial direct leasing costs	14,908	11,085	3,823
<b>Total additions to investment properties</b>	<b>449,804</b>	<b>21,034</b>	<b>428,770</b>
Disposal of investment properties:			
Sales of investment properties	(144)	(144)	-
Transfers to disposal groups classified as assets held for sale – POBA joint venture assets <sup>(1)</sup>	(573,521)	-	(573,521)
Transfers to disposal groups classified as assets held for sale	(161,174)	(161,174)	-
<b>Total disposal of investment properties</b>	<b>(734,839)</b>	<b>(161,318)</b>	<b>(573,521)</b>
Gains and losses included in net income:			
Change in fair value of investment properties	76,639	(13,186)	89,825
Amortization of lease incentives	(1,458)	(1,247)	(211)
<b>Total gains (losses) included in net income</b>	<b>75,181</b>	<b>(14,433)</b>	<b>89,614</b>
Gains and losses included in other comprehensive income:			
Foreign currency translation loss	(100,719)	(35,133)	(65,586)
<b>Total losses included in other comprehensive income</b>	<b>(100,719)</b>	<b>(35,133)</b>	<b>(65,586)</b>
<b>Balance as at December 31, 2014</b>	<b>\$ 2,079,671</b>	<b>\$ 795,362</b>	<b>\$ 1,284,309</b>
Changes in unrealized gain (loss) included in net income for the year ended December 31, 2014:			
Change in fair value of investment properties	\$ 36,405	\$ (11,541)	\$ 47,946

(1) POBA joint venture refers to the Public Officials Benefit Association joint venture.

	Total	Initial Properties	Acquisition Properties
<b>Balance as at January 1, 2013</b>	\$ 1,182,757	\$ 919,814	\$ 262,943
Purchase of investment properties:			
Acquisition of properties	1,075,558	-	1,075,558
Building improvements	5,821	5,057	764
Lease incentives and initial direct leasing costs	6,055	5,120	935
<b>Total additions to investment properties</b>	<b>1,087,434</b>	<b>10,177</b>	<b>1,077,257</b>
Disposal of investment properties:			
Sales of investment properties	(23,943)	(23,943)	-
Transfers to disposal groups classified as assets held for sale <sup>(1)</sup>	(21,147)	(21,147)	-
<b>Total disposal of investment properties</b>	<b>(45,090)</b>	<b>(45,090)</b>	<b>-</b>
Losses included in net income:			
Change in fair value of investment properties	(57,032)	(5,580)	(51,452)
Amortization of lease incentives	(616)	(530)	(86)
<b>Total losses included in net income</b>	<b>(57,648)</b>	<b>(6,110)</b>	<b>(51,538)</b>
Gains included in other comprehensive income:			
Foreign currency translation gain	222,791	106,421	116,370
<b>Total gains included in other comprehensive income</b>	<b>222,791</b>	<b>106,421</b>	<b>116,370</b>
<b>Balance as at December 31, 2013</b>	<b>\$ 2,390,244</b>	<b>\$ 985,212</b>	<b>\$ 1,405,032</b>
Changes in unrealized losses included in net income for the year ended December 31, 2013:			
Change in fair value of investment properties	\$ (59,365)	\$ (7,145)	\$ (52,220)

(1) Of the total transferred to assets held for sale, \$21,147 were subsequently sold.

Straight-line rent receivable, composed of free rent and contractual rent increases accrued to rental revenue, of \$1,429 (December 31, 2013 – \$1,896) has been included in other non-current assets.

During the year ended December 31, 2014, the balances of the investment properties went down by \$310,573, reflecting the reclassification to assets held for sale of \$161,174 and the sale of Acquisition Properties to POBA, partially offset by acquisitions during the year totalling \$422,166. (Refer to Note 6 for details of the acquisitions.) Seven of the Acquisition Properties were sold to the POBA joint venture at a fair value of \$573,521. The REIT retained a 50% interest in those entities, which is classified as an investment in joint ventures. The REIT recognized a gain of \$46,337 on the sale transaction. (Refer to Note 9 for details on joint arrangements.)

During the year ended December 31, 2014, the fair value of the Acquisition Properties increased by \$110,691, partially reduced by a write-off of \$20,866 of capitalized transaction costs, resulting in a net increase in fair value adjustments of \$89,825. Of the increase in fair value, \$41,880 was recorded in Q2 in relation to the seven assets sold to POBA. During Q3, the remaining assets in the Acquisition Properties not part of the POBA sale increased in value by \$57,595. During Q4, the fair value of the Acquisition Properties increased by a further \$11,216. During the year ended December 31, the fair value of the Initial Properties decreased by \$13,186.

During the year ended December 31, 2014, the REIT disposed of 35 investment properties that were acquired in 2011 as part of the Initial Properties, five of which were reclassified as assets held for sale as at December 31, 2013. Net proceeds of \$126,425 (December 31, 2013 – \$22,801) were received on these sales and a loss on sale of \$4,464 (December 31, 2013 – \$1,142) related to the transaction costs incurred was recorded. As at December 31, 2014, the REIT entered into binding purchase and sale agreements to sell 12 additional properties valued at \$42,897 and these properties have been reclassified as assets held for sale. In total, The REIT also recorded a fair value loss of \$4,392 on these properties. (Refer to Note 18 for details on the assets held for sale.)

Future minimum contractual rent (excluding service charges) under current operating leases is as follows:

	December 31, 2014 <sup>(1)</sup>
Less than 1 year	\$ 142,033
1–5 years	390,571
Longer than 5 years	168,727
<b>Total</b>	<b>\$ 701,331</b>

(1) Includes income from head lease.

### Fair value hierarchy

Investment properties measured at fair value in the consolidated balance sheets are categorized by level according to the significance of the inputs used in making the measurements.

	December 31, 2014	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Recurring measurements</b>				
<b>Investment properties</b>				
Initial Properties	\$ 795,362	\$ -	\$ -	\$ 795,362
Acquisition Properties	1,284,309	-	-	1,284,309
<b>Total</b>	<b>\$ 2,079,671</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,079,671</b>
<b>Non-recurring measurements</b>				
Properties reclassified to assets held for sale	\$ 42,897	\$ -	\$ 42,897	\$ -

The REIT's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. For the year ended December 31, 2014, investment properties valued at \$42,897 were transferred out of Level 3 fair value measurements to Level 2 fair value measurements as these properties were under contract for sales during the year.

### Valuation techniques underlying management's estimates of fair value

Fair values for investment properties are calculated using both the direct income capitalization and discounted cash flow methods, which results in these measurements being classified as Level 3 in the fair value hierarchy. The REIT's management is responsible for determining fair value measurements included in the consolidated financial statements, including Level 3 fair value of investment properties. Investment properties are valued on a highest-and-best-use basis. For all of the REIT's investment properties, the current use is considered to be the highest and best use.

Investment properties with a fair value of \$1,284,309 (Acquisition Properties) have been valued using the direct income capitalization method. In applying this method, the stabilized net operating income ("NOI") of each property is divided by an appropriate capitalization rate. The following are the significant assumptions used in determining the value:

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

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

Investment properties with a value of \$795,362 (Initial Properties) were valued using the discounted cash flow (“DCF”) method. In applying this method, the income and expenditures of a specific property are projected assuming a ten-year hold period plus the forecasted net proceeds from the re-sale of the property at the end of the hold period using a discount rate reflecting the risks of the property being valued. The most significant assumptions incorporated into the DCF analysis include growth rates, exit capitalization rates and discount rates:

Discount rate	reflects the internal rate of return of a specific property. The discount rate is determined by analyzing sales of similar properties and yields of alternative investments. Consideration is given to ten-year bond yields and yields of high-quality corporate bonds to which an upward adjustment is made to reflect the increased risk associated with real estate investments and the specific risk associated with each asset.
Exit capitalization rate	based on the initial rate of return applicable to a property adjusted slightly upward to reflect the risk in negotiating new leases, older building age and the risk associated with a future sale.
Growth rate	based on the average increase in the consumer price index for Germany over the past three years and ranges from 1.4% to 2.0%. The weighted average growth rate used for the Initial Properties is 1.7%.

## Valuation processes

### Initial Properties

At December 31, 2014 and 2013, the REIT obtained external valuations for the Initial Properties including assets held for sale, representing approximately 39% of the investment property portfolio. In 2014, properties with a value of \$838,259 (€597,136) were valued externally (2013 – \$1,006,359 [€686,700]). The external valuations are prepared by independent, professionally qualified appraisers who hold a recognized, relevant professional qualification and have recent experience in the location and category of the respective property. For properties subject to an independent valuation report, the management team verifies all major inputs to the valuation and reviews the results with the independent appraisers.

Significant unobservable inputs in Level 3 valuations related to the Initial Properties including assets held for sale are as follows:

Valuation method	Input	Range	December 31, 2014	
				Weighted average
Discounted cash flow	Discount rate	5.0%–25.7%		8.4%
	Exit capitalization rate	4.0%–20.0%		7.3%
	Annual cash flow	n/a	\$	58,370

If both the discount rate and exit capitalization rate were to increase by 25 bps, the value of Initial Properties would decrease by \$35,080. If both the discount rate and exit capitalization rate were to decrease by 25 bps, the value of the Initial Properties would increase by \$38,096.

### Acquisition Properties

At December 31, 2014 and 2013, the REIT performed internal valuations for Acquisition Properties. In 2014, properties with a value of \$1,284,309 (€914,880) were subject to internal valuations (2013 – \$1,405,032 [€958,739]). The valuations are prepared by management with inputs based on market observations and corroborated, in specific cases, through discussions with professionally qualified appraisers.

Significant unobservable inputs in Level 3 valuations related to the Acquisition Properties are as follows:

Valuation method	Input	Range	December 31, 2014	
				Weighted average
Direct income capitalization	Capitalization rate	4.7%–7.7%		6.2%
	Annual cash flow	n/a	\$	83,140

If the capitalization rate were to increase by 25 bps, the value of Acquisition Properties would decrease by \$52,067. If the capitalization rate were to decrease by 25 bps, the value of Acquisition Properties would increase by \$56,699.

## Note 8

### AMOUNT IN ESCROW AND DEFERRED RENT

	December 31, 2014	December 31, 2013
Amount in escrow	\$ -	\$ 6,220
Deferred rent	-	6,220

## Note 9

### JOINT ARRANGEMENTS

The Trust participates in partnerships (“joint ventures”) with other parties that own investment properties and accounts for its interests using the equity method.

During Q3 2014, the REIT entered into a joint venture agreement with POBA to sell a 50% interest in seven of the Acquisition Properties, which were each held in separate subsidiaries. The closings were completed in three tranches over the course of Q4 2014. Pursuant to this arrangement, the REIT no longer has control of these property subsidiaries and as such, has classified its 50% interest in each of these entities as investments in joint ventures and accounted for the investment using the equity method. As a result, seven Acquisition Properties valued at \$573,521 and the related mortgages valued at \$314,454 were derecognized at December 31, 2014.

The total consideration to the REIT for the 50% interest in the investment properties was \$311,326. The consideration consisted of the assumption of working capital of \$2,246, POBA assuming 50% of the outstanding mortgages, which totalled \$157,227, with the balance of \$156,345 paid to the REIT in cash. The REIT incurred transaction costs of \$4,456 relating to the sale, resulting in net proceeds to the REIT of \$151,889.

In selling a 50% interest in the seven properties, the REIT and POBA entered into a co-ownership arrangement regarding these assets. Under these circumstances, IFRS requires the REIT to derecognize the assets and record the gain that accrued prior to selling control on 100% of the assets sold. The purchase price consideration paid by POBA and the fair value of the REIT’s retained interest in the joint venture exceeded the carrying value of the net assets held within each subsidiary entity. As such, the REIT recorded a gain on the sale of \$46,337, including \$3,099 of deferred tax gain and net of transaction costs of \$4,456. Of this total gain, \$25,570 relates to remeasuring the retained interest in the joint venture at fair value. As at December 31, 2014, the carrying value of the investment in the POBA joint venture is \$159,807, which includes the fair value remeasurement of \$25,570.

As part of the arrangement with POBA, the REIT has extended a loan facility to POBA to fund POBA’s share of the loan amortization payments over the term of the outstanding mortgages assumed on the seven properties. The REIT has received prepaid interest of \$2,807, which will be amortized over the term of the respective mortgages. In addition, POBA will pay the REIT the interest savings on its 50% share of the interest saved from the loan amortization payments. The balance of the loan facility outstanding at the time of maturity of the respective mortgages is due and payable to the REIT.

Under the terms of the POBA joint venture agreement, the REIT terminated an asset management agreement that was in place on certain Acquisition Properties, including three POBA joint venture assets, and paid a cancellation fee. The portion of the cancellation fee relating to the non-POBA joint venture assets has been recorded as a contract termination fee for \$510 and included in the statements of income and comprehensive income.

The investment properties that the joint ventures hold are consistent in terms of the class and type of properties held in the Trust’s portfolio.

Name	Location	Ownership interest (%)	
		December 31, 2014	December 31, 2013
POBA joint venture			
Löwenkontor	Berlin, Germany	50	-
Vordernbergstrasse 6/Heilbronner Strasse 35 (Z-UP)	Stuttgart, Germany	50	-
Speicherstrasse 55 (Werfthaus)	Frankfurt, Germany	50	-
Derendorfer Allee 4-4a (doubleU)	Düsseldorf, Germany	50	-
Neue Mainzer Strasse 28 (K26)	Frankfurt, Germany	50	-
ABC-Strasse 19 (ABC Bogen)	Hamburg, Germany	50	-
Marsstrasse 20-22	Munich, Germany	50	-
Lorac Investment Management S.à r.l.	Luxembourg, Luxembourg	50	50

Name	Net assets at % ownership interest	
	December 31, 2014	December 31, 2013
Löwenkontor	\$ 21,038	\$ -
Vordernbergstrasse 6/Heilbronner Strasse 35 (Z-UP)	11,553	-
Speicherstrasse 55 (Werfthaus)	21,064	-
Derendorfer Allee 4-4a (doubleU)	20,162	-
Neue Mainzer Strasse 28 (K26)	28,170	-
ABC-Strasse 19 (ABC Bogen)	33,830	-
Marsstrasse 20-22	23,990	-
<b>Investment in POBA joint venture</b>	<b>159,807</b>	<b>-</b>
Lorac Investment Management S.à r.l. <sup>(1)</sup>	160	203
<b>Total investment in joint ventures</b>	<b>\$ 159,967</b>	<b>\$ 203</b>

(1) The prior year Lorac balance is included in other non-current assets on the consolidated balance sheet.

Name	Share of net income (loss) at % ownership interest for year ended December 31,	
	2014	2013
Löwenkontor	\$ 1,713	\$ -
Vordernbergstrasse 6/Heilbronner Strasse 35 (Z-UP)	(36)	-
Speicherstrasse 55 (Werfthaus)	704	-
Derendorfer Allee 4-4a (doubleU)	202	-
Neue Mainzer Strasse 28 (K26)	(217)	-
ABC-Strasse 19 (ABC Bogen)	(40)	-
Marsstrasse 20-22	161	-
<b>Share of net income from POBA joint venture</b>	<b>2,487</b>	<b>-</b>
Lorac Investment Management S.à r.l.	26	28
<b>Share of net income from investment in joint ventures</b>	<b>\$ 2,513</b>	<b>\$ 28</b>

The following amounts represent 100% and the Trust's ownership interest in the assets, liabilities, revenues, expenses and cash flows in the equity accounted investments in which the Trust participates.

	POBA joint venture December 31, 2014	
	At 100%	At 50%
<b>Non-current assets</b>		
Investment properties	\$ 568,834	\$ 284,417
Other non-current assets	968	484
	569,802	284,901
<b>Current assets</b>		
Amounts receivable	4,456	2,228
Prepaid expenses	56	28
Cash	6,244	3,122
	10,756	5,378
Total assets	580,558	290,279
<b>Non-current liabilities</b>		
Debt	299,494	149,747
Deposits	292	146
	299,786	149,893
<b>Current liabilities</b>		
Debt	5,978	2,989
Amounts payable and accrued liabilities	6,222	3,111
Income tax payable	98	49
	12,298	6,149
Total liabilities	312,084	156,042
<b>Net assets</b>	\$ 268,474	\$ 134,237

	POBA joint venture December 31, 2014	
	At 100%	At 50%
Investment properties revenue	\$ 3,296	\$ 1,648
Investment properties operating expenses	(592)	(296)
Net rental income	2,704	1,352
<b>Other income</b>		
Interest income and other income	28	14
	28	14
<b>Other expenses</b>		
General and administrative	(412)	(206)
Interest expense	(746)	(373)
	(1,158)	(579)
<b>Fair value adjustments to investment properties</b>		
Fair value adjustments to investment properties	3,406	1,703
<b>Income before income taxes</b>	4,980	2,490
Current income taxes	(6)	(3)
<b>Net income for the year</b>	\$ 4,974	\$ 2,487



	POBA joint venture December 31, 2014	
	At 100%	At 50%
Cash flow generated from (utilized in): <sup>(1)</sup>		
Operating activities	\$ 1,036	\$ 518
Investing activities	(500)	(250)
Financing activities	(1,896)	(948)
<b>Decrease in cash</b>	<b>\$ (1,360)</b>	<b>\$ (680)</b>

(1) The decrease in cash reflects payments made by the joint venture entities relating to working capital items that were in existence prior to the joint venture being formed.

## Note 10

### OTHER NON-CURRENT ASSETS

	December 31, 2014	December 31, 2013
Other assets	\$ 37	\$ 240
Fixtures and computer equipment	232	152
Straight-line rent receivable	1,429	1,896
<b>Total</b>	<b>\$ 1,698</b>	<b>\$ 2,288</b>

## Note 11

### AMOUNTS RECEIVABLE

	December 31, 2014	December 31, 2013
Trade receivables	\$ 12,509	\$ 8,071
Less: Provision for impairment of trade receivables	(1,165)	(655)
Trade receivables, net	11,344	7,416
Other amounts receivable	6,111	10,733
<b>Total</b>	<b>\$ 17,455</b>	<b>\$ 18,149</b>

As at December 31, 2014, other amounts receivable include amounts receivable from tenants in relation to operating cost recoveries of \$2,244 (December 31, 2013 – \$7,358).

The carrying amount of amounts receivable approximates fair value due to their current nature. As at December 31, 2014, trade receivables of approximately \$3,599 (December 31, 2013 – \$741) were past due but not considered impaired as the Trust has ongoing relationships with these tenants and the aging of these trade receivables is not indicative of default.

## Note 12

### DEBT

	December 31, 2014	December 31, 2013
Mortgage debt	\$ 701,325	\$ 825,014
Convertible debentures	152,365	150,326
Term loan credit facility	374,706	448,972
Total	1,228,396	1,424,312
Less: Current portion	70,514	20,356
<b>Non-current debt</b>	<b>\$ 1,157,882</b>	<b>\$ 1,403,956</b>

First-ranking mortgages on all of the investment properties have been provided as security for either the mortgage debt or the term loan credit facility.

## Mortgage debt

On February 14, 2014, the Trust committed to a mortgage agreement with a principal balance of €8,700 (\$13,237) at a fixed rate of 1.98% per annum, maturing on March 31, 2019, in connection with the acquisition of Werner-Eckert-Straße 8, 10, 12, Munich. The Trust received the proceeds of the mortgage on March 28, 2014. The mortgage requires quarterly repayments with a principal amortization of 1.75% per annum of the initial loan amount.

On March 4, 2014, the Trust committed to a mortgage agreement with a principal balance of €36,840 (\$55,765) at a fixed rate of 2.33% per annum, maturing on February 26, 2021, in connection with the acquisition of My Falkenried in Hamburg. The Trust received the proceeds of the mortgage on April 29, 2014. The mortgage requires quarterly repayments with a principal amortization of 1% per annum of the initial loan amount.

On July 31, 2014, the Trust drew on a mortgage with a principal balance of €28,500 (\$41,556) at a fixed rate of 1.99% per annum, maturing on January 31, 2022, in connection with the acquisition of Officium in Stuttgart. The mortgage requires quarterly repayments with a principal amortization of 1.6% per annum of the initial loan amount.

On September 30, 2014, the Trust committed to a mortgage agreement with a principal balance of €24,500 (\$35,317) at a fixed rate of 1.819% per annum, maturing on September 30, 2022, in connection with the acquisition of Europahaus in Darmstadt. The Trust received the proceeds of the mortgage on October 20, 2014. The mortgage requires quarterly repayments with a principal amortization of 1.00% per annum of the initial loan amount.

On November 14, 2014, the Trust drew on a mortgage with a principal balance of €69,100 (\$97,500) at a fixed rate of 1.77% per annum, maturing on November 14, 2024, in connection with the acquisition of Im Mediapark 8 (Cologne Tower), Cologne. The mortgage requires quarterly repayments with a principal amortization of 1.6% per annum of the initial loan amount.

During the last quarter of 2014, the REIT sold a 50% interest in seven Acquisition Properties as part of a joint venture agreement with POBA. In conjunction with this sale, 50% of the mortgage debt relating to the seven assets was assumed by POBA. Since the investment in the joint venture is equity accounted, 100% of the debt on the seven properties has been removed from mortgage debt in the Trust's financial statements. (Refer to Note 9 for details on investment in joint ventures.)

## Convertible debentures

On August 3, 2011, the Trust issued a \$140,000 principal amount of convertible unsecured subordinated debentures (the "Debentures"). On August 29, 2011, the Trust issued an additional \$21,000 principal amount of Debentures. The Debentures bear interest at 5.5% per annum, payable semi-annually on July 31 and January 31 each year, and mature on July 31, 2018. Each Debenture is convertible at any time by the debenture holder into 76.9231 Units per one thousand dollars of face value, representing a conversion price of \$13.00 per REIT Unit. On or after August 31, 2014, and prior to August 31, 2016, the Debentures may be redeemed by the Trust, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided the weighted average trading price for the Trust's Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On or after August 31, 2016, and prior to July 31, 2018, the maturity date, the Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. The Debentures were initially recorded on the consolidated balance sheets as debt of \$152,894 less costs of \$6,931. In addition, the Trust allocated \$8,106 to the conversion feature on initial recognition, which was deducted from the principal balance and will be accreted to the principal amount of the Debenture over its term. As at December 31, 2014, the outstanding principal amount is \$161,000 (December 31, 2013 – \$161,000).

## Term loan credit facility

On August 3, 2011, the Trust obtained a term loan credit facility (the "Facility") for gross proceeds of €328,500 (\$448,395). Costs relating to the Facility were \$10,896. These costs were reduced by proceeds of \$9,555 received from the vendor to compensate the Trust for higher than expected financing costs. The Facility initially had a term of five years, which could be extended for a further two years, subject to the satisfaction of certain conditions precedent at the time of the extension. Variable rate interest is calculated and payable quarterly under the Facility at a rate equal to the aggregate of the three-month EURIBOR plus a margin of 200 basis points (the "margin") and an agency fee of 10 basis points. Pursuant to the Facility, the Trust was required to enter into an interest rate swap that fixed 80% of the variable interest rate payable under the Facility (the "Fixed Rate Portion") at a fixed interest rate not to exceed 3.5%, excluding the margin, and was required to purchase a cap instrument to cover 10% of the variable rate interest payable so that such interest rate does not exceed 5% (excluding the margin). The remaining 10% of interest payable would continue to be calculated quarterly on a variable rate basis. To comply with the Facility's requirement, on the day of closing the Trust entered into an interest rate swap to pay a fixed rate of 4.05% on 80% of the Facility and an interest rate cap of 5.00% on 10% of the Facility at a cost of \$9,986.

No amortization of principal under the Facility is required during the first three years of the Facility term. Thereafter, interest together with amortization of principal equal to 2% per annum of the initial loan amount will be payable on a quarterly basis (including the extension term, if any). Effective August 3, 2013, the Trust was required to pay the additional interest of 1% on the portion of the €100,000 plus a 15% prepayment amount, less any amounts repaid. Additionally, an applicable prepayment fee of 0.6% is payable for repayments made prior to August 3, 2014 and 0.25% for repayments made prior to August 3, 2015. No repayment fee is payable for repayments made in the final year of the Facility. During the year ended December 31, 2014, the Trust repaid €46,561 (\$67,036) in connection with the disposed properties including prepayment amounts, and mandatory repayments, in accordance with the terms of the Facility. For the year ended December 31, 2012, the Trust repaid €2,665 (\$3,426) in connection with the disposition of five properties. During the year ended December 31, 2013, the Trust repaid €10,115 (\$14,007) in connection with the disposition of 15 properties including prepayment amounts and made a lump sum repayment of €2,000 (\$2,772). As a result of these dispositions, the €100,000 plus 15% prepayment portion has been reduced to €53,659 as at December 31, 2014, of which €47,986 (\$67,363) was allocated to the Fixed Rate Portion of the Facility and the remainder was allocated to the variable rate portion of the debt. Factoring the additional 1% the Trust has to pay on the €53,659 (\$75,327), the Trust paid a rate of 4.23% (December 31, 2013 – 4.24%) on the Fixed Rate Portion of €261,486 and a rate of 3.23% (December 31, 2013 – 3.37%) on the €5,673 variable portion of the Facility (December 31, 2013 – €50,921), resulting in a blended rate of 4.21% as at December 31, 2014 (December 31, 2013 – 4.09%).

The Facility requires certain bank accounts to be pledged, and that all net rental income from the Initial Properties be paid into a rent collections account established by the Trust, to be released only after budgeted non-recoverable operating expenses (including an agreed property and asset management fee) are paid.

The Facility includes default and cash trap covenants requiring the Trust to maintain certain loan-to-value and debt service coverage ratios, each of which are calculated on a quarterly basis. The Facility agreement requires the debt service coverage ratio to be equal to or above 145% at each interest payment date. If these ratios are not met at any time, the lenders may withhold 50% of the excess cash flow on a monthly basis as additional security for the Facility until the ratios are once again satisfied. On satisfaction of the relevant ratio, the excess cash flow may again be distributed to the Trust; however, any cash previously trapped will not be released and will be used at the time of each future quarterly testing date until the ratio is satisfied for two consecutive quarters. As at December 31, 2014, the Trust was in compliance with its loan covenants.

In addition, the Facility required that DAM and Dundee Corporation combined maintained at least \$120,000 of equity in the REIT for a two-year period until August 3, 2013 and continue to maintain at least \$48,000 of equity for the remainder of the term of the Facility. As at December 31, 2014, DAM and Dundee Corporation combined are in compliance with the requirements.

### **Revolving credit facility**

On October 10, 2013, the REIT entered into an agreement with a Canadian bank to provide a revolving credit facility not to exceed €25,000. The REIT increased the revolving credit facility to €50,000 on August 14, 2014, with no change to the covenants or interest rate spreads, and the term has been extended to September 25, 2016. The requirement to provide a pledge of 10% of outstanding equity of a subsidiary as collateral has been removed. Instead, the REIT has provided a general security agreement. The interest rate on any Canadian dollar advances is prime plus 200 basis points and/or bankers' acceptance rates plus 300 basis points. For euro advances, the rate is 300 basis points over the three-month EURIBOR rate. Total financing costs incurred amounted to \$765 as at December 31, 2014. The revolving credit facility agreement requires the Trust to maintain: a debt-to-book value rating not to exceed 0.6:1; a minimum interest coverage ratio of 2:1; and a minimum net worth of \$700,000. During the year, the revolving credit facility had been drawn and repaid multiple times to bridge investing and mortgage financing activities. As at December 31, 2014, the outstanding balance of the credit facility was €nil (\$nil) and the Trust was in compliance with the covenants of the revolving credit facility. As at December 31, 2014, the Trust had an undrawn letter of credit in the amount of \$1,684 committed against the credit facility.

The weighted average interest rates for the fixed and floating components of debt are as follows:

	Face interest rates		Weighted average effective interest rate		Maturity dates	Debt amount	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013		December 31, 2014	December 31, 2013
<b>Fixed rate</b>							
Mortgage debt	2.33%	2.57%	2.49%	2.84%	2015–2024	\$ 701,325	\$ 825,014
Term loan credit facility <sup>(1)</sup>	4.23%	4.24%	4.23%	4.28%	2016	366,749	384,604
Convertible debentures	5.50%	5.50%	7.31%	7.31%	2018	152,365	150,326
<b>Total fixed rate debt</b>	<b>3.30%</b>	<b>3.37%</b>	<b>3.61%</b>	<b>3.74%</b>		<b>1,220,439</b>	<b>1,359,944</b>
<b>Variable rate</b>							
Term loan credit facility	3.23%	3.37%	3.22%	3.40%	2016	7,957	64,368
<b>Total variable rate debt</b>	<b>3.23%</b>	<b>3.37%</b>	<b>3.22%</b>	<b>3.40%</b>		<b>7,957</b>	<b>64,368</b>
<b>Total debt</b>	<b>3.30%</b>	<b>3.37%</b>	<b>3.61%</b>	<b>3.72%</b>		<b>\$ 1,228,396</b>	<b>\$ 1,424,312</b>

(1) As at December 31, 2014, 98% of the term loan credit facility is subject to an interest rate swap in place until August 3, 2016, pursuant to the term loan credit facility agreement, and has been presented as fixed rate debt.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term loan	Convertible debentures	Total
2015	\$ 32,486	\$ 38,028	\$ -	\$ 70,514
2016	12,511	337,010	-	349,521
2017	65,036	-	-	65,036
2018	146,760	-	161,000	307,760
2019	38,730	-	-	38,730
2020 and thereafter	414,525	-	-	414,525
	\$ 710,048	\$ 375,038	\$ 161,000	1,246,086
Acquisition date fair value adjustments				(4,682)
Transaction costs				(13,008)
				\$ 1,228,396

## Note 13

### DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2014	December 31, 2013
Interest rate swaps (Note 26)	\$ 10,623	\$ 13,764
Interest rate cap (Note 26)	-	(18)
Foreign exchange forward contracts (Note 26)	1,492	15,941
Conversion feature of the Debentures (Notes 12 and 26)	158	384
<b>Total</b>	<b>12,273</b>	<b>30,071</b>
Less: Current portion	8,853	13,772
<b>Non-current portion</b>	<b>\$ 3,420</b>	<b>\$ 16,299</b>

The movement in the conversion feature on the convertible debentures was as follows:

	For the year ended December 31, 2014
Balance at beginning of year	\$ 384
Remeasurement of conversion feature	(226)
<b>Balance at end of year</b>	<b>\$ 158</b>

## Foreign currency contracts

The Trust has various currency forward contracts in place to sell euros for Canadian dollars for the next 36 months. The Trust currently has foreign exchange forward contracts to sell €121,166 total from January 2015 to December 2017 at an average exchange rate of \$1.417 per euro.

## Note 14

### DEFERRED UNIT INCENTIVE PLAN

The movement in the Deferred Unit Incentive Plan balance was as follows:

As at January 1, 2013	\$	3,629
Compensation during the year		1,313
Asset management fees during the year		2,113
Issue of deferred units		(164)
Remeasurements of carrying value		(585)
As at December 31, 2013		6,306
Compensation during the year		1,648
Asset management fees during the year		2,541
Issue of deferred units		(793)
Remeasurements of carrying value		(337)
<b>As at December 31, 2014</b>	<b>\$</b>	<b>9,365</b>

On August 3, 2011, DAM elected to receive the first \$3,500 of the base asset management fees payable on the properties acquired on August 3, 2011 by way of deferred trust units under the Asset Management Agreement in each year for the next five years. The deferred trust units granted to DAM vest annually over five years, commencing on the fifth anniversary date of the units being granted.

On termination of the Asset Management Agreement, unvested trust units granted to DAM vest immediately.

Deferred units granted to DAM for payment of asset management fees are initially measured, and subsequently remeasured at each reporting date, at fair value. The deferred units are considered to be restricted stock, and the fair value is estimated by applying a discount to the market price of the corresponding Units. The discount is estimated based on a hypothetical put-call option, valued using a Black Scholes option pricing model, which takes into consideration the volatility of the Canadian REIT and the German real estate equity markets, the respective holding period of the deferred units, and the risk-free interest rate. The carrying value of the deferred units granted to DAM is most sensitive to changes in volatility and the relative weighting of the put option and call option values.

The fair value of the deferred trust units is based on the market price of Dream Global REIT units and the application of an appropriate discount rate to reflect the vesting period. The significant unobservable inputs used in determining the discount include the following:

	2014	2013
Risk-free rate	1.3%–1.5%	2.0%–2.3%
Expected volatility	27%	28%

The volatility of the units is estimated based on comparable companies in both the German and Canadian real estate markets. The discount rate used to value the deferred trust units is determined by a put-and-call model calculated using the Black Scholes option pricing model. A higher volatility or risk-free rate will decrease the value of the deferred trust units and vice versa.

	Fair value as at December 31, 2014	
Units at December 31, 2014, closing price of \$8.57 per unit	\$	11,695
Discount rate of 24% per unit for units issued in 2011		(244)
Discount rate of 25% per unit for units issued in 2012		(771)
Discount rate of 46% per unit for units issued in 2013		(1,576)
Discount rate of 49% per unit for units issued in 2014		(2,043)
	\$	7,061

	Fair value as at December 31, 2013	
Units at December 31, 2013, closing price of \$8.42 per unit	\$	7,680
Discount rate of 35% per unit for units issued in 2011		(345)
Discount rate of 37% per unit for units issued in 2012		(1,113)
Discount rate of 38% per unit for units issued in 2013		(1,403)
	\$	4,819

During the year ended December 31, 2014, \$2,541 of asset management fees were recorded (December 31, 2013 – \$2,113) based on the fair value of the deferred units issued, with an appropriate discount to reflect the restricted period of exercise, and are included in general and administrative expenses. The fees were settled by the grant of 422,171 deferred trust units during the year (December 31, 2013 – 373,160) and 30,410 deferred trust units granted on January 1, 2015 (January 1, 2014 – 34,031). As at January 1, 2014, 1,364,659 unvested deferred trust units and income deferred units (January 1, 2014 – 912,078) were outstanding with respect to the asset management fee. Compensation expense of \$1,648 for the period (December 31, 2013 – \$1,313) was also included in general and administrative expenses.

On February 26, 2014, 110,300 deferred trust units were granted to senior management and trustees. Of the 110,300 units granted, 67,000 relate to trustees and key management personnel. The grant date value for the deferred trust units of the grant was \$8.88.

On May 7, 2014, 26,000 deferred trust units were granted to trustees and an additional 23,723 deferred trust units were granted to trustees who elected to receive their 2014 annual retainer in the form of deferred units rather than cash.

On February 21, 2013, 174,500 deferred trust units were granted to senior management and trustees. Of the 174,500 units granted, 102,000 relate to trustees and key management personnel. The grant date value for the deferred trust units of the grant was \$11.04.

On May 9, 2013, 25,347 deferred trust units were granted to trustees who elected to receive their 2013 annual retainer in the form of deferred units rather than cash.

#### Note 15

#### AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2014	December 31, 2013
Trade payables	\$ 11,473	\$ 9,447
Accrued liabilities and other payables	34,253	19,589
Accrued interest	3,759	3,904
<b>Total</b>	<b>\$ 49,485</b>	<b>\$ 32,940</b>

## Note 16

### DISTRIBUTIONS

The following table breaks down distribution payments for the year ended December 31:

	2014	2013
Paid in cash	\$ 73,795	\$ 67,530
Paid by way of reinvestment in Units	15,222	10,145
Less: Payable at December 31, 2013 (December 31, 2012)	(7,314)	(4,816)
Plus: Payable at December 31, 2014 (December 31, 2013)	7,431	7,314
<b>Total</b>	<b>\$ 89,134</b>	<b>\$ 80,173</b>

The distribution for the month of December 2014 in the amount of \$0.0667 per unit, declared on December 17, 2014 and payable on January 15, 2015, amounted to \$7,431. The amount payable as at December 31, 2014 was satisfied on January 15, 2014 by \$6,301 cash and \$1,130 through the issuance of 128,771 Units. The distribution for the month of January 2015 was declared in the amount of \$0.0667 per unit, payable on February 15, 2015.

The Trust declared distributions of \$0.0667 per unit per month for the months of January 2014 to December 2014.

## Note 17

### EQUITY

	December 31, 2014		December 31, 2013	
	Number of Units	Amount	Number of Units	Amount
<b>Total</b>	<b>111,466,697</b>	<b>\$ 1,120,220</b>	109,698,977	\$ 1,034,005

### REIT Units

The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Trust Units. The Special Trust Units may only be issued to holders of Exchangeable Notes.

### Distribution Reinvestment and Unit Purchase Plan

The Distribution Reinvestment Plan ("DRIP") allows holders of Units, other than unitholders who are resident of or present in the United States of America, to elect to have all cash distributions from the REIT reinvested in additional Units. Unitholders who participate in the DRIP receive an additional distribution of Units equal to 4% of each cash distribution that was reinvested. The price per unit is calculated by reference to a five-day weighted average closing price of the Units on the Toronto Stock Exchange preceding the relevant distribution date, which is typically on or about the 15th day of the month following the declaration. For the year ended December 31, 2014, 1,677,622 Units were issued pursuant to the DRIP for \$15,222 (December 31, 2013 – 1,066,792 Units for \$10,145).

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional Units by existing unitholders. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional Units that may be acquired. The price per unit is calculated in a similar manner to the DRIP. No commission, 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, 2014, 3,683 Units were issued under the Unit Purchase Plan for \$34 (December 31, 2013 – 7,059 Units for \$72).

### Deferred Unit Incentive Plan

The Deferred Unit Incentive Plan ("DUIP") provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once issued, each deferred trust unit and the related distribution of income deferred trust units vest evenly over a three- or five-year period on the anniversary date of the grant except for certain deferred trust units granted to DAM under the Asset Management Agreement. Subject to an election option available for certain participants to postpone receipt of Units, such Units will be issued immediately on vesting. Up to a maximum of 2,074,000 deferred trust units are issuable under the DUIP.

For the year ended December 31, 2014, 86,415 Units were issued to trustees, officers and employees pursuant to the DUIP for \$793 (December 31, 2013 – 17,632 Units for \$164).

## Note 18

### ASSETS HELD FOR SALE

As at December 31, 2014, the Trust classified 12 properties as held for sale. Management has committed to a plan of sale, and therefore, the properties have been reclassified as current assets for sale.

	December 31, 2014	December 31, 2013
Investment properties	\$ 42,897	\$ 21,147
Other non-current assets	1	13
Prepaid expenses and other assets	1,465	46
<b>Assets held for sale</b>	<b>44,363</b>	<b>21,206</b>
Debt	-	(10,106)
Amounts payable and accrued liabilities	(1,424)	(4,977)
<b>Liabilities related to assets held for sale</b>	<b>(1,424)</b>	<b>(15,083)</b>
<b>Net assets</b>	<b>\$ 42,939</b>	<b>\$ 6,123</b>

### Investment properties held for sale

	For the year ended December 31, 2014	For the year ended December 31, 2013
<b>Balance at beginning of year</b>	<b>\$ 21,147</b>	<b>\$ -</b>
Building improvements	11	-
Lease incentives and initial direct leasing costs	(131)	-
Investment properties reclassified as held for sale	161,174	21,147
Investment properties reclassified as held for sale – POBA joint venture assets	573,521	-
Fair value adjustments	(4,392)	-
Disposals	(130,746)	-
Disposals – POBA joint venture assets	(573,521)	-
Foreign currency translation	(4,166)	-
<b>Balance at end of year</b>	<b>\$ 42,897</b>	<b>\$ 21,147</b>

## Note 19

### INTEREST EXPENSE

#### Interest on debt

Interest on debt incurred and charged to comprehensive income is recorded as follows:

	Year ended December 31,	
	2014	2013
Interest on term loan credit facility	\$ 11,972	\$ 10,940
Interest on convertible debentures	8,862	8,862
Interest on mortgage debt	22,371	15,114
Standby fees on revolving credit facility	835	333
Amortization of financing costs, discounts and fair value adjustments on acquired debt	4,158	3,257
<b>Interest expense</b>	<b>\$ 48,198</b>	<b>\$ 38,506</b>



Note 20

**FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS**

	Year ended December 31,	
	2014	2013
Fair value gain (loss) on interest rate swaps and cap	\$ (3,898)	\$ 226
Fair value gain on conversion feature of convertible debentures	226	3,761
Fair value gain on Deferred Unit Incentive Plan	337	585
Fair value gain (loss) on foreign exchange forward contracts	6,391	(16,022)
	<b>\$ 3,056</b>	<b>\$ (11,450)</b>

Note 21

**INCOME TAXES**

**Reconciliation of tax expense**

	Year ended December 31,	
	2014	2013
Income before income taxes	\$ 225,996	\$ 20,620
Income attributable to shareholders of subsidiaries	(909)	-
Income before income taxes attributable to Unitholders of the Trust	225,087	20,620
Tax calculated at the German corporate tax rate of 15.825%	35,620	3,263
Increase (decrease) resulting from:		
Expenses not deductible for tax	436	424
Effect of different tax rates in countries in which the group operates	(526)	(546)
Income distributed and taxable to unitholders	(9,710)	(5,286)
Tax benefits not previously recognized	(110)	(33)
Impact from sale of assets	(8,488)	-
Other items	(163)	33
<b>Provision for (recovery of) income taxes</b>	<b>\$ 17,059</b>	<b>\$ (2,145)</b>

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

	December 31,	December 31,
	2014	2013
Deferred tax asset (liability) related to difference in tax and book basis of investment properties	\$ (14,619)	\$ 1,813
Deferred tax asset related to difference in tax and book basis of financial instruments	2,110	3,001
Deferred tax asset related to tax loss carry-forwards	11,443	6,744
Deferred tax asset related to differences in tax and book basis of financing costs	390	755
Deferred tax liability related to investment in joint venture	(43)	-
<b>Total deferred income tax assets (liabilities)</b>	<b>\$ (719)</b>	<b>\$ 12,313</b>

## Note 22

### RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

The REIT entered into an asset management agreement with DAM (“Asset Management Agreement”) pursuant to which DAM provides certain asset management services to the REIT and its subsidiaries. The Asset Management Agreement provides for a broad range of asset management services for the following fees:

- base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the historical purchase price of the properties;
- incentive fee equal to 15% of the REIT’s adjusted funds from operations per unit in excess of \$0.93 per unit; increasing annually by 50% of the increase in the weighted average consumer price index (or other similar metric as determined by the trustees) of the jurisdictions in which the properties are located;
- capital expenditures 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;
- acquisition fee equal to: (a) 1.0% of the purchase price of a property, on the first \$100,000 of properties 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 on properties in excess of \$200,000 in each fiscal year. DAM did not receive an acquisition fee in respect of the acquisition of the Initial Properties; and
- financing fee equal to 0.25% of the debt and equity of all financing transactions completed on behalf of the REIT to a maximum of actual expenses incurred by DAM in supplying services relating to financing transactions. DAM did not receive a financing fee in respect of the acquisition of the Initial Properties.

Pursuant to the Asset Management Agreement, DAM may elect to receive all or part of the fees payable to it for its asset management services in deferred trust units under the Deferred Unit Incentive Plan. The number of deferred trust units issued to DAM will be calculated by dividing the fees payable to DAM by the fair value for this purpose on the relevant payment date of the Units. Fair value for this purpose is the weighted average closing price of the Units on the principal market on which the Units are quoted for trading for the five trading days immediately preceding the relevant payment date. The deferred trust units will vest on a five-year schedule, pursuant to which one-fifth of the deferred trust units will vest, starting on the sixth anniversary date of the grant date for deferred trust units granted during the first five years of the Asset Management Agreement and starting on the first anniversary date of the grant date thereafter. Income deferred trust units will be credited to DAM based on distributions paid by the Trust on the Units and such income deferred trust units will vest on the same five-year schedule as their corresponding deferred trust units. For accounting purposes, the deferred units relate to services provided during the year and the corresponding expense is recognized during the year. DAM has irrevocably elected to receive the first \$3,500 of the fees payable to it in each year for the first five years for its asset management services in deferred trust units.

Deferred units granted to DAM for payment of asset management fees are included in general and administrative expenses during the year as they relate to services provided during the year, and the units and fees are initially measured by applying a discount to the fair value of the corresponding Units. The discount is estimated by applying the Black Scholes option pricing model, taking into consideration the volatility of the Canadian REIT equity market and the German real estate industry. Once recognized, the liability is remeasured at each reporting date at a discount to the fair values of the corresponding Units, with the change being recognized in comprehensive income as a fair value adjustment to financial instruments.

During the year ended December 31, 2014, the REIT recognized \$7,432 (year ended December 31, 2013 – \$5,438) in relation to asset management fees under the Asset Management Agreement with DAM, which is included in general and administrative expenses. Of this total, \$2,541 (year ended December 31, 2013 – \$2,113) was payable in deferred trust units and \$4,891 (year ended December 31, 2013 – \$3,325) was payable in cash. As at January 1, 2015, 1,364,659 (January 1, 2014 – 912,077) deferred trust units and income deferred trust units were granted under this agreement and remained unvested. The REIT also paid \$2,845 for asset acquisition fees incurred on acquisitions completed in the year ended December 31, 2014 (year ended December 31, 2013 – \$5,892), which were capitalized as acquisition costs and then written off on remeasurement of the investment properties. The REIT also incurred \$421 in financing fees related to the mortgage financing service during the year (year ended December 31, 2013 – \$518). The fees were either charged to prepaid financing costs or deferred financing costs and amortized over the term of the mortgage financing. During the year ended December 31, 2014, the REIT also reimbursed DAM for out-of-pocket and incidental costs of \$585, pursuant to the terms of the Asset Management Agreement, which has been included in general and administrative expenses.

Included in amounts payable as at December 31, 2014 is \$3,871 (December 31, 2013 – \$2,523) related to the Asset Management Agreement with DAM. Included in amounts receivable as at December 31, 2014 is \$1,185 (December 31, 2013 – \$nil) related to the Asset Management Agreement with DAM.

### Shared Services and Cost Sharing Agreement

The Trust entered into a shared services and cost sharing agreement with DAM on December 1, 2013. The agreement is for a one-year term and will be automatically renewed for further one-year terms unless and until the agreement is terminated in accordance with its terms or by mutual agreement of the parties. Pursuant to the agreement, DAM will be providing additional administrative and support services in order to expand and improve DAM’s service capability in connection with the provision of its asset management services. DAM will receive an annual fee sufficient to reimburse it for all the expenses incurred in providing these additional administrative and support services. Additionally, the Trust will also reimburse DAM in each calendar year for its share of costs incurred in connection with certain business transformation services provided by DAM.

During the year ended December 31, 2014, the Trust recorded an amount of \$240 payable to DAM pursuant to the Shared Services and Cost Sharing Agreement.

The Trust’s future commitment under the Shared Services and Cost Sharing Agreement over the next six years is \$1,160.

### Non-controlling interest and notes receivables

DAM has co-invested with the Trust in properties with their share of interest ranging from 0.26% to 5.2%. At the year ended December 31, 2014, the non-controlling interest and net income attributable to DAM amounted to \$6,195 and \$909, respectively. As part of the co-investing transactions, the Trust provided interest bearing loans to DAM for financing its equity interests, bearing interest at 8.5% per annum for a ten-year term. At the year ended December 31, 2014, the notes receivable outstanding and interest accrued amounted to \$4,930 and \$111, respectively.

### Note 23

#### SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended December 31,	
	2014	2013
Increase (decrease) in amounts receivable	\$ 5,640	\$ (1,701)
Decrease (increase) in prepaid expenses and other assets	(1,968)	2,365
Increase in amounts payable and accrued liabilities	7,222	899
Increase in tenant deposits	198	1,005
<b>Change in non-cash working capital</b>	<b>\$ 11,092</b>	<b>\$ 2,568</b>

The following amounts were paid on account of interest:

	Year ended December 31,	
	2014	2013
Debt	\$ 44,175	\$ 35,306

### Note 24

#### COMMITMENTS AND CONTINGENCIES

The 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 arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of the REIT.

As at December 31, 2014, the REIT's future minimum commitments under operating leases are as follows:

	Operating lease payments	
Less than 1 year	\$	730
1–5 years		1,151
Longer than 5 years		-
<b>Total</b>	<b>\$</b>	<b>1,881</b>

During the year ended December 31, 2014, the Trust paid \$885 in minimum lease payments, respectively, which have been included in comprehensive income for the year.

The REIT also has commitments for lease incentives and initial direct leasing costs of approximately \$3,195.

## Note 25

### CAPITAL MANAGEMENT

At December 31, 2014, the Trust's capital consists of debt and unitholders' equity. The primary objective of the Trust's capital management is to ensure it remains within its quantitative banking covenants as well as to ensure the Trust can meet its obligations and continue to grow. Specifically, the Trust intended to ensure adequate operating funds are available to maintain consistent and sustainable unitholder distributions, to fund capital expenditure requirements and to meet debt obligations.

Various debt, equity and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage and debt-to-book value ratios. Other significant indicators include weighted average interest rate, average term to maturity of debt, and variable debt as a portion of total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for unitholder distributions and capital expenditures, and for evaluating the need to raise funds for further expansion.

The Trust's equity consists of Units, in which the carrying value is impacted by earnings and unitholder distributions. The Trust endeavours to make annual distributions of \$0.80 per unit. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditures and working capital requirements. Management monitors distributions through various ratios to ensure adequate resources are available. These ratios include the proportion of distributions paid in cash, DRIP participation ratio, and total distributions as a percentage of adjusted funds from operations ("AFFO").

The Trust monitors debt capital primarily using a debt-to-book value ratio, which is calculated as the amount of outstanding debt divided by total assets. During the year, the Trust did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements. The term loan credit facility agreement, which relates only to the Initial Properties, requires the debt service coverage ratio to be equal to or above 145% at each interest rate payment date as well as debt-to-book value ratio not to exceed 59%. For the year ended December 31, 2014, the REIT's debt service coverage ratio was 258%, and the debt-to-book value ratio was 44%, and therefore, in compliance with the term loan credit facility's requirement.

## Note 26

### FINANCIAL INSTRUMENTS

#### Risk management

IFRS 7, "Presentation of Financial Statements" ("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 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 term loan credit facility, which has a variable rate of interest. In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and floating rate debt, manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset. Additionally, the Trust has entered into interest rate swaps and caps to economically hedge the variable rate debt. The Trust entered into foreign exchange forward contracts to manage its currency risk from paying distributions and debt servicing in Canadian dollars. The Trust is also exposed to interest rate risk on its derivatives.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate assets and liabilities for a twelve-month period. A 1% change is considered a reasonable level of fluctuation on variable rate assets and debts.

	Carrying amount	Interest rate risk			
		-1%		1%	
		Income	Equity	Income	Equity
<b>Financial assets</b>					
Cash <sup>(1)</sup>	\$ 121,939	\$ (1,219)	\$ (1,219)	\$ 1,219	\$ 1,219
<b>Financial liabilities</b>					
Term loan credit facility	\$ 7,957	\$ 80	\$ 80	\$ (80)	\$ (80)

(1) Cash excludes cash subject to restrictions that prevent its use for current purposes. These balances generally receive interest income at bank prime less 1.85%. Cash and cash equivalents are short-term in nature and the current balance may not be representative of the balance for the rest of the year.

The Trust is exposed to currency risk. The Trust's functional and presentation currency is Canadian dollars. The Trust's operating subsidiaries' functional currency is the euro; accordingly, the assets and liabilities are translated at the prevailing rate at year-end, and comprehensive income is translated at the average rate for the year. In order to manage the exposure to currency risk of unitholders and holders of Debentures, the Trust has entered into foreign exchange forward contracts. The Trust has various currency forward contracts in place to sell euros for Canadian dollars for the next 36 months. The Trust currently has foreign exchange forward contracts to sell €121,166 total from January 2015 to December 2017 at an average exchange rate of \$1.4175 per euro.

The Trust is exposed to credit risk from its leasing activities and from its financing activities and derivatives. The Trust manages credit risk by requiring tenants to pay rents in advance and by monitoring the credit quality of the tenants on a regular basis. The Trust monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Credit risk with respect to financing activities and derivatives is managed by entering into arrangements with highly reputable institutions.

The Trust does not use derivatives for speculative purposes.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The Trust manages maturities of its debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

### Interest rate derivatives

The following table provides details on interest rate derivatives outstanding as at December 31, 2014:

	Notional	Rate	Maturity	Carrying value
Interest rate swaps	\$ 367,074	4.05%	2016	\$ (10,623)
Interest rate cap	46,115	5.00%	2016	-
	\$ 413,189			\$ (10,623)

## Foreign currency derivatives

The following table provides details on foreign currency forward contracts outstanding as at December 31, 2014 and December 31, 2013:

						For the year ended December 31, 2014	
Hedging currency		Notional amount of future contracts	Blended exchange rate	Forward contracts start date	Forward contracts end date	Carrying value	
Euro	€	121,166	1.417	January 15, 2015	December 15, 2017	\$	(1,492)

						For the year ended December 31, 2013	
Hedging currency		Notional amount of future contracts	Blended exchange rate	Forward contracts start date	Forward contracts end date	Carrying value	
Euro	€	120,412	1.334	January 15, 2014	June 15, 2016	\$	(3,715)

## Fair value measurements

The following tables summarize fair value measurements recognized in the consolidated balance sheets or disclosed in the Trust's 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.

	Carrying value as at		Fair value as at December 31, 2014		
	December 31, 2014		Level 1	Level 2	Level 3
<b>Recurring measurements</b>					
<b>Financial liabilities</b>					
Interest rate derivatives	\$	(10,623)	\$	-	\$ (10,623) \$ -
Foreign currency derivatives		(1,492)		-	(1,492) -
Conversion feature on the convertible debentures		(158)		-	- (158)
<b>Fair values disclosed</b>					
Mortgage debt		(701,325)		-	- (722,208)
Convertible debenture excluding conversion feature		(152,365)		-	- (160,037)

	Carrying value as at		Fair value as at December 31, 2013		
	December 31, 2013		Level 1	Level 2	Level 3
<b>Recurring measurements</b>					
<b>Financial liabilities</b>					
Interest rate derivatives	\$	(13,746)	\$	-	\$ (13,746) \$ -
Foreign currency derivatives		(15,941)		-	(15,941) -
Conversion feature on the convertible debentures		(384)		-	- (384)
<b>Fair values disclosed</b>					
Mortgage debt		(825,014)		-	- (827,471)
Convertible debenture excluding conversion feature		(150,326)		-	- (158,201)

Amounts receivable, amounts in escrow, cash, the Deferred Unit Incentive Plan, deposits, amounts payable and accrued liabilities, income taxes payable and distributions payable are carried at amortized cost, which approximates fair value due to their short-term nature. The carrying value of the term loan credit facility approximates fair value due to the short-term nature of its rates, which are reset every three months.

Transfers between levels in the fair value hierarchy are recognized as of the date of the event or change in circumstances that resulted in the transfer. There were no transfers in or out of Level 3 fair value measurements during the year.

## Valuation processes

The REIT's management is responsible for determining fair value measurements included in the consolidated financial statements, including Level 3 fair values. The inputs, processes and results for recurring measurements, including those valuations calculated by an independent consultant, are reviewed each quarter by senior management to ensure conformity with IFRS.

The Trust uses the following techniques to determine the fair value measurements categorized in Level 2:

### Interest rate derivatives

The fair value of interest rate derivatives was calculated as the present value of the estimated future cash flows based on observable yield curves. The implied floating rates ranged from 0.05% to 0.08%, and the discount rate applied ranged from 0.06% to 0.07%.

A higher implied floating rate will decrease the value of the interest rate derivatives.

The following table shows the changes in fair value of the interest rate derivatives from a 5% increase or 5% decrease in implied floating rates, all other inputs being constant:

	Impact of change to implied floating rates	
	Increase +5%	Decrease -5%
Increase/(decrease) in fair value as at December 31, 2014	\$ (19)	\$ 19

### Foreign currency derivatives

The fair value of foreign currency derivatives was determined using forward exchange market rates ranging from \$1.404 to \$1.465 to €1 at the measurement date, with the resulting value discounted back to present value using the risk-free Canadian bond rate of 1%, plus a credit spread of 411 basis points.

A higher forward exchange market rate will increase the value of the foreign currency derivatives.

The following table shows the changes in fair value of the foreign currency derivatives from a 5% increase or 5% decrease in forward exchange market rates, all other inputs being constant:

	Impact of change to forward exchange market rates	
	Increase +5%	Decrease -5%
Increase/(decrease) in fair value as at December 31, 2014	\$ 8,104	\$ (8,104)

The Trust uses the following techniques to determine the fair value measurements categorized in Level 3:

### Convertible debentures

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

Effective April 1, 2013, the Trust has utilized a valuation technique based on the paper by K. Tsiveriotis and C. Fernandes to determine the fair value of the conversion feature. This model uses significant unobservable inputs; therefore, the resulting valuation is classified as Level 3. In this model, a convertible bond consists of two components, an equity component and a debt component, and these components have different default risks. The equity component is discounted at the risk-free interest rate. The equity component has no default risk since the Trust can always issue its own units. The debt component is discounted at the risk-free interest rate plus a credit spread.

The fair value measurement of the interest rate swaps was valued by a qualified independent valuation professional. The fair value measurement of the conversion feature of the convertible debentures was valued by a qualified independent valuation consultant.

The significant unobservable inputs used in the fair value measurement of the conversion feature of the convertible debentures as at December 31, 2014 are the following:

- Volatility: Expected volatility as at December 31, 2014 was derived from the historical prices of the REIT. Historical prices were not available for a term equal to the term to maturity of the debenture; as such, the consultant used the entire historical data up until December 31, 2014. The volatility used was 17.2724%.
- Credit spread: The credit spread of the convertible debentures was imputed from the traded price of the convertible debenture as at December 31, 2014. The credit spread used was 4.1092%.

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

The following table shows the changes in fair value of the conversion feature of the convertible debentures from a 5% increase or decrease in volatility and a 1% increase or decrease in credit spread, all other inputs being constant:

	Impact of change to volatility		Impact of change in credit spread	
	Increase +5%	Decrease -5%	Increase +1%	Decrease -1%
Increase/(decrease) in fair value as at December 31, 2014	\$ 578	\$ (151)	\$ 79	\$ (1,712)

The Trust also used the following techniques in determining the fair values disclosed for the following financial liabilities classified as Level 3:

#### Mortgage debt

The fair value of the mortgage debt as at December 31, 2014 has been calculated by discounting the expected cash flows of each debt using discount rates ranging from 1.235% to 2.660%. The discount rates are determined using the six-month EURIBOR rate for instruments of similar maturity adjusted for the REIT's specific credit risk. In determining the adjustment for credit risk, the REIT considers market conditions, the value of the properties that the mortgages are secured by and other indicators of the REIT's creditworthiness.

#### Note 27

##### SUBSEQUENT EVENTS

On January 30, 2015, the REIT closed the sale of a property to a joint venture with POBA. The property was Officium, located in Stuttgart, and the sale resulted in net proceeds of €11,527.

On February 6, 2015, the REIT completed the acquisition of an office building, Millerntorplatz in Hamburg, Germany, for €95,944, excluding transaction costs. The acquisition was partially financed by a new mortgage of €59,400 with a fixed interest rate of 1.71% for a term of ten years.



## Appendix

Address	City	State	Owned GLA (sq. ft.)	Occupancy (Dec. 31, 2014)
<b>Acquisition Properties:</b>				
Im Mediapark 8	Köln	Nordrhein-Westfalen	296,693	100%
Karl-Martell-Straße 60	Nürnberg	Bavaria	268,931	100%
Liebknechtstraße 33/35, Heßbrühlstraße 7	Stuttgart	Baden-Württemberg	267,901	88%
Feldmühleplatz 1+15	Düsseldorf	Nordrhein-Westfalen	246,376	100%
Greifswalder Str. 154-156	Berlin	Berlin	242,779	98%
Straßenbahnring 15, 17-19/Hoheluftchausee 18-20/ Lehmweg 8, 8a, 7	Hamburg	Hamburg	221,391	100%
Moskauer Str. 25-27	Düsseldorf	Nordrhein-Westfalen	217,173	97%
Podbielskistraße 158-168	Hannover	Niedersachsen	211,882	90%
Robert-Bosch-Str. 9-11	Darmstadt	Hessen	209,357	100%
Cäcilienkloster 2, 6, 8, 10	Köln	Nordrhein-Westfalen	200,915	99%
Hammer Str. 30-34	Hamburg	Hamburg	172,306	100%
Oasis III	Stuttgart	Baden-Württemberg	170,120	100%
Schlossstr. 8	Hamburg	Hamburg	165,534	97%
Leopoldstr. 252	München	Bavaria	154,773	99%
Beuthstraße 6-8/Seydelstraße 2-5	Berlin	Berlin	129,179	99%
Westendstr. 160-162/Barthstr. 24-26	München	Bavaria	122,102	98%
Bertoldstr. 48/Sedanstr. 7	Freiburg	Baden-Württemberg	121,553	100%
Marsstraße 20-22	München	Bavaria	115,322	100%
Am Sandtorkai 37	Hamburg	Hamburg	113,391	99%
Reichskanzler-Müller-Str. 21-25	Mannheim	Baden-Württemberg	100,603	98%
Am Stadtpark 2	Nürnberg	Bavaria	94,652	100%
Dillwächterstr. 5/Tübinger Str. 11	München	Bavaria	81,907	87%
ABC-Str. 19	Hamburg	Hamburg	79,218	100%
Speicherstr. 55	Frankfurt	Hessen	75,911	100%
Derendorfer Allee 4	Düsseldorf	Nordrhein-Westfalen	71,114	99%
Werner-Eckert-Straße 8-12	München	Bavaria	64,727	100%
Neue Mainzer Str. 28	Frankfurt	Hessen	61,641	95%
Lörracher Str. 16/16a	Freiburg	Baden-Württemberg	56,582	100%
Vordernbergstr. 6/Heilbronner Str. 35	Stuttgart	Baden-Württemberg	44,317	100%
<b>Total Acquisition Properties</b>			<b>4,378,348</b>	<b>97.9%</b>
<b>Initial Properties:</b>				
Grüne Str. 6-8/Kurfürstenstr. 2	Dortmund	Nordrhein-Westfalen	299,567	100%
Am Hauptbahnhof 16-18	Saarbrücken	Saarland	293,737	12%
Poststr. 4-6/Göbelstr. 30, Bismarckstr. 156	Darmstadt	Hessen	232,300	82%
H-v-Stephan-Str. 1-15/W-Brandt-Pl. 13	Mannheim	Baden-Württemberg	227,298	96%
Kurfürstenallee 130	Bremen	Bremen	203,949	93%
Gradestr. 22	Hannover	Niedersachsen	195,783	4%
Karlstal 1-21/Werftstr. 201	Kiel	Schleswig-Holstein	180,837	96%
Franz-Zebisch-Str. 15	Weiden	Bavaria	166,601	100%
E.-Kamieth-Str. 2b	Halle	Sachsen-Anhalt	161,156	39%
Überseering 17/Mexikoring 22	Hamburg	Hamburg	160,785	93%
Am Neumarkt 40/Luetkensallee 49	Hamburg	Hamburg	160,397	89%

Address	City	State	Owned GLA (sq. ft.)	Occupancy (Dec. 31, 2014)
Bahnhofstr. 82-86	Gießen	Hessen	150,866	57%
Czernyring 15	Heidelberg	Baden-Württemberg	133,379	64%
Marienstr. 80	Offenbach am Main	Hessen	114,114	96%
Rüppurrer Str. 81, 87, 89/Ettlinger 67	Karlsruhe	Baden-Württemberg	111,778	97%
Gerokstr. 14-20	Dresden	Sachsen	110,434	87%
Hindenburgstr. 9/Heeserstr. 5	Siegen	Nordrhein-Westfalen	101,498	92%
Zimmermannstr. 2/Eisenstr.	Marburg	Hessen	99,751	98%
Friedrich-Karl-Str. 1-7	Oberhausen	Nordrhein-Westfalen	97,606	94%
Blücherstr. 12	Koblenz	Rheinland-Pfalz	94,569	68%
Kaiserstr. 24	Gütersloh	Nordrhein-Westfalen	94,488	61%
Bahnhofplatz 2, 3, 4/Pepperworth 7	Hildesheim	Niedersachsen	87,330	52%
Klubgartenstr. 10	Goslar	Niedersachsen	86,571	47%
Pausaer Str. 1-3	Plauen	Sachsen	85,443	76%
Am Hauptbahnhof 2	Mülheim	Nordrhein-Westfalen	84,303	81%
Bahnhofstr. 33	Böblingen	Baden-Württemberg	82,628	100%
Husemannstr. 1	Gelsenkirchen	Nordrhein-Westfalen	80,591	94%
Kapellenstr. 44	Einbeck	Niedersachsen	80,500	91%
Kommandantenstr. 43-51	Duisburg	Nordrhein-Westfalen	80,122	100%
Stresemannstr. 15	Wuppertal	Nordrhein-Westfalen	79,215	60%
Bahnhofsring 2	Leer	Niedersachsen	78,627	82%
Heinrich-von-Bibra-Platz 5-9	Fulda	Hessen	77,606	100%
Kaiser-Karl-Ring 59-63/Dorotheenstr. 103	Bonn	Nordrhein-Westfalen	75,815	100%
Bürgerreuther Str. 1	Bayreuth	Bavaria	75,534	100%
Bahnhofplatz 10	Fürth	Bavaria	73,631	72%
77er Str. 54	Celle	Niedersachsen	73,391	62%
Wiener Str. 43	Stuttgart	Baden-Württemberg	72,192	92%
Logenstr. 37	Kaiserslautern	Rheinland-Pfalz	71,465	36%
Bahnhofplatz 1	Schweinfurt	Bavaria	67,503	87%
Rathausplatz 2	Wilhelmshaven	Niedersachsen	64,970	97%
Auhofstr. 21	Aschaffenburg	Bavaria	64,264	96%
Bahnhofstr. 40	Flensburg	Schleswig-Holstein	61,826	98%
Joachim-Campe-Str. 1/3/5/7, Posthof 15	Salzgitter	Niedersachsen	61,602	46%
Heinrich-von-Stephan-Str. 8-10	Leverkusen	Nordrhein-Westfalen	61,011	79%
Am Bahnhof 5	Zwickau	Sachsen	60,738	67%
Friedrich-Ebert-Str. 28	Pinneberg	Schleswig-Holstein	59,218	100%
Paulinenstr. 52	Detmold	Nordrhein-Westfalen	57,614	20%
Postplatz 3	Bautzen	Sachsen	57,571	68%
Ostbahnstr. 5	Landau	Rheinland-Pfalz	53,645	98%
Poststr. 2 U. 3	Helmstedt	Niedersachsen	53,468	20%
Poststr. 5-7	Heide	Schleswig-Holstein	53,363	92%
Bahnhofplatz 9	Emden	Niedersachsen	53,327	98%
Kavalierrstr. 30-32	Dessau	Sachsen-Anhalt	52,206	83%
Friedrich-Ebert-Str. 75-79	Bremerhaven	Bremen	51,781	94%
Hainstr. 5 A	Bad Hersfeld	Hessen	51,207	100%
Baarstr. 5	Iserlohn	Nordrhein-Westfalen	51,027	93%
Marktstr. 9	Völklingen	Saarland	49,577	9%

Address	City	State	Owned GLA (sq. ft.)	Occupancy (Dec. 31, 2014)
Rathausplatz 4	Lüdenscheid	Nordrhein-Westfalen	49,529	27%
Europaplatz 17	Bad Kreuznach	Rheinland-Pfalz	48,549	39%
Unter den Zwicken 1-3	Halberstadt	Sachsen-Anhalt	47,145	15%
Stadtparkstr. 2	Schwabach	Bavaria	46,877	78%
Schützenstr. 17, 19	Peine	Niedersachsen	46,532	56%
Willy-Brandt-Str. 6	Auerbach	Sachsen	46,512	56%
Bahnhofstr. 2	Cham	Bavaria	46,129	61%
Theodor-Heuss-Platz 13	Neuss	Nordrhein-Westfalen	46,128	95%
Stembergstr. 27-29	Arnsberg	Nordrhein-Westfalen	45,820	99%
Poststr. 14	Rastatt	Baden-Württemberg	45,659	92%
Bahnhofplatz 3, 5	Heidenheim	Baden-Württemberg	45,656	83%
Poststr. 2	Gummersbach	Nordrhein-Westfalen	45,558	98%
Königstr. 12	Rottweil	Baden-Württemberg	45,494	88%
Möllner Landstr. 47-49/Reclamstr 20	Hamburg	Hamburg	45,371	90%
Lippertor 6	Lippstadt	Nordrhein-Westfalen	44,341	89%
Südbrede 1-5	Ahlen	Nordrhein-Westfalen	44,130	91%
Münchener Str. 1	Bad Kissingen	Bavaria	43,971	74%
Bahnhofstr. 169	Bietigheim-Bissingen	Baden-Württemberg	43,620	99%
Vegeacker Heerstr. 111	Bremen	Bremen	43,484	90%
Palleskestr. 38	Frankfurt am Main	Hessen	43,409	64%
Koblenzer Str. 67	Bonn	Nordrhein-Westfalen	42,774	100%
Kardinal-Galen-Ring 84/86	Rheine	Nordrhein-Westfalen	42,191	76%
Martinistr. 19	Recklinghausen	Nordrhein-Westfalen	41,847	97%
Kalkumer Str. 70	Düsseldorf	Nordrhein-Westfalen	41,781	52%
Robert-Wahl-Str. 7/7a	Balingen	Baden-Württemberg	41,487	89%
Poststr. 2	Deggendorf	Bavaria	41,378	97%
Falkenbergstr. 17-23	Norderstedt	Schleswig-Holstein	41,249	98%
Balhornstr. 15, 17/B. Köthenbürger-Str.	Paderborn	Nordrhein-Westfalen	40,927	93%
August-Bebel-Str. 6	Torgau	Sachsen	40,745	86%
Cavaillonstr. 2	Weinheim	Baden-Württemberg	40,540	91%
Hauptstr. 279/Hommelstr. 2	Idar-Oberstein	Rheinland-Pfalz	39,192	48%
Bismarckstr. 21-23	Bünde	Nordrhein-Westfalen	38,276	96%
Hindenburgstr. 8/Hohenstauf 9, 17, 19	Bocholt	Nordrhein-Westfalen	37,925	99%
Steinerother Str. 1 U. 1a	Betzdorf	Rheinland-Pfalz	37,679	95%
Heinrich-von-Stephan-Platz 6	Naumburg	Sachsen-Anhalt	37,612	91%
Mühlenstr. 5-7	Delmenhorst	Niedersachsen	37,266	99%
Alsenberger Str. 61	Hof	Bavaria	36,687	65%
Lübecker Str. 23-25	Bad Oldesloe	Schleswig-Holstein	36,290	15%
Apostelweg 4-6	Hamburg	Hamburg	36,273	97%
Brückenstr. 21	Neunkirchen	Saarland	35,971	100%
Lönsstr. 20-22	Castrop-Rauxel	Nordrhein-Westfalen	35,795	90%
Friedrich-Wilhelm-Str. 52 U. 54	Eschwege	Hessen	35,433	27%
Kurt-Schumacher-Str. 5	Lünen	Nordrhein-Westfalen	35,290	100%
Lilienstr. 3	Leipzig	Sachsen	35,234	97%
Stadtring 3-5	Nordhorn	Niedersachsen	35,189	81%
Ölmühlweg 12	Königstein	Hessen	34,984	100%

Address	City	State	Owned GLA (sq. ft.)	Occupancy (Dec. 31, 2014)
Bahnhofplatz 10, 12, 14	Kleve	Nordrhein-Westfalen	34,871	100%
Goethestr. 2-6	Duisburg	Nordrhein-Westfalen	34,839	86%
Im Bungert 6-8	Bergisch Gladbach	Nordrhein-Westfalen	34,737	100%
Gerstenstr. 5	Neubrandenburg	Mecklenburg-Vorpommern	34,347	100%
Gustav-König-Str. 42	Sonneberg	Thüringen	33,959	46%
Große Str. 29-33	Rotenburg	Niedersachsen	33,296	94%
Worthingtonstr. 15	Crailsheim	Baden-Württemberg	33,136	100%
Zwieseler Str. 27-29	Regen	Bavaria	32,676	89%
Markendorfer Str. 10	Frankfurt an der Oder	Brandenburg	32,330	97%
Hellersdorfer Str. 78	Berlin	Berlin	32,296	75%
Kreuzstr. 20-24	Bonn	Nordrhein-Westfalen	32,253	99%
Bahnhofstr. 6/Luisenstr. 4-5	Villingen-Schwenningen	Baden-Württemberg	32,191	97%
Tunnelweg 1	Husum	Schleswig-Holstein	31,116	89%
Waschgrabenallee 3-5	Neustadt	Schleswig-Holstein	30,188	94%
Poststr. 30	Albstadt	Baden-Württemberg	30,014	14%
Bahnhofplatz 2	Herborn	Hessen	29,746	91%
König-Heinrich-Str. 11	Merseburg	Sachsen-Anhalt	29,472	13%
Poststr. 24-26	Ratingen	Nordrhein-Westfalen	29,445	100%
Konrad-Adenauer-Str. 49-51	Tübingen	Baden-Württemberg	29,341	98%
Feldschlößchenstr./Kunadstr. o. Nr.	Dresden	Sachsen	29,236	100%
Bahnhofstr. 29	Meppen	Niedersachsen	29,056	90%
Poststr. 12	Lehrte	Niedersachsen	28,764	88%
Petristr. 26	Heilbad Heiligenstadt	Thüringen	28,205	68%
Dr.-Friedrich-Uhde-Str. 18	Einbeck	Niedersachsen	27,793	65%
Augsburger Str. 380	Stuttgart	Baden-Württemberg	27,775	93%
Gartenstr. 29/30	Pirna	Sachsen	27,771	67%
Poststr. 1-3	Korbach	Hessen	27,502	100%
Poststr. 48	St Ingbert	Saarland	27,051	96%
Bahnhofstr. 2	Gifhorn	Niedersachsen	26,922	92%
Ruthenstr. 19/21	Hameln	Niedersachsen	26,895	93%
Bahnhofanlage 2-4	Schwetzingen	Baden-Württemberg	26,658	100%
Königswiese 1	Gelsenkirchen	Nordrhein-Westfalen	26,468	100%
Saßstr. 12	Leipzig	Sachsen	26,214	79%
Wilhelmstr. 11/Kamperdickstr. 29	Kamp-Lintfort	Nordrhein-Westfalen	26,159	94%
Kaiserstr. 140	Radevormwald	Nordrhein-Westfalen	25,643	74%
Ludwigsplatz 1	Alsfeld	Hessen	25,477	98%
Goldbacher Str. 74	Aschaffenburg	Bavaria	25,153	95%
Klosterstr. 6-10	Annaberg-Buchholz	Sachsen	25,084	72%
In der Trift 10/12	Olpe	Nordrhein-Westfalen	24,894	94%
Bahnhofstr. 6	Quakenbrück	Niedersachsen	24,446	97%
Zwickauer Str. 438	Chemnitz	Sachsen	23,640	77%
Alleestr. 6	Neustadt	Bavaria	23,495	100%
Uferstr. 2	Höxter	Nordrhein-Westfalen	23,240	79%
Lindenstr. 11	Bitterfeld	Sachsen-Anhalt	23,183	86%
Bahnhofplatz 8	Marktredwitz	Bavaria	22,710	95%
Bahnhofstr. 32	Sulzbach-Rosenberg	Bavaria	22,634	77%

Address	City	State	Owned GLA (sq. ft.)	Occupancy (Dec. 31, 2014)
Bahnhofstr. 46	Unna	Nordrhein-Westfalen	22,627	100%
Marktplatz 5	Nordenham	Niedersachsen	22,480	100%
Poststr. 19-23	Hilden	Nordrhein-Westfalen	22,454	87%
Bahnhofplatz o. Nr.	Oranienburg	Brandenburg	22,153	76%
Brückenstr. 26	Miltenberg	Bavaria	22,017	89%
Bahnhofstr. 27	Öhringen	Baden-Württemberg	21,801	96%
Lindenstr. 15	Landstuhl	Rheinland-Pfalz	21,726	99%
Lindenstr. 42	Grevenbroich	Nordrhein-Westfalen	21,668	64%
Hörder Semerteichstr. 175	Dortmund	Nordrhein-Westfalen	21,659	96%
Am Plärrer 11	Lauf	Bavaria	21,603	100%
Innungsstr. 57-59	Berlin	Berlin	21,187	100%
Wilhelmstr. 5	Ibbenbüren	Nordrhein-Westfalen	21,031	100%
Geistmarkt 17	Emmerich	Nordrhein-Westfalen	20,942	100%
Lyoner Passage 14	Köln	Nordrhein-Westfalen	20,742	100%
Moltkestr. 6	Hattingen	Nordrhein-Westfalen	20,681	100%
Martin-Pöhlmann-Str. 5/Friedrich-Ebert-Str. 34	Selb	Bavaria	20,681	75%
Steinstr. 6	Pulheim	Nordrhein-Westfalen	20,670	100%
Am Markt 4-5	Norden	Niedersachsen	20,668	81%
Am Stadtpark 5	Papenburg	Niedersachsen	20,578	17%
Leistikowstr. 19	Fürstenwalde	Brandenburg	20,437	59%
Saarbrücker Str. 292-294	Saarbrücken	Saarland	20,433	92%
Poststr. 12	Schmölln	Thüringen	20,403	88%
Speckweg 24-26	Mannheim	Baden-Württemberg	20,128	90%
Kasseler Str. 1-7	Warburg	Nordrhein-Westfalen	19,985	86%
Lübecker Str./Wedringer Str. o. Nr.	Magdeburg	Sachsen-Anhalt	19,454	100%
Ooser Karlstr. 21/23/25	Baden-Baden	Baden-Württemberg	19,444	93%
Güterstr. 2-4	Bitburg	Rheinland-Pfalz	19,340	99%
Eisenbahnstr. 15	Tuttlingen	Baden-Württemberg	19,047	97%
Poststr. 6	Beckum	Nordrhein-Westfalen	18,831	100%
Bismarckstr. 12/Fr. Hoffmann-Str.	Steinfurt	Nordrhein-Westfalen	18,800	87%
Lagerstr. 1	Meschede	Nordrhein-Westfalen	18,683	100%
Bahnhofstr. 3	Osterburken	Baden-Württemberg	18,498	100%
Bahnhofstr. 43	Riesa	Sachsen	18,275	90%
Bahnhofstr. 33 U. 33A	Stendal	Sachsen-Anhalt	18,200	93%
Friedrichstr. 2	Monheim	Nordrhein-Westfalen	18,156	100%
Königstr. 20	Brilon	Nordrhein-Westfalen	17,733	76%
Kornmarkt 15	Osterode	Niedersachsen	17,690	100%
Marktstr. 51	Essen	Nordrhein-Westfalen	17,661	100%
Übacher Weg 4	Alsdorf	Nordrhein-Westfalen	16,991	100%
Niederwall 3	Lübbecke	Nordrhein-Westfalen	16,563	100%
Hochstr. 31/Postgasse 5	Bochum	Nordrhein-Westfalen	16,359	100%
Sattigstr. 33	Görlitz	Sachsen	16,279	100%
Robert-Koch-Str. 3	Laatzen	Niedersachsen	16,126	100%
Kaiserstr. 35	Minden	Nordrhein-Westfalen	16,043	99%
Bahnhofstr. 8-10	Borken	Nordrhein-Westfalen	15,893	98%
Poststr. 28	Hemer	Nordrhein-Westfalen	15,782	100%

Address	City	State	Owned GLA (sq. ft.)	Occupancy (Dec. 31, 2014)
Bahnhofstr. 33	Sulz	Baden-Württemberg	15,774	82%
Am Bahnhof 2	Meldorf	Schleswig-Holstein	15,549	97%
Melanchthonstr. 96	Bretten	Baden-Württemberg	15,501	90%
Hauptstr. 141	Rheda-Wiedenbrück	Nordrhein-Westfalen	15,178	100%
Republikstr. 34	Schönebeck	Sachsen-Anhalt	14,985	77%
Poststr. 1/2	Spremberg	Brandenburg	14,763	80%
Im Kusterfeld 1	Backnang	Baden-Württemberg	14,634	99%
Herrlichkeit 7	Syke	Niedersachsen	14,560	94%
Grenzstr. 24	Halle	Sachsen-Anhalt	14,533	100%
Mercedesstr. 5	Hannover	Niedersachsen	14,504	100%
Am Buchhorst 35	Potsdam	Brandenburg	14,042	100%
Bahnhofstr. 41	Eberbach	Baden-Württemberg	13,936	100%
Kolpingstr. 4	Georgsmarienhütte	Niedersachsen	13,725	100%
Münchner Str. 50	Fürstenfeldbruck	Bavaria	13,326	100%
Schönbornstr. 1	Geisenheim	Hessen	13,117	90%
Langener Landstr. 237-239	Bremerhaven	Bremen	12,803	100%
Löbauer Str. 63	Bautzen	Sachsen	12,686	100%
Albert-Steiner-Str. 10	Herzogenrath	Nordrhein-Westfalen	12,667	79%
Fritz-Brandt-Str. 25	Zerbst	Sachsen-Anhalt	12,654	100%
Dahmestr. 17	Mittenwalde	Brandenburg	12,631	100%
Bünder Str. 36	Löhne	Nordrhein-Westfalen	12,625	100%
Poststr. 1	Erfstadt	Nordrhein-Westfalen	12,498	100%
Gorsemannstr. 22	Bremen	Bremen	12,379	100%
Bahnhofstr. 11	Alpirsbach	Baden-Württemberg	12,112	65%
Märkische Str. 58	Düsseldorf	Nordrhein-Westfalen	11,997	100%
Mönchenstr. 15-18	Jüterbog	Brandenburg	11,731	100%
Poststr. 3-5	Barsinghausen	Niedersachsen	11,597	100%
Prochaskaplatz 7	Dannenberg	Niedersachsen	11,334	95%
Kürbsweg 9	Seevetal	Niedersachsen	11,175	100%
Bahnhofstr. 49/49a	Aalen	Baden-Württemberg	11,050	100%
Gutachstr. 56	Titisee-Neustadt	Baden-Württemberg	10,813	100%
Unterstr. 14	Bochum	Nordrhein-Westfalen	10,732	100%
Am Markt 4	St. Georgen	Baden-Württemberg	10,324	100%
Hauptstr. 40	Porta Westfalica	Nordrhein-Westfalen	10,315	100%
Sandstr. 4	Germersheim	Rheinland-Pfalz	10,132	100%
Rensfelder Str. 2	Bad Schwartau	Schleswig-Holstein	9,777	100%
Langfuhren 9	Bad Säckingen	Baden-Württemberg	9,717	100%
Weinbergstr. 50	Bad Neuenahr-Ahrweiler	Rheinland-Pfalz	9,023	100%
De-Lenoncourt-Str. 2	Dillingen	Saarland	8,995	100%
Rosenstr. 1/Fünfhausenstr. 19/21	Springe	Niedersachsen	8,881	100%
Melcherstätte 8	Stuhr	Niedersachsen	8,196	100%
Wetterstr. 20/Poststr. 2	Herdecke	Nordrhein-Westfalen	7,702	100%
<b>Total Initial Properties</b>			10,461,313	80.1%
<b>Total Portfolio</b>			14,839,661	85.3%

# Trustees

## **Detlef Bierbaum**<sup>1,2,3,4</sup>

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Corporate Director

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## **John Sullivan**<sup>1</sup>

Toronto, Ontario  
President and Chief Executive Officer  
Cadillac Fairview Corporation Limited

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

# Corporate Information

## **HEAD OFFICE**

**Dream Global  
Real Estate Investment Trust**  
State Street Financial Centre  
30 Adelaide Street East, Suite 1600  
Toronto, Ontario M5C 3H1  
Phone: (416) 365-3535  
Fax: (416) 365-6565

## **INVESTOR RELATIONS**

Phone: (416) 365-3538  
Toll free: 1 877 365-3535  
From Germany: 0 800 189-0344  
E-mail: [globalinfo@dream.ca](mailto:globalinfo@dream.ca)  
Website: [www.dreamglobalreit.ca](http://www.dreamglobalreit.ca)

## **TRANSFER AGENT**

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

## **Computershare Trust Company of Canada**

100 University Avenue, 9th Floor  
Toronto, Ontario M5J 2Y1  
Phone: (514) 982-7555 or  
1 800 564-6253  
Fax: (416) 263-9394 or  
1 888 453-0330  
E-mail: [service@computershare.com](mailto:service@computershare.com)

## **AUDITORS**

**PricewaterhouseCoopers LLP**  
PwC Tower, 18 York Street, Suite 2600  
Toronto, Ontario M5J 0B2

## **CORPORATE COUNSEL**

**Osler, Hoskin & Harcourt LLP**  
Box 50, 1 First Canadian Place, Suite 6100  
Toronto, Ontario M5X 1B8

## **TAXATION OF DISTRIBUTIONS**

Distributions paid to unitholders in respect of the tax year ended December 31, 2014 are taxed as follows:  
Foreign non-business income: 48.3%  
Capital gains: 1.4%  
Return of capital: 50.3%

## **STOCK EXCHANGE LISTING**

**The Toronto Stock Exchange  
Listing symbols:**  
REIT Units: DRG.UN  
5.5% Convertible Debentures: DRG.DB

## **ANNUAL MEETING OF UNITHOLDERS**

Wednesday, May 6, 2015 at 4:00 pm (EST)  
Corporate office of Dream Global REIT  
30 Adelaide Street East, Suite 300  
Toronto, Ontario, Canada

## **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 Global REIT reinvested in additional units as and when cash distributions are made.

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

If you register in the DRIP you will also receive a "bonus" distribution of units equal to 4% 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, \$1.04 worth of units will be purchased.

**dream**   
global REIT

[dream.ca/global](https://dream.ca/global)