2015
Annual Report

Dream Global REIT provides investors with the opportunity to invest in commercial real estate exclusively outside of Canada.

Cover image: Rivergate, Vienna, Austria

Letter to Unitholders

P. Jane Gavan
President and Chief Executive Officer

2015 was a significant year for Dream Global. Our accomplishments included our first acquisition outside of Germany, with the purchase of Rivergate in Vienna, Austria; the early refinancing of the credit facility obtained at the time of our initial public offering ("IPO") at terms that will generate significant interest savings; and the Trust's strong leasing performance, including the retention of Deutsche Post in most of the space they could have terminated in 2016.

The year-end results also reflect our continued efforts in respect of our asset recycling program. This includes the disposition of some of our Initial Properties and redeployment of the proceeds into high-quality real estate. We believe this program continues to benefit the Trust as it increases the overall quality of the portfolio and enhances the stability of the underlying cash flows. In total, we sold 51 assets in 2015, increasing sales of our Initial Properties since we started our capital recycling program in 2012 to over $300 million.

Active asset and capital management has been a focus of Dream Global since its inception and in just over four years, the Trust has assembled a portfolio of scale that is desired by some of the largest real estate investors in the world. We completed approximately $511 million of high-quality office property acquisitions in 2015, including our expansion into Vienna, Austria, with the acquisition of a 50% interest in Rivergate, a jointly owned asset with an Asian sovereign wealth fund.

By the end of 2015, the Trust's total equity per unit increased to $11.41, from $10.05 at the end of 2014. The 13.5% increase in book equity per unit reflects our continued leasing efforts, which resulted in a tenant retention ratio of 79%, the highest in the Trust's history. We continue to identify and add high-quality assets to our portfolio, which have benefited from both cap rate compression as more buyers enter the German market, and a 7% currency appreciation of the euro against the Canadian dollar since the end of 2014.

Leasing remained a key operational focus in 2015, with the completion of approximately 1.3 million square feet of new leases and renewals. Approximately 479,000 square feet of leasing was completed in Q4 2015 alone, including eight leases with Postbank in properties that were subject to Deutsche Post's 2016 termination rights. With the signing of these leases, the gross rental income ("GRI") retention rate related to the 2016 terminations increased to approximately 99% as at December 31, 2015.

The German economy continues to benefit from a robust labour market, which experienced sustained wage growth, with unemployment rates remaining among the lowest in the European Union. The country's economic growth was supported by a continued low interest rate environment and healthy domestic demand. Underlying fundamentals in the office sector remained strong, with overall net absorption of office space continuing to be positive across the major office markets, along with declining vacancy rates.

Since our IPO in August 2011, Dream Global's portfolio has transformed from 292 mixed use and industrial properties to a portfolio that includes desirable office buildings in Germany's Big 7 office markets, and now Austria. Our portfolio quality has never been better, with most of the acquired properties being categorized as institutional-quality assets. With our platform and brand recognized in Europe, Dream Global has established itself as a credible and capable joint venture partner. Looking ahead, we will continue to pursue investment opportunities that are accretive to our business, take advantage of our platform and strengthen the stability of our cash flow over the long run.

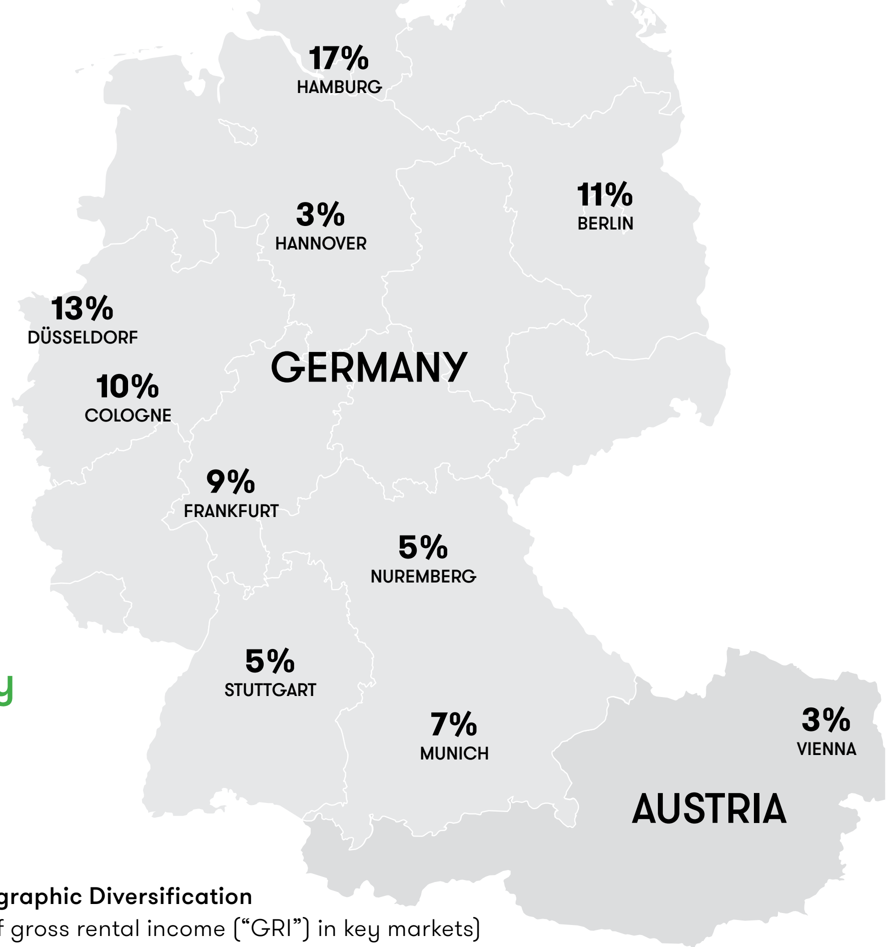
On behalf of our management team and our Board of Trustees, I would like to thank you for your continued support.

P. Jane Gavan
President and Chief Executive Officer
March 15, 2016

Portfolio at-a-Glance

DECEMBER 31, 2015

Dream Global REIT is an owner and operator of 13.4 million square feet of office and mixed use space in Germany and Austria, and provides a unique opportunity to gain exposure to the European real estate market.

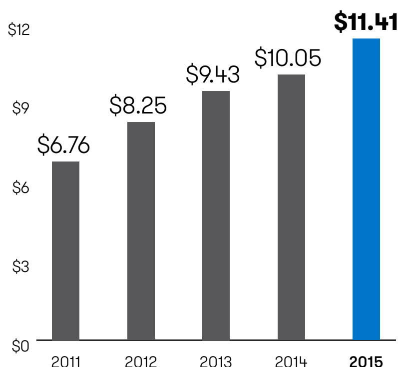


Geographic Diversification
(% of gross rental income ("GRI") in key markets)

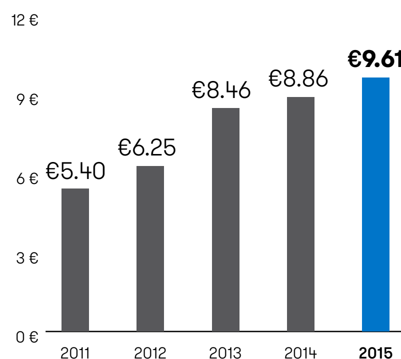
Diversified, High-Quality Tenants

TENANT COMPOSITION	TOTAL ANNUALIZED GRI (%)	CREDIT RATING
Deutsche Post	22.4	BBB+
Freshfields Bruckhaus Deringer	3.4	n/a
ERGO Direkt Lebensversicherungs AG	3.0	AA-
City of Hamburg	2.8	AAA
Deutsche Rentenversicherung Knappschaft Bahn-See	2.0	n/a
BNP Paribas Fortis SA/NV	1.9	A+
CinemaxX Entertainment GmbH & Co. KG	1.5	n/a
Google Germany GmbY	1.5	AA
Deutsche Postbank AG	1.5	BBB+
Other third-party tenants	60.0	n/a
Total	**100.0**	

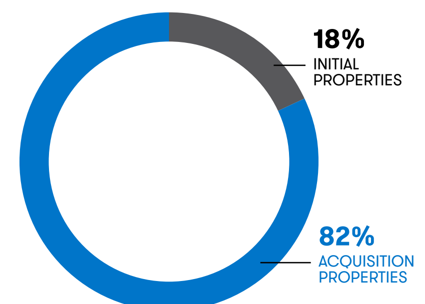
IFRS Book Equity per Unit



In-place Rent
(per square foot per year)



2015 Adjusted Funds from Operations ("AFFO")
(Q4/2015)



Europa-Center, Essen

Zimmer 56, Berlin

$2.8 billion

TOTAL ASSETS

79%

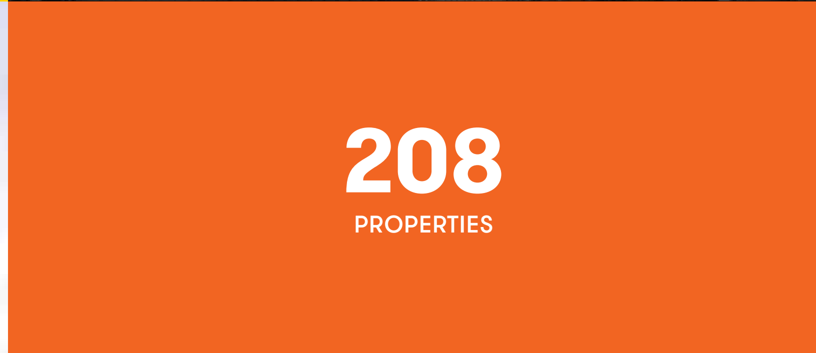
TENANT RETENTION

Cologne Tower, Cologne

1.3 million

SQUARE FEET OF NEW LEASING IN 2015

Millerntorplatz 1, Hamburg



208

PROPERTIES

$11.41

TOTAL EQUITY PER UNIT

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SECTION I – OVERVIEW AND FINANCIAL HIGHLIGHTS

KEY PERFORMANCE INDICATORS		December 31, 2015		September 30, 2015		December 31, 2014
Portfolio						
Number of properties[1]		**208**		214		266
Gross leasable area ("GLA") (in square feet)[1]		**13,428,169**		13,221,425		14,839,661
Occupancy rate – including committed (period-end)[1]		**87.5%**		86.8%		85.3%
Occupancy rate – in-place (period-end)[1]		**86.8%**		86.2%		84.7%
Average in-place net rent per square foot (period-end)[1]	**€**	**9.61**	€	9.46	€	8.86
Market rents above in-place net rents[1]		**6.1%**		3.7%		2.9%

	Three months ended,						Year ended December 31,			
		December 31, 2015[2]		September 30, 2015[2]		December 31, 2014[2]		**2015[2]**		2014[2]
Operating results – in €										
Investment properties revenue[2]										
Total portfolio	**€**	**37,692**	€	38,242	€	43,483	**€**	**157,493**	€	175,586
Initial Properties		**14,996**		15,781		20,668		**66,656**		90,404
Acquisition Properties		**22,696**		22,461		22,815		**90,837**		85,182
Net operating income ("NOI")[3]										
Total portfolio		**25,780**		26,190		30,356		**107,881**		122,306
Initial Properties		**7,739**		8,462		11,652		**34,603**		51,816
Acquisition Properties		**18,041**		17,728		18,704		**73,278**		70,490
Operating results – in $[4]										
Investment properties revenue[2]										
Total portfolio	**$**	**55,081**	$	55,693	$	61,690	**$**	**223,169**	$	257,725
Initial Properties		**21,888**		23,000		29,325		**94,336**		132,964
Acquisition Properties		**33,193**		32,693		32,365		**128,833**		124,761
Net operating income ("NOI")[3]										
Total portfolio		**37,692**		38,116		43,069		**152,855**		179,464
Initial Properties		**11,303**		12,316		16,537		**48,981**		76,202
Acquisition Properties		**26,389**		25,800		26,532		**103,874**		103,262
Funds from operations ("FFO")[5]		**21,338**		21,999		23,428		**86,660**		97,496
Adjusted funds from operations ("AFFO")[6]		**20,548**		20,717		22,401		**81,524**		91,370
Average exchange rate										
(Canadian dollars to one euro)		**1.461**		1.457		1.419		**1.419**		1.467
Distributions										
Declared distributions	**$**	**22,578**	$	22,500	$	22,263	**$**	**89,858**	$	88,547
DRIP participation ratio (for the period)		**14.2%**		14.8%		15.5%		**14.6%**		16.4%
Per unit amounts[7]										
Distribution	**$**	**0.20**	$	0.20	$	0.20	**$**	**0.80**	$	0.80
Basic:										
FFO		**0.19**		0.20		0.21		**0.77**		0.88
AFFO		**0.18**		0.18		0.20		**0.73**		0.83
Diluted:										
FFO		**0.19**		0.20		0.21		**0.77**		0.87

	December 31, 2015	September 30, 2015	December 31, 2014
Financing			
Weighted average face rate of interest on debt (period-end)(1)(11)	**2.49%**	3.00%	3.23%
Interest coverage ratio(1)(8)(9)	**3.08 times**	3.09 times	3.26 times
Level of debt (net debt-to-gross book value, net of cash) at period-end(1)(8)(9)	**54%**	51%	51%
Average level of debt, net of cash (1)(3)(10)	**52%**	52%	55%
Debt – average term to maturity (years)(1)(9)(10)	**5.0**	4.3	4.3
Unsecured convertible debentures	**$ 154,558**	$ 153,993	$ 152,365

(1) Reflects Owned Share of joint venture properties. Number of properties includes the joint venture properties but excludes properties classified as assets held for sale starting in Q1 2015. Joint venture properties are accounted for using the equity method in our consolidated financial statements.

(2) 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".

(3) NOI (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 NOI to net rental income can be found in the section "Non-GAAP measures and other disclosures" under net operating income.

(4) Results from operations were converted into Canadian dollars from euros using the average exchange rates found on page 28.

(5) 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".

(6) AFFO (non-GAAP measure) – The reconciliation of AFFO to cash generated from (utilized in) operating activities can be found in the section "Non-GAAP measures and other disclosures" under the heading "Cash generated from operating activities to AFFO reconciliation".

(7) 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".

(8) The calculations of the interest coverage ratio and level of debt (net debt-to-gross book value) are included in the section "Non-GAAP measures and other disclosures" under the headings "Interest coverage ratio" and "Level of debt (net debt-to-gross book value, net of cash)".

(9) This metric includes the REIT's share of the mortgages on joint venture properties.

(10) This metric excludes the revolving credit facility, which was drawn down temporarily to fund the acquisition of Rivergate.

(11) Weighted average face rate of all interest bearing debt.

FINANCIAL OVERVIEW

The fourth quarter and year-end results reflect the continued efforts of the Trust's asset recycling program. This includes the disposition of lower quality, but higher yielding Initial Properties, and replacing them with higher quality, but lower yielding Acquisition Properties. We believe this program has and will continue to benefit the Trust as it increases the overall quality of the portfolio and enhances the quality and stability of the underlying cash flows. The portfolio now includes assets that are highly desired, which we believe are of institutional quality. As a result of the asset recycling program and significant transformation in the business of the Trust, it is management's view that certain operating metrics may not be directly comparable on a year-over-year basis.

As at December 31, 2015, the Trust's total equity per unit increased to $11.41, from $10.05 as at December 31, 2014. The 13.5% increase in book equity per unit primarily reflects the addition of high-quality assets that benefited from continued cap rate compression in Germany, and a 7% currency appreciation of the euro against the Canadian dollar since Q4 2014. We completed $510.9 million (Trust's share – $368.2 million) of high-quality office property acquisitions in 2015, including our expansion into Vienna, Austria, with the acquisition of a 50% interest in Rivergate, a jointly owned asset with an Asian sovereign wealth fund. Subsequent to year-end, we completed the acquisition of a multi-tenant office tower in Essen, Germany, for $41.5 million.

We continue to make progress on our asset recycling strategy each quarter, with the sale of 11 properties during Q4 2015 for gross proceeds of $40.9 million, increasing total sales of our Initial Properties in 2015 to 51 properties for gross proceeds of $110.9 million at an average cap rate of 7.5%. In addition, 12 properties were held for sale at December 31, 2015 for an approximate aggregate sale price of $32.5 million. Including the properties held for sale, we have sold over $300 million of our Initial Properties since 2012. In terms of operations, we continue to actively manage our assets to drive the long-term value of our portfolio.

The Trust completed approximately 1.3 million square feet of leasing in 2015. Approximately 479,000 square feet of new leasing and renewals were completed in Q4 2015, including eight leases with Postbank in properties that were subject to Deutsche Post's 2016 termination rights. With the signing of these leases, the gross rental income ("GRI") retention rate pertaining to the 2016 terminations increased to approximately 99% as at December 31, 2015.

As at Q4 2015, active leasing has resulted in an improvement in in-place and committed occupancy of 70 basis points ("bps") to 87.5% quarter-over-quarter, and by 220 bps since the end of 2014. Year-over-year, in-place rents increased from €8.86 per square foot in Q4 2014 to €9.61 per square foot in Q4 2015, largely due to the completed acquisitions in 2015, which have a higher average per square foot rent compared to our overall portfolio. We are also seeing an increase in rents on lease renewals and the signing of new leases in our Initial Properties.

In Q4 2015, the Trust completed the refinancing of a mortgage for $48.6 million (Trust's share – $24.3 million), resulting in an interest rate reduction from 2.37% to 1.59% and extension of the term by 4.5 years to September 2022. Subsequent to year-end, the Trust secured a 10-year €16.3 million mortgage at a fixed interest rate of 1.62% for Europa-Center in Essen. With the current favourable lending environment in Germany, the Trust intends to take advantage of further opportunities to extend debt maturities and lower the overall cost of borrowing through refinancing mortgages in the Trust's Acquisition Properties.

Excluding the impact from foreign exchange, net operating income ("NOI") for the quarter was €25.8 million, compared to €30.4 million in Q4 2014. The year-over-year reduction in NOI for the quarter was primarily due to:

- Timing between sale and subsequent redeployment of Initial Properties sales proceeds, resulting in a decrease of €2.8 million in NOI;
- Timing between the sale of our 50% interest in Officium to POBA in January 2015 and subsequent redeployment of net proceeds received, resulting in a €1.4 million decrease in NOI; and
- A remaining difference, which is largely due to the unforeseen insolvency of Imtech.

For the year ended December 31, 2015, NOI was €107.9 million, compared to €122.3 in the prior year. The decrease from the prior year was primarily due to:

- Timing between sale and subsequent redeployment of Initial Properties sales proceeds resulting in a decrease of €10.4 million in NOI;
- Full-year impact of the expiry of the Lonestar head lease payments taking effect in mid-2014 of €2.8 million;
- Full-year impact of the Deutsche Post lease terminations taking effect in mid-2014 of €2.4 million;
- Timing between the expiry of the SEB head lease payments in 2015 and subsequent re-leasing of this space, resulting in a €1.0 million decrease in NOI. We have now replaced 88% of the income from the head lease; and
- Unforeseen insolvency of Imtech, resulting in a NOI reduction of €0.8 million.

Partially offset by:

- An increase in NOI of €3.3 million, resulting from the full-year impact of 2014 acquisitions and a partial-year impact from 2015 acquisitions.

Funds from operations ("FFO") and adjusted funds from operations ("AFFO") for Q4 2015 were $21.3 million and $20.5 million, respectively. By comparison, the FFO and AFFO for Q4 2014 were $23.4 million and $22.4 million, respectively. The reduction in both metrics was largely attributed to the decline in NOI as noted above, slightly offset by a higher average exchange rate in Q4 2015 compared to 2014, as well as a reduction in interest expense due to a lower average level of debt and a lower average face interest rate in 2015 compared to the prior year. On a per unit basis, basic FFO and basic AFFO were 19 cents and 18 cents, respectively, in Q4 2015, compared to 21 cents and 20 cents in Q4 2014.

FFO and AFFO for the full year of 2015 were $86.7 million and $81.5 million, respectively. By comparison, FFO and AFFO for 2014 were $97.5 million and $91.4 million, respectively. The year-over-year reduction in both metrics was largely attributed to the decline in NOI as noted above, a lower average exchange rate in 2015 compared to 2014, slightly offset by a reduction in interest expense due to lower average level of debt and lower average face interest rates in 2015, compared to the prior year. On a per unit basis, basic FFO and basic AFFO were 77 cents and 73 cents, respectively, in 2015, compared to 88 cents and 83 cents in 2014.

Going forward, we expect our AFFO per unit to increase in 2016 and 2017 as we continue to execute on our asset management and leasing initiatives as well as our capital recycling, joint venture and debt refinancing initiatives.

OUTLOOK

During the fourth quarter of 2015, two significant milestones were completed:

- First, the early refinancing of our term loan credit facility obtained at the time of our initial public offering ("IPO"), which will result in significant interest savings and will extend the Trust's debt maturity profile. The interest savings will add incremental AFFO of approximately $6 million, or $0.05/unit, on an annual basis.
- Second, the first acquisition outside of Germany with the purchase of Rivergate in Vienna, Austria. Vienna is among the wealthiest and most attractive corporate locations in Europe. This 50/50 joint venture deal with an Asian sovereign wealth fund is the second joint venture for the REIT with an international investor.

Dream Global has built a platform and brand that is recognized in Europe and by global investors and has quickly established itself as a highly credible and capable joint venture partner. Joint ventures benefit the Trust's business as they provide a valuable source of capital, fee income and opportunities for additional business.

The German economy continues to benefit from a robust labour market and strong domestic demand, fuelled by low inflation and low interest rates. The country's economic growth is mainly driven by private consumption and public sector spending. The unemployment rate remains among the lowest in the European Union and underlying fundamentals in the office sector are strong, with overall net absorption of office space continuing to be positive across the major office markets, along with declining vacancy rates. At the end of 2015, German office vacancy rates reached a low not seen since 2002.

The demand for real estate investments in Germany increased by 40%[1] in 2015, compared to 2014 levels. Despite the investment market getting increasingly competitive, we continue to find opportunities to invest in the most sought-after markets.

We remain committed to our capital recycling program, which improves the quality of our portfolio as well as the stability of our cash flows by further lowering our exposure to Deutsche Post. In 2015, over 80% of the Trust's AFFO was generated from Acquisition Properties. During Q4 2015, we sold 11 properties from our Initial Properties portfolio, realizing $40.9 million in gross proceeds and increasing the assets sold during 2015 to 51 for an aggregate gross sales price of approximately $110.9 million. In addition, we held a total of 12 properties for sale at December 31, 2015, with a total sale price of $32.5 million.

With the current favourable lending environment in Germany, we see further opportunities to extend maturities and lower the overall cost of borrowing through refinancing mortgages in the Trust's Acquisition Properties. This initiative will enable us to capture value appreciation in these properties that occurred since the time of acquisition.

For 2016, we will continue to pursue investment opportunities that are accretive to our business, take advantage of our platform and strengthen the stability of our cash flow over the long run.

(1) JLL Investment Market Overview Q4 2015.

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 years ended December 31, 2015 and December 31, 2014, respectively.

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 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.

This MD&A has been dated as at February 17, 2016. 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, a South Korean pension fund.

Certain information has been obtained from 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 AG. Deutsche Post AG has provided a letter of support with respect to DPI and its ability to carry out its obligations under leases for the Initial Properties.

Estimated 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, including but not limited to statements regarding our objectives and strategies, proposed acquisitions and dispositions, development of our portfolio, stability and growth of our cash flows and distributions, future financings, future maintenance and leasing expenditures, projected costs, economic performance or expectations, or the assumptions underlying any of the foregoing, 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 17, 2016, 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.

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, 2015, our portfolio consisted of 208 properties (excluding 12 assets that are held for sale) and comprises approximately 13.4 million square feet of GLA. 207 of the properties are located in Germany and one property is located in Vienna, Austria. Nine properties, including the asset in Austria, are held within joint ventures 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.

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;
- 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, 2015, approximately 13.3% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP").

	December 31,		September 30,		June 30,		March 31,	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
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	**$ 8.66**	$ 8.57	**$ 8.84**	$ 9.08	**$ 9.93**	$ 9.82	**$ 9.84**	$ 9.28
Annualized distribution yield on closing unit price	**9.24%**	9.34%	**9.05%**	8.81%	**8.06%**	8.15%	**8.13%**	8.62%

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 enhance our tenant profile. We focus on adding high-quality tenants in the most desirable office markets in addition to increasing our overall asset base in our target markets. 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 these 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, 2015, this category included 175 properties (excluding assets held for sale). The assets can be characterized as national and regional administration offices, mixed-use retail and distribution properties, and regional logistics headquarters of Deutsche Post as well as other third-party tenants, including Postbank as well as municipal and state government agencies. 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, 2015, this category included 33 office properties, which were acquired since our IPO in 2011. 32 of the 33 properties are located in cities across Germany. A 50% interest in eight of these 32 properties, which was sold in late 2014 and early 2015, is jointly owned with POBA, a South Korean pension fund. In addition, one property is located in Vienna, Austria, which is jointly owned with an Asian sovereign wealth fund. In comparison to the Initial Properties, the Acquisition Properties are generally larger, newer or recently refurbished, multi-tenant buildings.

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

Geographic composition of portfolio[1]	Total GLA (sq. ft.)	Total GLA (%)	Total GRI (%)
Berlin	1,026,269	8	11
Cologne	907,794	7	10
Düsseldorf	1,691,742	13	13
Frankfurt	966,192	7	9
Hamburg	1,590,603	12	17
Hannover	602,959	4	3
Munich	554,957	4	7
Nuremberg	536,427	4	5
Stuttgart	496,848	4	5
Other	5,054,378	37	20
Total	13,428,169	100	100

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

TENANTS

Through our active acquisitions, dispositions and leasing program, we continue to focus on the diversification of our tenant base. The table below highlights the diversification away from the single-tenant nature of our Initial Properties. At the end of Q4 2015, Deutsche Post's GRI was approximately 22.4% of the Trust's overall occupied and committed GRI, down from 29.5% at the end of 2014.

Tenant composition(1)	Total annualized GRI (%)	Credit rating(2)(3)
Deutsche Post	22.4	BBB+
Freshfields Bruckhaus Deringer	3.4	n/a
ERGO Direkt Lebensversicherungs AG	3.0	AA-
City of Hamburg	2.8	AAA
Deutsche Rentenversicherung Knappschaft Bahn-See	2.0	n/a
BNP Paribas Fortis SA/NV	1.9	A+
CinemaxX Entertainment GmbH & Co. KG	1.5	n/a
Google Germany GmbY	1.5	AA
Deutsche Postbank AG	1.5	BBB+
Maersk Deutschland A/S & Co. KG	1.3	BBB+
Other third-party tenants	58.7	n/a
Total	100.0	

(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.[1] 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. 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, 2015, our portfolio featured approximately 117 Postbank branches, allowing for the delivery of integrated financial and postal services. Leases for 28 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.[2] Freshfields occupies 71% of the space in our property located at Feldmühleplatz 1 and generated approximately 3.4% of the REIT's overall GRI as at December 31, 2015.

ERGO Direkt Lebensversicherungs AG ("ERGO")

ERGO is the third largest tenant in our portfolio as measured by GRI. With approximately 43,000 employees in over 30 countries, ERGO is one of the largest insurance companies in Germany.[3] 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 3.0% of the REIT's overall GRI as at December 31, 2015.

City of Hamburg

The City of Hamburg, Germany's second largest municipality with a population of 1.7 million[4] is one of the 16 federal states of Germany and is considered the economic centre of northern Germany. The City of Hamburg occupies approximately 15% of the space in our property at Millerntorplatz 1, 9% of the space in our property at Schlossstrasse 8, and, starting in November 2016, it will occupy the entire space at our property located at Hammer Strasse 30–34. Including the annualized GRI from the lease at Hammer Strasse 30–34, the City of Hamburg will contribute approximately 2.8% to the REIT's overall GRI based on total GRI as at December 31, 2015.

Deutsche Rentenversicherung Knappschaft Bahn-See ("Deutsche Rentenversicherung")

Deutsche Rentenversicherung is Germany's state pension fund covering over 50 million people. About €266 billion was paid to recipients in 2014 alone.[5] Deutsche Rentenversicherung occupies approximately 38% of the space in our property located at Millerntorplatz 1 in Hamburg, and generated approximately 2.0% of the REIT's overall GRI as at December 31, 2015.

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.[6] The company, which is deeply rooted in Belgium's economy, 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, 2015.

CinemaxX Entertainment GmbH & Co. KG ("CinemaxX")

CinemaxX is a well-known cinema chain in Germany and Denmark with 33 cinemas and 2,000 employees.[7] CinemaxX occupies approximately 62% of the GLA in our property located at Bertoldstrasse 48/Sedanstrasse 7 in Freiburg and generated approximately 1.5% of the REIT's overall GRI as at December 31, 2015.

Google Germany GmbH ("Google")

Google is an American multinational corporation specializing in internet-related services and products and employs over 40,000 people worldwide.[8] Google Hamburg is the company's commercial headquarters for Germany, Austria, Switzerland and the Nordics and occupies approximately 88% of the GLA in ABC Bogen, our property located in the heart of Hamburg at ABC Strasse 19. Google generated approximately 1.5% of the REIT's overall GRI as at December 31, 2015.

Deutsche Postbank AG ("Postbank")

Postbank is one of Germany's largest financial service providers with approximately 14 million clients, 15,000 employees and total assets of approximately €152 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 and 4,500 Deutsche Post partner branches as well as 700 Postbank advisory centres.[9] As at December 31, 2015, Postbank generated approximately 1.5% of the REIT's overall GRI.

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$40 billion in revenues in 2015.[10] Maersk occupies approximately 61% of the GLA in Humboldt House, our property located at Am Sandtorkai 37 in Hamburg. Maersk generated approximately 1.3% of the REIT's overall GRI as at December 31, 2015. The lease contract with Maersk expired on December 31, 2015. To date, we have leased approximately 37,500 square feet of space to three separate tenants, or 55% of the expiring space, for a weighted average lease term of 5.5 years.

(1) As disclosed at Deutsche Post DHL's website at www.dpdhl.com

(2) As disclosed at Freshfields' website at www.freshfields.com

(3) As disclosed at ERGO's website at www.ergo.com

(4) As disclosed at the City of Hamburg's website www.hamburg.de

(5) As disclosed at Deutsche Rentenversicherung's website at www.deutsche-rentenversicherung.de

(6) As disclosed at BNP Paribas' website at www.bnpparibas.com

(7) As disclosed at CinemaxX's website at www.cinemaxx.com

(8) As disclosed at Google's website at www.google.com and www.google.ca/about/careers/locations/hamburg

(9) As disclosed at Deutsche Postbank AG's website at www.postbank.com

(10) As disclosed at Maersk's website at www.maersk.com

MARKET OVERVIEW – GERMANY

German economy

The German economy 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 and benefits from a robust labour market. The most important drivers of growth in 2015 were domestic consumption and public sector spending. Germany's unemployment rate of 4.5%[1] at the end of December 2015 remains among the lowest in the European Union. German gross domestic product ("GDP") grew by 1.7%[2] in 2015, largely driven by consumer spending, and 2015 inflation remained fairly low, mostly as a result of the decline in energy costs.

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 local and international investor demand. In 2015, the total investment volume for commercial real estate increased for the sixth time in as many years, reaching €55 billion.[3] This represented an increase of 40%[3] compared to the investment volume in 2014. With €8 billion[1] in investments in Berlin alone, investments in Germany's capital were the highest ever seen in any German city. Another trend in 2015 was the rising investment volume outside of the "Big 7" office markets. €24 billion[3] were invested in markets outside of the seven key markets. International investors continued to show a strong interest in German commercial real estate, accounting for over half of the investment volume in 2015.[3]

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. The average vacancy rate in the Big 7 office markets further declined in Q4 2015, resulting in a 120 basis point decline from 7.6% at the end of 2014 to 6.4%[4] at December 31, 2015, and reaching its lowest level since 2002.

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

(2) Deutsche Bundesbank – the central bank of the Federal Republic of Germany.

(3) JLL Investment Market Overview Q4 2015.

(4) JLL Office Market Overview Q4 2015.

SECTION II – EXECUTING THE STRATEGY

OUR OPERATIONS

Occupancy

Overall in-place and committed occupancy was 87.5% at December 31, 2015, an increase of 220 basis points from the end of 2014, and 70 basis points quarter-over-quarter compared to Q3 2015. Occupancy in our Initial Properties increased from 80.1% at the end of 2014 to 81.8% at the end of 2015, due to our leasing efforts as well as property dispositions, including properties that were sold but have not closed as at December 31, 2015. These properties are classified under "Assets held for sale" in the consolidated financial statements and have been removed from our property level metrics disclosed under "Our Operations", including occupancy and vacancy rates, lease maturities, weighted average remaining lease term ("WALT") and rental rates. Occupancy in our Acquisition Properties decreased from 97.9% at the end of 2014 to 96.4% at December 31, 2015, reflecting lease expiries during 2015 and below-average occupancy rates in the three properties acquired in 2015.

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, 2014 and December 31, 2015, and excludes properties that were acquired or sold during 2015.

	Total portfolio		Comparative portfolio	
Portfolio (%)	**December 31, 2015**	December 31, 2014	**December 31, 2015**	December 31, 2014
Initial Properties	**81.8**	80.1	**81.8**	82.0
Acquisition Properties[1]	**96.4**	97.9	**97.2**	98.2
Total	**87.5**	85.3	**87.0**	87.5

(1) 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, 2015. During Q4 2015, our overall space available for lease decreased by 59,237 square feet. The decrease in vacancy was largely the result of dispositions of Initial Properties and strong leasing during the quarter, slightly offset by some acquired vacancy. Overall, we maintained a high retention rate of 72% across the entire portfolio in Q4 2015 and 79% for the year.

	For the three months ended December 31, 2015		
(in square feet)	Initial Properties	Acquisition Properties[1]	Total
Available for lease – October 1, 2015	1,529,238	213,374	1,742,612
Change in vacancy due to acquisitions	–	18,801	18,801
Change in vacancy due to dispositions	(40,842)	–	(40,842)
Remeasurements	(4,101)	(4,221)	(8,322)
Subtotal – available for lease	1,484,295	227,954	1,712,249
Expiries[2]	93,981	175,948	269,929
Early termination and bankruptcies	–	179,917[3]	179,917
Deutsche Post extension expiries	–	–	–
New leases	(7,321)	(45,473)	(52,794)
Renewals[2]	(19,796)	(108,487)	(128,283)
Future leases for the period[2]	(54,898)	(242,745)[3]	(297,643)
Available for lease – December 31, 2015	1,496,261	187,114	1,683,375

(1) Reflects the REIT's Owned Share.

(2) For the purposes of calculating tenant retention, 22,435 square feet of former head lease space was deducted from expiries as it was released to third parties and Postbank leases for 51,140 square feet were treated as renewals.

(3) Approximately 172,300 square feet of space currently occupied by Imtech, a tenant who declared insolvency in August 2015, has been leased to the City of Hamburg effective as at November 2016 and is therefore reflected in "Early termination and bankruptcies" and included in "Future leases for the period".

	For the year ended December 31, 2015		
(in square feet)	Initial Properties	Acquisition Properties[1]	Total
Available for lease – January 1, 2015	2,085,616	93,521	2,179,137
Change in vacancy due to acquisitions	–	73,243	73,243
Change in vacancy due to dispositions[2]	(651,602)	(16,032)	(667,634)
Remeasurements	(36,911)	(5,010)	(41,921)
Subtotal – available for lease	1,397,103	145,722	1,542,825
Expiries[3]	297,826	770,434	1,068,260
Early termination and bankruptcies	3,584	198,634[4]	202,218
Deutsche Post extension expiries	135,878	–	135,878
New leases	(99,547)	(68,626)	(168,173)
Renewals[3]	(122,805)	(499,606)	(622,411)
Future leases for the period	(115,778)	(359,444)[4]	(475,222)
Available for lease – December 31, 2015	1,496,261	187,114	1,683,375

(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 a property to POBA.

(3) For the purposes of calculating tenant retention, 105,000 square feet were deducted from expiries to reflect space that is subject to interim usage and head lease space released to third parties; 80,000 square feet were added to renewals, currently included in new and future leases, reflecting tenant takeovers and new leases with Postbank; 250,900 square feet were added to renewals and expiries to reflect Deutsche Post renewals relating to 2016 termination rights.

(4) Approximately 172,300 square feet of space currently occupied by Imtech, a tenant who has declared insolvency in August 2015, has been leased to the City of Hamburg effective as at November 2016 and is therefore reflected in "Early termination and bankruptcies" and included in "Future leases for the period".

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 2015[1][2]	Q3 2015[1][2]	Q2 2015[1][2]	Q1 2015[1][2]	Q4 2014[1]	Q3 2014	Q2 2014	Q1 2014
Occupancy								
Committed occupancy (square feet)	**11,744,793**	11,478,813	11,523,398	11,920,554	12,660,524	13,788,078	13,787,918	13,874,523
Committed occupancy	**87.5%**	86.8%	86.1%	86.0%	85.3%	87.1%	87.9%	87.7%
In-place occupancy (square feet)	**11,653,086**	11,403,146	11,488,609	11,867,554	12,568,632	13,603,696	13,644,620	13,753,248
In-place occupancy	**86.8%**	86.2%	85.8%	85.6%	84.7%	85.9%	87.0%	86.9%
Leasing activity								
Expiries	**(269,929)**	(235,519)	(330,102)	(232,711)	(210,323)	(203,087)	(175,716)	(113,105)
Early termination and bankruptcies	**(179,917)**	(3,584)	(2,898)	(15,819)	(18,214)	(38,709)	(8,908)	(24,143)
New leases	**52,794**	49,346	44,309	21,725	37,589	89,075	21,370	46,185
Renewals	**128,283**	124,820	225,341	143,968	153,804	143,271	133,149	52,633
Future leases	**297,643**	71,803	70,626	35,150	31,773	101,670	68,328	142,236
Net leasing absorption (before DP terminations)	**28,874**	6,866	7,276	(47,687)	(5,371)	92,220	38,223	103,806
Deutsche Post leasing activity								
Deutsche Post terminations	–	–	–	–	(99,214)	(1,756,589)	–	–
Expiries of Deutsche Post extensions	–	–	(30,363)	(105,515)	(231,311)	–	–	–
Deutsche Post/Postbank renewals and extensions	–	–	–	–	99,214	1,492,986	–	–
Net leasing absorption (incl. DP terminations)	**28,874**	**6,866**	(23,087)	(153,202)	(236,682)	(171,383)	38,223	103,806
Average in-place rent (€/sq. ft./year)	**€9.61**	**€9.46**	€9.39	€9.26	€8.86	€8.90	€8.74	€8.72
% change	**1.6%**	**0.7%**	1.4%	4.5%	(0.4)%	1.8%	0.3%	3.0%

(1) Reflects the REIT's Owned Share.

(2) Excludes properties held for sale.

In-place rental rates

In-place rents have increased from approximately €8.86 per square foot/year at December 31, 2014 to approximately €9.61 per square foot/year at December 31, 2015, reflecting higher in-place rents in the Acquisition Properties as well as higher rents on renewals and new leases. The majority of the leases in the Acquisition Properties portfolio include rent adjustment clauses linked to an increase in the consumer price index ("CPI"). Overall, average market rents remain above in-place rents as at December 31, 2015. As at December 31, 2015, the overall spread between in-place rents and market rents was 6.1%. The difference between in-place rents and market rents in our Initial Properties is approximately 15.3%, allowing for rental rate growth in this segment of our portfolio.

For certain Acquisition Properties, where in-place rents exceeded estimated market rents, the purchase price was adjusted to reflect such above-market rents. The gap between market and in-place rental rates continued to narrow throughout the year and as at December 31, 2015, market rents exceeded in-place rents by 1.8%. This was largely a result of increasing market rents across the portfolio as well as the acquisition of Rivergate in Vienna, Austria at an average in-place rent below the current market rent.

The table below provides a comparison between in-place rents and estimated market rents in our portfolio as at December 31, 2015.

(per square foot/year)	In $ (as at December 31, 2015)		In € (as at December 31, 2015)		% of market rents above (below)
	In-place rent	Market rent	In-place rent	Market rent	
Initial Properties – Deutsche Post[(1)]	$ 7.92	$ 9.28	€ 5.27	€ 6.17	17.1
Initial Properties – third party	8.96	9.89	5.96	6.57	10.2
Total Initial Properties[(2)]	8.18	9.43	5.44	6.27	15.3
Acquisition Properties[(3)]	22.82	23.22	15.17	15.44	1.8
Overall	$ 14.46	$ 15.34	€ 9.61	€ 10.20	6.1

(1) Includes renewals of space relating to the Deutsche Post 2016 termination rights.

(2) Excludes properties held for sale.

(3) 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 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 on 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, 2015, the WALT of all leases was approximately 4.4 years.

(years)[(1)]	**WALT at December 31, 2015**	WALT at December 31, 2014
Initial Properties – Deutsche Post	**2.8[(2)]**	3.5
Initial Properties – third party	**5.7**	5.4
Total Initial Properties	**3.5[(3)]**	3.9
Acquisition Properties[(4)]	**5.6**	5.3
Overall	**4.4**	4.4

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

(2) Includes renewals of space relating to the Deutsche Post 2016 termination rights.

(3) Excludes properties held for sale.

(4) Reflects the REIT's Owned Share.

Leasing and tenant profile

Lease rollover profile

The following table outlines our lease maturity profile by asset type as at December 31, 2015. Our lease maturity profile remains staggered with only approximately 11% (excluding space leased on a month-to-month basis) of our portfolio expiring prior to 2018.

(in square feet)	Current vacancy	Month-to-month	2016	2017	2018	2019	2020+	Total
Initial Properties[(1)]	1,496,261	281,416	155,474	321,631	3,717,482	786,556	1,447,223	8,206,043
Acquisition Properties	187,114	34,264	423,359	617,639	337,960	530,542	3,091,248	5,222,126
Total GLA	1,683,375	315,680	578,833	939,270	4,055,442	1,317,098	4,538,471	13,428,169
Total GLA (%)	12.5%	2.4%	4.3%	7.0%	30.2%	9.8%	33.8%	100%
Total GRI ($)		3,897,830	12,209,575	15,905,468	37,493,953	20,883,663	88,611,202	179,001,691
Total GRI (%)		2.2%	6.8%	8.9%	20.9%	11.7%	49.5%	100.0%

(1) Includes renewals of space relating to the Deutsche Post 2016 termination rights.

Deutsche Post leases

The leases with Deutsche Post, which primarily 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 37.7% of the portfolio's GLA and account for approximately 22.4% of the portfolio's GRI.

Below is a detailed expiry schedule for all Deutsche Post leases within our Initial Properties:

	Total GLA (sq. ft.)
Deutsche Post lease expiries	
Q4 2015	8,958
2016	13,222
2017	164,911
2018	3,655,643
2019	617,372
2020	527,425
2021	57,890
2022	6,376
2023	5,745
Total Deutsche Post lease expiries	5,057,542

Rent adjustment

The rents under the Deutsche Post leases are subject to automatic adjustments (up or down) in relation to the German CPI. If the CPI 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 2015 indicate that the CPI has reached 107.0 index points. German inflation rates remained fairly low in 2015, largely as a result of the decline in energy costs.

Termination rights

In general, the Deutsche Post leases have a fixed term of 10 years, expiring on June 30, 2018. These leases entitled 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 the vendor of the Initial Properties acquired from Deutsche Post in July 2008 (the "Caroline DP Leases"), considered as a whole.

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 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, which at the beginning of the lease had no termination options. With the contractual extension, the Trust will receive a continuation of income of at least 8% of the reference rent (equivalent of 265,100 square feet of space) pertaining to the Deutsche Post leases that are scheduled to expire in 2018 for the additional two years, which are reflected in the 2020 lease expiries in the table above.

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 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. On July 1, 2012, Deutsche Post terminated a total of approximately 1.1 million square feet of space of which approximately 203,000 square feet were either extended by Deutsche Post or re-leased to Postbank. Through our leasing efforts, as of December 31, 2015, we have been able to successfully replace approximately 86%[1] 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 or held for sale. GRI as of December 31, 2015 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. Lease extensions with Deutsche Post as well as third-party leases for 2014 terminated buildings have replaced approximately 77%[1] of the GRI generated from the 2014 terminated properties as at December 31, 2015.

(1) Compared to GRI of the terminated properties as of Q2 2014, excluding properties sold or held for sale. GRI as of December 31, 2015 includes in-place leases and leases committed for future occupancy.

2016 termination rights

Excluding dispositions and assets held for sale, Deutsche Post had the right to terminate up to approximately 392,600 square feet in 16 properties effective as at June 30, 2016. We retained Deutsche Post in 14 of the 16 properties, or 342,049 square feet of space, retaining 84% of the GRI with respect to the terminated space. Lease negotiations with Deutsche Post resulted in the renewal of space in eight assets, in addition to the tenant not exercising their termination rights in six assets. Deutsche Post exercised their termination right with respect to two assets for 24,526 square feet.

	Number of assets	Total GLA (sq. ft.)
1-year renewal(1)	1	135,766
3-year renewal	3	57,806
5-year renewal	4	57,310
2016 renewals	8	250,882
No termination exercised	6	91,167
Subtotal of space retained	14	342,049
Termination notice exercised	2	24,526
Space subleased to Postbank		26,011
Total	16	392,586

(1) This property located in Hamburg will be a redevelopment site once Deutsche Post vacates the space. The Trust is working on rezoning plans for a multi-use project.

In Q4 2015, we signed eight leases with Postbank, retaining them as a tenant in the entire 26,011 square feet of space they originally subleased from Deutsche Post, in addition to approximately 7,100 square feet of space in two properties for which Deutsche Post exercised termination notices. With the signing of these leases, the GRI retention rate pertaining to the 2016 terminations increased to approximately 99% as at December 31, 2015.

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

As at December 31, 2015, the value of our investment property portfolio was $2.4 billion (December 31, 2014 – $2.1 billion).

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, 2015 and for the year ended December 31, 2014 are summarized in the table below as follows:

	December 31, 2015			December 31, 2014		
	Amounts per consolidated financial statements	**Share from investment in joint ventures**	**Total**	Amounts per consolidated financial statements	Share from investment in joint ventures	Total
Balance at beginning of year	**$ 2,079,671**	**$ 284,417**	**$ 2,364,088**	$ 2,390,244	$ –	$ 2,390,244
Additions						
Acquisitions	**237,019**	**142,805**	**379,824**	422,166	6	422,172
Building improvements	**14,375**	**181**	**14,556**	12,730	244	12,974
Lease incentives and initial direct leasing costs	**8,332**	**627**	**8,959**	14,908	229	15,137
Amortization of lease incentives	**(2,245)**	**(116)**	**(2,361)**	(1,458)	(9)	(1,467)
Dispositions (Initial Properties)	**(252)**	**–**	**(252)**	(144)	–	(144)
Reclassified to assets held for sale	**(97,472)**	**–**	**(97,472)**	(161,174)	–	(161,174)
POBA joint venture assets reclassified to assets held for sale	**(69,368)**	**34,684**	**(34,684)**	(573,521)	286,760	(286,761)
Fair value adjustments	**80,898**	**30,805**	**111,703**	97,505	1,703	99,208
Transaction and other costs related to acquisition	**(11,401)**	**–**	**(11,401)**	(20,866)	–	(20,866)
Foreign currency translation	**152,724**	**23,684**	**176,408**	(100,719)	(4,516)	(105,235)
Balance at end of year	**$ 2,392,281**	**$ 517,087**	**$ 2,909,368**	$ 2,079,671	$ 284,417	$ 2,364,088

Investment properties held for sale

		For the year ended December 31, 2015		For the year ended December 31, 2014
Balance at beginning of year	**$**	**42,897**	$	21,147
Building improvements		**50**		11
Lease incentives and initial direct leasing costs		**–**		(131)
Investment properties reclassified as held for sale		**97,472**		161,174
Investment properties reclassified as held for sale – POBA joint venture assets		**69,368**		573,521
Fair value adjustments		**(1,061)**		(4,392)
Dispositions		**(110,665)**		(130,746)
Dispositions – POBA joint venture assets		**(69,368)**		(573,521)
Foreign currency translation		**3,850**		(4,166)
Balance at end of year	**$**	**32,543**	$	42,897

During the year ended ended December 31, 2015, one Acquisition Property was reclassified as asset held for sale and then sold to POBA at a fair value of $69.4 million, with the REIT retaining a 50% interest. In addition, we reclassified other properties from the Initial Properties valued at $97.5 million as assets held for sale. During 2015, we acquired three properties for $237.0 million (including transaction costs). We also acquired a 50% interest in a property in Vienna, Austria, through an investment in a joint venture for $142.7 million during the year which is reflected as investment in joint ventures in the consolidated financial statements.

During the year ended December 31, 2015, Acquisition Properties increased by $111.7 million, mainly due to capitalization rate ("cap rate") compression, strong leasing performance as well as asset management and repositioning efforts. Due to the appreciation of the euro against the Canadian dollar from $1.404 at the end of 2014 to $1.503 at the end of 2015, the investment property value increased by $176.4 million, representing an unrealized foreign exchange gain.

Acquisitions

During the year ended December 31, 2015, we completed the following acquisitions:

Office property	Acquired GLA (sq. ft.)	Occupancy at acquisition (%)		Purchase price[1]	Date acquired
Millerntorplatz 1, Hamburg	374,477	88	$	133,351	February 6, 2015
Anger Entrée, Krämpferstrasse 2,4,6, Erfurt	131,116	96		27,481	September 4, 2015
Zimmerstraße 56 / Schützenstraße 15-17	169,424	99		64,678	October 27, 2015
	675,017	92		225,510	
Acquisition through joint venture					
Rivergate, Vienna, Austria[2]	287,144	94		142,676	December 16, 2015
Total	962,161	93	$	368,186	

(1) Excludes transaction costs of $11.5 million and $0.1 million related to the acquisition through joint venture.

(2) Represents the REIT's 50% interest in the Rivergate joint venture.

Dispositions

The REIT completed the sale of 11 properties during the three months ended December 31, 2015, for an aggregate gross sales price of approximately $40.9 million, which represented 102% of their fair value at the last reporting period prior to their sale. A portion of the net proceeds of $25.3 million was used to reduce our term loan credit facility. During the year ended December 31, 2015, we disposed of 51 investment properties for an aggregate gross sales price of approximately $110.9 million. Including the eight assets for which we signed purchase and sale agreements in Q4 2015, we had a total of 12 properties under contract for sale at December 31, 2015 for an aggregate gross sales price of $32.5 million, representing the assets' approximate fair value. As at December 31, 2015, these properties were 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 $1.1 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. Such improvements are expected to increase the Trust's ability to obtain higher rental rates. During the three months and year ended December 31, 2015, we spent $7.0 million and 14.6 million, respectively, on 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. They generally help to attract and put in place high value tenancies or to improve the quality of the asset. 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 months and year ended December 31, 2015, we incurred $2.4 million and $9.0 million, respectively, of lease incentives and initial direct leasing costs. As at December 31, 2015, we had outstanding initial direct leasing cost commitments of $11.2 million, for lease terms in excess of 10 years on average, including commitments related to a 20-year lease deal with the City of Hamburg for the entire 172,000 square feet of space at our property located at Hammer Strasse 30–34 in Hamburg.

Investment in joint ventures

As at December 31, 2015, the carrying amount of the investment in joint ventures was $272.7 million (December 31, 2014 – $160.0 million).

The Trust participates in partnerships (“joint ventures”) with other parties that own investment properties and accounts for its interests using the equity method in the consolidated financial statements. The discussion of our operations includes our share of the joint ventures. Refer to the section “Non-GAAP measures and other disclosures” for a reconciliation to the consolidated financial statements.

		Ownership interest (%)	
Name	Location	**December 31, 2015**	December 31, 2014
POBA joint venture			
Löwenkontor	Berlin, Germany	**50**	50
Vordernbergstrasse 6/Heilbronner Strasse 35 (Z-UP)	Stuttgart, Germany	**50**	50
Speicherstrasse 55 (Werfthaus)	Frankfurt, Germany	**50**	50
Derendorfer Allee 4–4a (doubleU)	Düsseldorf, Germany	**50**	50
Neue Mainzer Strasse 28 (K26)	Frankfurt, Germany	**50**	50
ABC-Strasse 19 (ABC Bogen)	Hamburg, Germany	**50**	50
Marsstrasse 20–22	Munich, Germany	**50**	50
Liebknechtstr. 33/35, Heßbrühlstr. 7 (Officium)	Stuttgart, Germany	**50**	100
Rivergate joint venture	Vienna, Austria	**50**	n/a

During Q1 2015, the REIT agreed to sell a 50% interest in an Acquisition Property that was held in a separate subsidiary to POBA. As a result, the property valued at $69.4 million (at 100%) and its related mortgage valued at $40.7 million were derecognized as at January 30, 2015. The total consideration to the REIT for the 50% interest in the property was $36.8 million. The REIT incurred transaction costs of $0.3 million relating to the sale, resulting in net proceeds to the REIT of $16.0 million. The REIT recorded a gain on the sale of $3.2 million, including $0.4 million of deferred tax loss. As at December 31, 2015, the REIT co-owned a total of eight Acquisition Properties with POBA.

On December 16, 2015, the REIT entered into a joint venture with an Asian sovereign wealth fund to jointly acquire Rivergate, an office property located in Vienna, Austria. The total consideration paid on the date of closing for the equity interest was $157.6 million, which was subsequently financed by an additional mortgage of $29.4 million held within the joint venture. The property was acquired for $285.4 million (Trust’s share – $142.7 million) with a mortgage totalling $156.9 million (Trust’s share – $78.5 million). The mortgage carries a fixed rate of 1.60% per annum, maturing on December 16, 2020. The REIT holds a 50% interest in the property, which is held in a separate subsidiary. The REIT incurred $1.9 million in transaction costs related to the acquisition, which are reflected in investments in joint ventures in the consolidated financial statements.

During the year ended December 31, 2015, the fair value of the investment properties held by joint ventures increased by $61.6 million. The REIT’s 50% share of this increase was $30.8 million, which was reflected in the investment in joint ventures as at December 31, 2015.

During the year ended December 31, 2015, the REIT recorded fee income relating to the POBA joint venture of $3.2 million (year ended December 31, 2014 – $nil), which is included in interest and other 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.

OUR CAPITAL

Liquidity and capital resources

Dream Global'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 generated from (utilized in) operations, draws on the credit facility, debt refinancings and, as growth requires and when appropriate, new equity or debt issues.

In our consolidated financial statements ("IFRS"), our current liabilities exceed our current assets by $57.3 million, which includes the temporary draw of $29.9 million drawn on our revolving credit facility as at December 31, 2015. Typically, real estate entities seek to address liquidity needs by having a balanced debt maturity schedule and undrawn credit facilities. We are able to use our credit facility on short notice, which eliminates the need to hold a significant amount of cash and cash equivalents on hand. Working capital balances fluctuate significantly from period to period depending on the timing of receipts and payments. Scheduled principal repayments that are due within one year amount to $18.2 million and there are no debt maturities that are due within one year. A total of $11.2 million of the term loan credit facility is payable within one year in connection with assets held for sale and will be financed with proceeds from dispositions. The debt maturities are typically refinanced with mortgages of terms between five and ten years. Amounts payable outstanding at the end of any reporting period depend primarily on the timing of leasing costs, capital expenditures incurred as well as the impact of transaction costs incurred on any acquisitions completed during the reporting period.

As at December 31, 2015, we had $28.7 million of cash on hand. Our debt-to-gross book value (net of cash) at December 31, 2015 was 54%. Excluding cash and convertible debentures, our debt-to-gross book value (net of cash) was 49%.

Debt

	December 31, 2015	December 31, 2014
Total debt	**$ 1,647,967**	$ 1,381,132
Less debt related to:		
Investment in joint ventures	**267,075**	152,736
Debt (per consolidated financial statements)	**$ 1,380,892**	$ 1,228,396

	December 31, 2015	December 31, 2014
Mortgage debt	**$ 1,108,176**	$ 854,061
Less mortgage debt related to:		
Investment in joint ventures	**267,075**	152,736
Mortgage debt (per consolidated financial statements)	**$ 841,101**	$ 701,325

Debt strategy

Our debt strategy is to obtain non-recourse secured mortgage financing, 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-gross book value (net of cash) range of 50% to 60%. Our average debt-to-gross book value ratio for 2015 decreased to 52% from 55% in 2014. At December 31, 2015, the debt-to-gross book value ratio (net of cash) was 54%, an increase from 51% at December 31, 2014, which largely reflects the temporary draw-down on our revolving credit facility to fund our acquisition of Rivergate, which was completed on December 16, 2015.

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

	For the year ended December 31, 2015	For the year ended December 31, 2014
Financing activities		
Weighted average interest rate(1)(2)	**2.49%**	3.23%
Weighted average effective rate(2)(4)	**3.02%**	3.54%
Level of debt (debt-to-gross book value, net of cash, net of convertible debentures)(2)(3)	**49%**	45%
Level of debt (debt-to-gross book value, net of cash) at period-end(2)(3)(5)	**54%**	51%
Average level of debt, net of cash(2)(3)(6)	**52%**	55%
Interest coverage ratio(2)(3)	**3.08 times**	3.26 times
Debt – average term to maturity (years)(2)(6)	**5.0**	4.3

(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 and interest coverage ratio are non-GAAP measures. Calculations for each reconciled to IFRS balances can be found under "Non-GAAP measures and other disclosures".

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

(5) Increase of debt level to 54% at the end of 2015 was largely a result of the temporary draw-down of the Trust's revolving credit facility to fund acquisitions.

(6) This metric excludes the revolving credit facility, which was drawn down temporarily to fund the acquisition of Rivergate.

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 first quarter is 3.08 times and reflects our ability to cover interest expense requirements.

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, 2015, we obtained the following new mortgages:

Property		Mortgage ($000s)		Mortgage (€000s)	Face rate	Date of funding	Date of maturity
Millerntorplatz 1, Hamburg	$	84,283	€	59,400	1.71%	February 6, 2015	February 6, 2025
Anger Entrée, Krämpferstrasse 2,4,6, Erfurt		15,358		10,300	1.42%	September 25, 2015	September 30, 2022
Zimmerstraße 56 / Schützenstraße 15-17		38,807		26,520	0.95%	October 30, 2015	October 31, 2022
		138,448		96,220			
Mortgage through joint venture							
Rivergate, Vienna, Austria		78,472		51,975	1.60%	December 17, 2015	December 16, 2020
Total	$	216,920	€	148,195			

On February 6, 2015, the Trust secured a mortgage with a principal balance of $84.3 million (€59.4 million) at a fixed rate of 1.71% per annum, maturing on February 6, 2025, in connection with the acquisition of Millerntorplatz 1, in Hamburg.

On September 25, 2015, the Trust secured a mortgage with a principal balance of $15.4 million (€10.3 million) at a fixed rate of 1.42% per annum, maturing on September 30, 2022, in connection with the acquisition of Anger Entrée in Erfurt.

On October 27, 2015, the Trust secured a mortgage with a principal balance of $38.8 million (€26.5 million) at a variable rate of three-month EURIBOR plus 0.95% per annum, maturing on October 31, 2022, in connection with the acquisition of Zimmerstrasse, in Berlin. Concurrent with the closing of the mortgage, the Trust purchased an interest rate cap with a 1% strike price, which effectively caps the mortgage interest at 1.95%.

On December 16, 2015, the REIT and its joint venture partner closed the acquisition of Rivergate in Vienna, Austria. In connection with this transaction, a mortgage was secured with a principal balance of $156.9 million (€104.0 million) at a fixed rate of 1.60% per annum, maturing on December 16, 2020. The REIT's 50% interest in the mortgage was $78.5 million (€52.0 million).

During the year ended December 31, 2015, the REIT sold a 50% interest in an additional Acquisition Property as part of a joint venture agreement with POBA. In conjunction with this sale, $40.7 million of the mortgage debt relating to the asset was assumed by the joint venture (net of deferred financing costs – $40.2 million). As the REIT retained a 50% interest in the POBA joint venture, the REIT is liable for $267.1 million of mortgage debt through its obligations in the joint venture investments.

Debt refinancings

On September 24, 2015, the REIT refinanced a mortgage totalling $37.1 million (€24.8 million) pertaining to a property in Düsseldorf. The property is 50% owned by POBA as part of the joint venture and the REIT's share of the mortgage is $18.5 million (€12.4 million). The original mortgage had an interest rate of 2.09% per annum, with a maturity date of July 31, 2017. The refinanced mortgage has an interest rate of 1.40% per annum, with a maturity date of December 31, 2021. Due to appreciation of the value of the property, the mortgage was increased by $7.8 million (€5.2 million) upon refinancing. The REIT received a 50% share of the proceeds from the increase, or $3.9 million (€2.6 million), which was used for general corporate purposes. The refinanced loan has an amortization of 2% per annum, an increase from 1.4% per annum under the previous mortgage.

On October 14, 2015, the REIT refinanced a mortgage totalling $48.6 million (€33.0 million) pertaining to a property in Berlin. The property is 50% owned by POBA as part of the joint venture and the REIT's share of the mortgage is $24.3 million (€16.5 million). The original mortgage had an interest rate of 2.37% per annum, with a maturity date of March 29, 2018. The refinanced mortgage has an interest rate of 1.59% per annum, with a maturity date of September 30, 2022. Upon refinancing, the mortgage was increased by $10.0 million (€6.8 million) and the REIT's 50% share of the proceeds from the increase, $5.0 million (€3.4 million), will be used for general corporate purposes. The refinanced loan requires no principal amortization until June 2019, when a 2% amortization per annum on the initial loan amount will be required. This compared to the 2% per annum under the previous mortgage. Debt settlement cost incurred for the refinancing amounted to $1.1 million (€0.7 million), which is non-recurring in nature, and the REIT's share is included in investments in joint ventures. The REIT's 50% share of the costs amounted to $0.5 million (€0.4 million).

Debt composition

	December 31, 2015			December 31, 2014		
	Variable	**Fixed**	**Total**	Variable	Fixed	Total
Term loan credit facility[1]	**$ 355,325**	**$ –**	**$ 355,325**	$ 7,957	$ 366,749	$ 374,706
Revolving credit facility	**29,908**	**–**	**29,908**			
Mortgage debt[1][2]	**39,267**	**1,068,909**	**1,108,176**	–	854,061	854,061
Debentures[1]	**–**	**154,558**	**154,558**	–	152,365	152,365
Total	**$ 424,500**	**$ 1,223,467**	**$ 1,647,967**	$ 7,957	$ 1,373,175	$ 1,381,132
Percent	**26%**	**74%**	**100%**	1%	99%	100%

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

(2) Includes the REIT's share of mortgages related to the joint ventures.

Amounts recorded as at December 31, 2015 for the Debentures are net of $3.5 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. On December 14, 2015, we successfully refinanced the Facility with a new, interest-only facility with a major U.S. financial institution (the "New Facility") for gross proceeds of $369.5 million (€244.1 million) and fully repaid and discharged the remaining outstanding balance under the Facility. The New Facility has a term of five years and a variable interest rate calculated and payable quarterly at a rate equal to the aggregate of the three-month EURIBOR plus a margin of 225 basis points (the "margin"). Pursuant to the requirement of the New Facility, we purchased EURIBOR interest rate caps with a weighted average strike rate of 1.03% to cover 95% of the New Facility. Costs relating to the New Facility were $11.6 million (€7.7 million). In connection with the refinancing, the Trust incurred an interest rate swap debt settlement cost of $5.4 million (€3.6 million) relating to the Facility, which is non-recurring in nature and equates to less than the amount of interest savings pertaining to the New Facility for one year.

As at December 31, 2015, the weighted average rate of the New Facility was 2.25%. Including financing costs, the effective interest rate under the Facility was 3.01%.

The New Facility agreement requires that at each interest payment date, and each date of prepayment of the New Facility, the interest coverage ratio is equal to or above 2.35 times and the loan-to-value ratio does not exceed 60%.

There are no prepayment fees on property dispositions for up to 25% of the portfolio value within the first two years of the loan and up to 40% of the portfolio value during the term of the loan. On property dispositions, 110% of the loan amount allocated to the disposed property has to be repaid. The prepayment amount exceeding the established thresholds for property dispositions within the first two years of the loan is subject to a prepayment fee equal to a yield maintenance fee. Commencing in year 3, a prepayment fee of 2.0% is payable, which subsequently drops to 1.5% in year 4, and no prepayment fee is payable in the final year of the New Facility.

Revolving credit facility

On October 10, 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. On August 14, 2014, the REIT increased the revolving credit facility to €50 million and on April 1, 2015 further increased it to €75 million.

On November 20, 2015, the REIT obtained lender approval to increase the principal amount of the revolving credit facility from €75 million to €100 million, with no change in the covenants or interest rate spreads. In addition to the additional capacity, the term was extended by one year to September 25, 2017. As at December 31, 2015, there was a drawn balance of $29.9 million (€19.9 million) on the revolving credit facility. There was also an undrawn letter of credit commitment for €1.2 million against the facility at December 31, 2015.

Convertible debentures

As at December 31, 2015, the total principal amount of Debentures outstanding was $161 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. The Trust recorded a fair value loss of $3.0 million for the three-month period, and a fair value gain of $0.1 million for the twelve-month period ended December 31, 2015, attributed to the conversion feature.

The table below highlights our debt maturity profile:

	Debt maturities	Scheduled principal repayments on non-matured debt	Total
2016	$ 41,117	$ 18,229	$ 59,346
2017	56,998	17,520	74,518
2018	337,453[2]	14,218	351,671
2019	32,955	13,251	46,206
2020	567,504	10,949	578,453
2021 and thereafter	550,438	18,772	569,210
	$ 1,586,465	$ 92,939	1,679,404
Acquisition date fair value adjustments			(3,527)
Financing costs			(27,910)
Total[1]			$ 1,647,967

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

(2) Includes $161 million of convertible debentures.

Commitments and contingencies

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

As at December 31, 2015, the REIT's future minimum commitments under operating leases are as follows:

	Operating lease payments
Less than 1 year	$ 985
1–5 years	1,236
Longer than 5 years	–
Total	$ 2,221

During the three months and year ended December 31, 2015, 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, 2015, 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 loss of $1.7 million and $13.4 million for the three-month and twelve-month periods ended December 31, 2015, respectively.

At December 31, 2015, the Trust had foreign exchange forward contracts to sell €163.9 million in total from January 2016 to December 2018 at an average exchange rate of $1.450 per euro.

The table below highlights the forward contracts outstanding as at December 31, 2015:

Contracts by quarter	Hedge value	Weighted average hedge rate
Q1 2016	$ 16,825	1.417
Q2 2016	16,848	1.427
Q3 2016	16,493	1.448
Q4 2016	16,718	1.440
Q1 2017	16,629	1.452
Q2 2017	16,738	1.446
Q3 2017	16,367	1.484
Q4 2017	16,748	1.461
Q1 2018	6,353	1.427
Q2 2018	7,207	1.420
Q3 2018	8,715	1.497
Q4 2018	8,252	1.496
Total	$ 163,893	1.450

Subsequent to December 31, 2015, we increased the forward contracts in place by €42.8 million for the period starting in February 2018 until December 2019 at an average exchange rate of $1.599 per euro, which locks in the value for three years at an attractive rate.

Equity

The table below highlights our outstanding equity:

	Unitholders' equity			
	December 31, 2015		December 31, 2014	
	Number of Units	**Amount**	Number of Units	Amount
Units	**113,024,465**	**$ 1,289,158**	111,466,697	$ 1,120,220

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
Total Units outstanding on December 31, 2014	111,466,697
Units issued pursuant to the DUIP	61,920
Units issued pursuant to the DRIP[1]	1,495,848
Total Units outstanding on December 31, 2015	113,024,465
Units issued pursuant to the DRIP on January 15, 2016	128,215
Total Units outstanding on January 31, 2016	113,152,680

(1) Distribution Reinvestment and Unit Purchase Plan.

For the year ended December 31, 2015, 61,920 Units were issued pursuant to the Deferred Unit Incentive Plan (December 31, 2014 – 86,415 Units) to trustees, officers and employees. A total of 2,408,750 deferred trust units and income deferred trust units were outstanding as at December 31, 2015.

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 costs 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, 2015, distributions declared amounted to $22.6 million. Of this amount, $3.2 million was reinvested in additional units pursuant to the DRIP, resulting in a cash payout ratio of 85.8%. Distributions declared for the year ended December 31, 2015 were $89.9 million. Of this amount, $13.1 million was reinvested in additional units pursuant to the DRIP, resulting in a cash payout ratio of 85.4%.

	Three months ended December 31, 2015			Year ended December 31, 2015		
	Declared amounts	4% bonus distribution	Total	Declared amounts	4% bonus distribution	Total
2015 distributions						
Paid in cash or reinvested in Units	$ 15,043	$ 88	$ 15,131	$ 82,323	$ 483	$ 82,806
Payable at December 31, 2015	7,535	–	7,535	7,535	–	7,535
Total distributions	$ 22,578	$ 88	$ 22,666	$ 89,858	$ 483	$ 90,341
2015 reinvestment						
Reinvested to December 31, 2015	$ 2,216	$ 88	$ 2,304	$ 12,084	$ 483	$ 12,567
Reinvested on January 15, 2016	999	40	1,039	999	40	1,039
Total distributions reinvested	$ 3,215	$ 128	$ 3,343	$ 13,083	$ 523	$ 13,606
Distributions paid in cash	$ 19,363			$ 76,775		
Reinvestment to distribution ratio (for the period)	14.2%			14.6%		
Cash payout ratio	85.8%			85.4%		

We currently pay monthly distributions to unitholders of $0.06667 per unit, or $0.80 per unit on an annual basis. During 2015, approximately 14.6% of our total Units were enrolled in the DRIP.

Normal course issuer bid

On December 18, 2015, the Trust renewed its normal course issuer bid (the "Bid"), which expired on December 17, 2015. The Bid will remain in effect until the earlier of December 17, 2016 or the date on which the Trust has purchased the maximum number of Units permitted under the Bid. Under the Bid, the Trust has the ability to purchase for cancellation up to a maximum of 11,128,923 Units (representing 10% of the Trust's public float of 111,289,235 Units at the time of entering the bid through the facilities of the TSX). Daily purchases are limited to 57,293 Units, other than purchases pursuant to applicable block purchase exceptions. To date, no purchases have been made under the Bid or the prior Bid.

OUR RESULTS OF OPERATIONS

Basis of accounting

Our discussion of results of operations includes our proportionate 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,	
	2015[(1)]	2014[(1)]	**2015[(1)]**	2014[(1)]
Investment properties revenue	**$ 55,081**	$ 61,690	**$ 223,169**	$ 257,725
Investment properties operating expenses	**(17,389)**	(18,621)	**(70,314)**	(78,261)
Net rental income	**37,692**	43,069	**152,855**	179,464
Other income				
Interest and other income	**3,500**	396	**7,685**	432
Share of net income from investment in other joint ventures	**4**	7	**20**	26
	3,504	403	**7,705**	458
Other expenses				
Portfolio management	**(1,412)**	(1,067)	**(5,630)**	(4,571)
General and administrative	**(5,063)**	(4,763)	**(18,616)**	(17,058)
Depreciation and amortization	**(31)**	(45)	**(118)**	(138)
Interest expense	**(11,434)**	(12,063)	**(44,255)**	(48,571)
	(17,940)	(17,938)	**(68,619)**	(70,338)
Fair value adjustments, loss on sale of investment properties and other activities				
Fair value gain (loss) to investment properties	**25,587**	(11,173)	**99,241**	73,950
Fair value gain (loss) to financial instruments	**(568)**	876	**(11,034)**	3,056
Internal direct leasing costs	**(556)**	(324)	**(2,471)**	(1,954)
Debt settlement costs	**(6,074)**	–	**(6,074)**	–
Gain (loss) on sale of investment properties	**(108)**	44,332	**(2,893)**	41,873
Contract termination fees incurred on sale to POBA	**–**	(510)	**–**	(510)
	18,281	33,201	**76,769**	116,415
Income before income taxes	**41,537**	58,735	**168,710**	225,999
Current income taxes recovery (expense)	**(627)**	107	**(999)**	(1,328)
Deferred income taxes recovery (expense)	**(3,332)**	1,455	**(21,885)**	(15,734)
Provision for income taxes	**(3,959)**	1,562	**(22,884)**	(17,062)
Net income	**$ 37,578**	$ 60,297	**$ 145,826**	$ 208,937
Total net income for the period attributable to:				
Unitholders of the Trust	**$ 37,188**	$ 59,388	**$ 144,747**	$ 208,028
Shareholders of subsidiaries	**390**	909	**1,079**	909
Net income	**37,578**	60,297	**145,826**	208,937
Foreign currency translation adjustments for the period attributable to:				
Unitholders of the Trust	**9,207**	(10,068)	**97,294**	(54,671)
Shareholders of subsidiaries	**115**	(98)	**670**	(98)
	9,322	(10,166)	**97,964**	(54,769)
Comprehensive income for the period attributable to:				
Unitholders of the Trust	**46,395**	49,320	**242,041**	153,357
Shareholders of subsidiaries	**505**	811	**1,749**	811
	$ 46,900	$ 50,131	**$ 243,790**	$ 154,168

(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, 2015 were converted at $1.461:€1 and $1.419:€1, respectively; for 2014, the three- and twelve-month periods ended December 31, 2014 were converted at $1.419:€1 and $1.467:€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 €37.7 million ($55.1 million), a decrease of €5.8 million ($6.6 million), or 13.3%, over the prior year comparative quarter. The primary drivers for this decrease were the impact of Initial Properties dispositions in 2015 (51 assets sold in 2015), the insolvency of Imtech in August 2015, partially offset by acquisitions completed in 2015 in addition to strong leasing performance. For the year ended December 31, 2015, investment property revenue was €157.5 million ($223.2 million), a decrease of €18.1 million ($34.6 million), or 10.3%, over the prior year comparative period. The decrease is largely as a result of Initial Properties dispositions in 2015 as well as the Deutsche Post terminations and the expiry of the Lonestar head lease payments, both coming into effect in mid-2014, partially offset by an increase in revenue due to acquisitions and strong leasing.

Investment properties operating expenses

Investment properties operating expenses comprise 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 were €11.9 million ($17.4 million), a decrease of €1.2 million, or 9.3%, over the prior year comparative quarter, mainly due to the disposition of Initial Properties (51 assets sold in 2015), partially offset by an increase due to acquisitions completed in 2015. For the year ended December 31, 2015, investment properties operating expenses were €49.6 million ($70.3 million), a decrease of €3.7 million, or 6.9%, over the prior year comparative period. The decrease is largely as a result of Deutsche Post terminations and disposition of Initial Properties, partially offset by an increase due to acquisitions completed in 2015.

Net operating income ("NOI")

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Investment properties revenue	**€ 37,692**	€ 43,483	**€ 157,493**	€ 175,586
Investment properties operating expenses	**(11,912)**	(13,127)	**(49,612)**	(53,280)
Net operating income[1]	**€ 25,780**	€ 30,356	**€ 107,881**	€ 122,306

(1) Net operating income ("NOI") is a non-GAAP measure. See "Non-GAAP measures and other disclosures" for the definition of NOI.

For the three months ended December 31, 2015, net operating income was €25.8 million ($37.7 million), representing a decrease of €4.6 million ($5.4 million) compared to the comparative prior year period. The decrease is mainly as a result of the impact of timing between sale and subsequent redeployment of Initial Properties sales proceeds as well as the timing between the sale of our 50% interest in Officium to POBA in January 2015 and subsequent redeployment of net proceeds received.

For the year ended December 31, 2015, net operating income was €107.9 million ($152.9 million), representing a decrease of €14.4 million ($26.6 million). The decrease from the prior year was primarily due to the timing of redeployment of net proceeds from the sale of Initial Properties, the expiry of the Lonestar head lease payments taking effect in mid-2014, the full-year impact of the Deutsche Post lease terminations and the timing between the expiry of the SEB head lease payments in 2015 and subsequent re-leasing of this space, in addition to the unforeseen insolvency of Imtech, offset by an increase in NOI resulting from the full-year impact of 2014 acquisitions and a partial-year impact from 2015 acquisitions.

The table below summarizes our revenue and operating expenses in Canadian dollars:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Initial Properties	**$ 11,303**	$ 16,537	**$ 48,981**	$ 76,202
Acquisition Properties	**26,389**	26,532	**103,874**	103,262
Net operating income[1]	**$ 37,692**	$ 43,069	**$ 152,855**	$ 179,464

(1) Net operating income ("NOI") is a non-GAAP measure. See "Non-GAAP measures and other disclosures" for the definition of NOI and a reconciliation to net rental income.

Interest and other income

Interest and other income comprise interest earned on notes receivable, the management fees and loan facility income earned with respect to the POBA joint ventures, as well as other fees. Except for the fees earned from our third-party joint venture agreements, the income included in interest and other income is not necessarily of a recurring nature and the amounts may vary quarter-over-quarter.

Interest and other income was $3.5 million and $7.7 million for the three months and year ended December 31, 2015, respectively, a significant increase compared to the prior year comparative periods, primarily as a result of the fees generated from the POBA joint venture, which was completed in late 2014. Included in the income were fees earned from managing the POBA joint venture and POBA loan facility in the amount of $1.1 million and $3.2 million for the three months and year ended December 31, 2015, respectively. We also received head lease settlement fees of $1.7 million and $3.5 million for the three months and year ended December 31, 2015, respectively, as part of a post-acquisition settlement, which are non-recurring in nature.

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 $1.4 million for the quarter ended December 31, 2015, about $0.3 million higher than the amount incurred in the comparative quarter in 2014, primarily due to a stronger euro in Q4 2015 compared to Q4 2014. For the year ended December 31, 2015, portfolio management expense was $5.6 million, an increase of $1.1 million compared to the prior year, primarily reflecting additional resources to support our business growth and corporate strategy, partially offset by a weaker euro on average in 2015 compared to 2014.

General and administrative

General and administrative expenses totalled $5.1 million for the quarter ended December 31, 2015, representing an increase of $0.3 million over Q4 2014. The increase mainly resulted from higher asset management fees and regulatory, corporate and tax compliance costs, in addition to a stronger euro in Q4 2015 compared to Q4 2014. For the year ended December 31, 2015, general and administrative expenses totalled and $18.6 million, representing an increase of $1.6 million due to higher asset management fees and regulatory, corporate and tax compliance costs, partially offset by a weaker euro on average in 2015 compared to 2014.

Interest expense

Interest expense was $11.4 million for the quarter ended December 31, 2015, a decrease of $0.6 million compared to the prior year. Excluding the impact of a higher average exchange rate in Q4 2015 compared to Q4 2014, interest expense decreased by $0.9 million, primarily due to repayments on our Facility during the year relating to property dispositions, resulting in interest savings of $0.8 million.

Interest expense was $44.3 million for the year ended December 31, 2015, a decrease of $4.3 million compared to the same period last year. Excluding the impact of a lower euro on average in 2015 compared to 2014, the interest expense decreased by $3.2 million. The repayments on our Facility during the year relating to property dispositions resulted in interest savings of $3.4 million.

Until mid-December 2015, we had interest rate swaps in place that fixed the interest rate payable on our previous Facility at an underlying rate of 1.89%. The REIT did not apply hedge accounting in relation to these swaps and, as a result, their impact was not included in interest expense but accounted for through the fair value adjustments as described below. During the quarter, $1.2 million of swaps were settled prior to refinancing the Facility, $0.5 million lower than the same quarter last year. Upon refinancing the Facility, all outstanding swaps were settled.

Fair value gain (loss) to investment properties

For the three months ended December 31, 2015, a gain of $25.6 million was recognized compared to a loss of $11.2 million in the comparative quarter last year. The gain in the current quarter was primarily driven by a $34.8 million increase in fair value recognition for Acquisition Properties primarily due to cap rate compression and improved leasing, partially offset by a $1.7 million fair value loss related to transaction costs.

For the year ended December 31, 2015, a gain of $99.2 million was recognized compared to a gain of $74.0 million in the comparative period last year. The gain in the current period was driven by a $120.6 million fair value recognition for Acquisition Properties primarily due to cap rate compression and improved leasing, partially offset by an $11.7 million fair value loss mainly related to transaction costs of properties acquired during the year. Of the total $120.6 million fair value gain in our Acquisition Properties, $32.8 million relates to the REIT's 50% ownership interest in the POBA joint venture assets and is included in the investment in joint ventures in the consolidated financial statements.

Fair value gain (loss) to financial instruments

For the three months ended December 31, 2015, we incurred an unrealized loss in the fair value of financial instruments of $0.6 million compared to a gain of $0.9 million in the comparative period. The fair value adjustments in the quarter mainly comprise the following components:

- a $4.1 million gain was 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 $1.2 million and final settlement of all the remaining outstanding interest rate swaps on repayment of the Facility in mid-December 2015. A $0.1 million loss was recognized in the comparative quarter last year due to a decrease in the forward price of interest rates;
- a $3.0 million fair value loss was recognized on the conversion feature of the convertible debentures, mainly reflecting an increase in the credit spread and a decrease in risk-free interest rate applicable to our Units, compared to a loss of $0.9 million in the same period in 2014;
- an unrealized loss of $1.7 million was recognized related to our foreign currency forward contracts due to an appreciation of the euro compared to the Canadian dollar, versus a $1.1 million unrealized gain during the comparative quarter due to an appreciation of the Canadian dollar compared to the euro; and
- $nil was recognized related to our DUIP compared to a gain of $0.7 million in the same period in 2014.

For the year ended December 31, 2015, we incurred an unrealized loss in the fair value of financial instruments of $11.0 million compared to a gain of $3.1 million in the comparative period. The fair value adjustments in the 12-month period mainly comprise the following components:

- a $3.8 million gain recognized on the fair value change in the interest rate swaps and cap as a result of the settlement of three contracts in the period for $6.4 million and final settlement of all the remaining outstanding interest rate swaps on repayment of the term loan credit facility in mid-December 2015. A $3.9 million loss was recognized in the comparative period last year due to a decrease in the forward price of interest rates;
- a $0.1 million fair value gain recognized on the conversion feature of the convertible debentures mainly reflecting a decrease in the credit spread and risk-free interest rate applicable to our Units, compared to a gain of $0.2 million in the same period in 2014;
- an unrealized loss of $13.4 million was recognized related to our foreign currency forward contracts due to an appreciation of the euro compared to the Canadian dollar, versus a $6.4 million unrealized gain during the comparative period; and
- a $1.5 million loss was recognized related to our DUIP mainly reflecting an increase in the market price of our Units compared to a gain of $0.3 million in the same period in 2014.

Internal direct leasing costs

A total of $0.6 million and $2.5 million of internal leasing staff costs for the three months and year ended December 31, 2015 have been incurred in the respective properties. In the comparative periods in 2014, $0.3 million and $2.0 million were incurred, respectively.

Gain (loss) on sale of investment properties

Loss on sale of investment properties for the quarter was $0.1 million, compared to a $44.3 million gain on the sale of investment properties during the same quarter last year. For the year ended December 31, 2015, loss on sale of investment properties was $2.9 million, compared to a $41.9 million gain over the prior year comparative period. The loss in the current year was mainly attributable to the transaction costs for property dispositions incurred during the year ended December 31, 2015, offset by a $3.2 million gain on the sale of a 50% interest of an Acquisition Property to the POBA during the first quarter of 2015.

Income taxes

We recognized current income tax expenses of $0.6 million and $1.0 million for the three months and year ended December 31, 2015, respectively, compared to a current income tax recovery of $0.1 million and a current income tax expense of $1.3 million for the comparative periods in 2014. The increase in current income tax expenses for the three months and year ended December 31, 2015 over their comparative periods includes $0.3 million of income tax relating to prior periods, that is non-recurring in nature.

We also recognized deferred income tax expenses of $3.3 million and $21.9 million for the three months and year ended December 31, 2015, respectively, compared to deferred income tax recovery of $1.5 million and deferred income tax expense of $15.7 million for the comparative periods in 2014. The lower deferred tax in 2015 is mainly a result of the 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 and management service agreements

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.

Costs paid to DAM under the asset management agreement are outlined below:

	Year ended December 31,	
	2015	2014
Incurred under the Asset Management Agreement:		
Asset management fees in Deferred units (included in general and administrative expenses)	**$ 1,870**	$ 2,541
Asset management fees in cash (included in general and administrative expenses)	**6,385**	4,969
Asset acquisition fees (capitalized as acquisition costs, and then written off on remeasurement of investment properties)	**2,588**	2,845
Financing fees (included in debt/unitholders' equity)	**553**	421
Reimbursement for out-of-pocket and incidental costs (included in general and administrative expenses)	**918**	585
Total incurred under the Asset Management Agreement	**$ 12,314**	$ 11,361

As at December 31, 2015, the Trust has recorded $3.8 million (December 31, 2014 – $3.9 million) in amounts payable and $0.1 million (December 31, 2014 – $1.2 million) in amounts receivable related to the Asset Management Agreement with DAM.

The Trust also entered into a shared services and cost sharing agreement with DAM on December 1, 2013. Fees paid to DAM under this agreement are on a cost recovery basis.

	Year ended December 31,	
	2015	2014
Incurred under the Shared Services and Cost Sharing Agreement:		
Branding, process improvements and technology transformations (included in general and administrative)	**$ 347**	$ 240
Total incurred under the Shared Services and Cost Sharing Agreement	**$ 347**	$ 240

The Trust's future commitment under the shared services and cost sharing agreement over the remaining term to 2020 is $0.8 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,		
	2015	2014	Change	**2015**	2014	Change
Average exchange rate (Cdn. dollars to one euro)	**1.461**	1.419	3.0%	**1.419**	1.467	(3.3)%
Exchange rate at period-end (Cdn. dollars to one euro)	**1.503**	1.404	7.1%	**1.503**	1.404	7.1 %

Comprehensive income was impacted by a foreign currency translation gain of $9.3 million and $98.0 million for the three months and year ended December 31, 2015, respectively. The exchange rate increased from $1.404:€1 as at December 31, 2014 to $1.503:€1 as at December 31, 2015. The quarterly results of our euro-denominated operations included in net income were translated at an average exchange rate of $1.461:€1 compared to $1.419:€1 in the same quarter last year. For the year ended December 31, 2015, results were translated at an average exchange rate of $1.419:€1 compared to $1.467:€1 in the same period last year.

Funds from operations and adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Net income (loss) for the period	**$ 37,578**	$ 60,297	**$ 145,826**	$ 208,937
Add (deduct):				
Net loss attributable to non-controlling interest	**(390)**	(909)	**(1,079)**	(909)
Net FFO impact attributable to non-controlling interests	**199**	634	**360**	535
Amortization of lease incentives	**631**	554	**2,361**	1,467
Internal direct leasing costs	**556**	324	**2,471**	1,954
Debt settlement costs	**6,074**	—	**6,074**	—
Gain (loss) on sale of investment properties	**108**	(44,332)	**2,893**	(41,873)
Tax on gains on sale of investment properties	**—**	(159)	**—**	342
Deferred income tax expense (recovery)	**3,332**	(1,455)	**21,886**	—
Contract termination fee	**—**	—	**—**	15,734
Cash settlement on interest rate swap	**(1,218)**	(1,695)	**(6,368)**	(6,493)
Gain (loss) on settlement of foreign currency contracts	**(513)**	(128)	**443**	(5,192)
Fair value gain (loss) to investment properties	**(25,587)**	11,173	**(99,241)**	(73,950)
Fair value gain (loss) to financial instruments	**568**	(876)	**11,034**	(3,056)
FFO[(1)]	**$ 21,338**	$ 23,428	**$ 86,660**	$ 97,496
Add (deduct):				
Amortization of financing costs	**$ 1,050**	$ 859	**$ 3,696**	$ 3,484
Amortization of initial discount on convertible debentures	**306**	281	**1,184**	1,092
Amortization of fair value adjustment on acquired debt	**—**	(96)	**(30)**	(387)
	—	510	**—**	510
Deferred unit compensation expense	**516**	377	**1,972**	1,648
Deferred asset management fees	**460**	616	**1,870**	2,541
Straight-line rent	**(107)**	(129)	**(1,601)**	(657)
	23,563	25,846	**93,751**	105,727
Deduct:				
Normalized initial direct leasing costs and lease incentives	**(1,696)**	(1,938)	**(6,878)**	(8,076)
Normalized non-recoverable recurring capital expenditures	**(1,319)**	(1,507)	**(5,349)**	(6,281)
AFFO[(1)]	**$ 20,548**	$ 22,401	**$ 81,524**	$ 91,370

(1) Funds from operations ("FFO") and adjusted funds from operations ("AFFO") are non-GAAP measures. See "Non-GAAP measures and other disclosures".

Funds from operations

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
FFO	**$ 21,338**	$ 23,428	**$ 86,660**	$ 97,496
FFO per unit – basic	**$ 0.19**	$ 0.21	**$ 0.77**	$ 0.88
FFO per unit – diluted	**$ 0.19**	$ 0.21	**$ 0.77**	$ 0.87

Total FFO for the quarter was $21.3 million, a decrease of $2.1 million, or 8.9%, over the prior year comparative quarter, mainly reflecting the impact of our Initial Properties disposition program and the timing between the sale and subsequent redeployment of proceeds into acquisitions, as well as leasing activity in 2015. Total FFO for the year ended December 31, 2015 was $86.7 million, a decrease of $10.8 million, or 11.1%, over the prior year comparative period, primarily due to the full-year impact of the Deutsche Post terminations and the expiry of the Lonestar head lease payments, both coming into effect in mid-2014, as well as our Initial Properties disposition program and the timing between the sale and subsequent redeployment of proceeds into acquisitions, partially offset by an increase due to the full-year impact of 2014 acquisitions and leasing activity.

For the quarter ended December 31, 2015, basic FFO on a per unit basis decreased to $0.19 per unit from $0.21 per unit in the prior year comparative quarter. For the year ended December 31, 2015, basic FFO decreased to $0.77 per unit from $0.88 per unit in the prior year comparative period. For the quarter ended December 31, 2015, diluted FFO on a per unit basis was $0.19 per unit, a decrease from $0.21 per unit in the prior year comparative quarter. For the year ended December 31, 2015, diluted FFO decreased to $0.77 per unit from $0.87 per unit over the prior year comparative period.

Adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
AFFO	**$ 20,548**	$ 22,401	**$ 81,524**	$ 91,370
AFFO per unit – basic	**$ 0.18**	$ 0.20	**$ 0.73**	$ 0.83

Total AFFO for the quarter ended December 31, 2015 decreased by $1.9 million over the prior year comparative quarter, mainly reflecting the impact of our Initial Properties disposition program and the timing between the sale and subsequent redeployment of proceeds into acquisitions, as well as leasing activity in 2015. Total AFFO for the year ended December 31, 2015 was $81.5 million, a decrease of $9.8 million, or 10.8%, over the prior year comparative period, primarily due to the full-year impact of Deutsche Post terminations and the expiry of the Lonestar head lease payments, both coming into effect in mid-2014, and our Initial Properties disposition program and the timing between the sale and subsequent redeployment of proceeds into acquisitions, as well as leasing activity in 2015.

For the quarter ended December 31, 2015, basic AFFO on a per unit basis was $0.18 per unit, a decrease from $0.20 per unit in the prior year comparative quarter. For the year ended December 31, 2015, basic AFFO decreased from $0.83 per unit to $0.73 per unit over the prior year comparative period.

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

	For the year ended December 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013
Investment properties revenue[1]	**$ 223,169**	$ 257,725	$ 220,220
Net income	**145,826**	208,937	22,765
Total assets[1]	**3,041,992**	2,588,425	2,558,674
Non-current liabilities[1]	**1,635,390**	1,323,081	1,428,461
Distributions declared	**90,384**	89,134	80,173
REIT Units	**113,024,465**	111,466,697	109,698,977

(1) Reflects the REIT's Owned Share. For a reconciliation of the Trust's results and statement of financial position, please see "Non-GAAP measures and other disclosures" in the MD&A.

QUARTERLY INFORMATION (per consolidated financial statements)

The following table shows quarterly information since January 1, 2014:

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Investment properties revenue	**$ 49,025**	$ 49,798	$ 49,761	$ 51,458	$ 60,042	$ 61,388	$ 67,514	$ 67,133
Investment properties operating expenses	**(16,186)**	(16,423)	(15,846)	(17,573)	(18,325)	(17,872)	(20,435)	(21,333)
Net rental income	**32,839**	33,375	33,915	33,885	41,717	43,516	47,079	45,800
Other income								
Interest and other income (expense)	**3,211**	2,547	480	1,014	382	8	(28)	56
Share of net income from investment in joint ventures	**4,992**	2,626	17,126	10,931	2,494	7	9	3
	8,203	5,173	17,606	11,945	2,876	15	(19)	59
Other expenses								
Portfolio management	**(1,412)**	(1,521)	(1,247)	(1,450)	(1,067)	(1,019)	(1,207)	(1,278)
General and administrative	**(4,335)**	(3,520)	(3,997)	(4,049)	(4,557)	(4,295)	(4,350)	(3,650)
Amortization and depreciation	**(31)**	(27)	(30)	(30)	(45)	(30)	(38)	(25)
Interest expense	**(10,148)**	(9,813)	(9,562)	(9,834)	(11,690)	(12,221)	(12,273)	(12,014)
	(15,926)	(14,881)	(14,836)	(15,363)	(17,359)	(17,565)	(17,868)	(16,967)
Fair value adjustments, loss on sale of investment properties and other activities								
Fair value gain (loss) to investment properties	**24,295**	(5,185)	41,586	7,740	(12,876)	49,335	42,011	(6,223)
Fair value gain (loss) to financial instruments	**(568)**	(17,550)	(604)	7,688	876	6,914	3,434	(8,168)
Internal direct leasing costs	**(556)**	(697)	(676)	(542)	(324)	(577)	(541)	(512)
Debt settlement costs	**(5,541)**							
Gain (loss) on sale of investment properties	**(108)**	(1,728)	(2,033)	976	44,332	(1,172)	(811)	(476)
Contract termination fees	**—**	—	—	—	(510)	—	—	—
	17,522	(25,160)	38,273	15,862	31,498	54,500	44,093	(15,379)
Income (loss) before taxes	**42,638**	(1,493)	74,958	46,329	58,732	80,466	73,285	13,513
Current income taxes recovery (expense)	**(586)**	(284)	63	(185)	110	(857)	(383)	(195)
Deferred income taxes recovery (expense)	**(4,474)**	(863)	(7,503)	(2,774)	1,455	(8,223)	(8,140)	(826)
Recovery of (provision for) income taxes	**(5,060)**	(1,147)	(7,440)	(2,959)	1,565	(9,080)	(8,523)	(1,021)
Net income (loss)	**$ 37,578**	$ (2,640)	$ 67,518	$ 43,370	$ 60,297	$ 71,386	$ 64,762	$ 12,492
Total income (loss) for the period attributable to:								
Unitholders of the Trust	**$ 37,188**	$ (2,776)	$ 67,101	$ 43,234	$ 59,388	$ 71,386	$ 64,762	$ 12,492
Shareholders of the subsidiaries	**390**	136	417	136	909	–	–	–
Net income (loss)	**$ 37,578**	$ (2,640)	$ 67,518	$ 43,370	$ 60,297	$ 71,386	$ 64,762	$ 12,492
Add (deduct):								
Income allocated to non-controlling interest	**(390)**	(136)	(417)	(136)	(909)	–	–	–
Net FFO impact attributable to non-controlling interest	**199**	(37)	254	(56)	634	(29)	(34)	(36)
Amortization of lease incentives	**631**	617	580	533	554	110	424	379
Internal direct leasing costs	**556**	697	676	542	324	577	541	512
Debt settlement costs	**6,074**							
(Gain) loss on sale of investment properties	**108**	1,728	2,033	(976)	(44,332)	1,172	811	476
Tax on gains on sale of investment properties	**–**	–	–	–	(159)	337	98	66
Deferred income tax expense (recovery)	**3,332**	1,015	14,765	2,774	(1,455)	8,223	8,140	826
Term debt swap settlement	**(1,218)**	(1,825)	(1,663)	(1,662)	(1,695)	(1,628)	(1,567)	(1,603)
Gain (loss) on settlement of Forex contracts	**(513)**	(222)	686	492	(128)	(666)	(1,651)	(2,747)
Fair value gain (loss) to investment properties	**(25,587)**	5,252	(62,957)	(15,949)	11,173	(49,335)	(42,011)	6,223
Fair value gain (loss) to financial instruments	**568**	17,550	604	(7,688)	(876)	(6,914)	(3,434)	8,168
FFO	**$ 21,338**	$ 21,999	$ 22,079	$ 21,244	$ 23,428	$ 23,233	$ 26,079	$ 24,756
FFO per unit – basic	**$ 0.19**	$ 0.20	$ 0.20	$ 0.19	$ 0.21	$ 0.21	$ 0.24	$ 0.23
FFO per unit – diluted	**0.19**	0.20	0.20	0.19	0.21	0.21	0.23	0.22
Funds from operations	**$ 21,338**	$ 21,999	$ 22,079	$ 21,244	$ 23,428	$ 23,233	$ 26,079	$ 24,756
Add (deduct):								
Amortization of financing costs	**1,050**	950	833	863	859	904	909	812
Accretion of debenture conversion feature	**306**	298	292	287	281	276	270	265
Amortization of fair value adjustment of debt	**–**	–	–	(30)	(96)	(96)	(97)	(98)
Contract termination fees incurred on sale to the POBA joint venture	**–**	–	–	–	510	–	–	–
Deferred compensation expense	**516**	500	507	449	377	394	538	339
Deferred asset management expense	**460**	467	462	481	616	638	645	642
Straight-line rent	**(107)**	(448)	(676)	(369)	(129)	(182)	(378)	32
	23,563	23,766	23,497	22,925	25,846	25,167	27,966	26,748
Deduct:								
Normalized initial direct leasing costs and lease incentives	**(1,696)**	(1,715)	(1,744)	(1,723)	(1,938)	(1,958)	(2,119)	(2,061)
Normalized non-recoverable recurring capital expenditures	**(1,319)**	(1,334)	(1,356)	(1,340)	(1,507)	(1,523)	(1,648)	(1,603)
AFFO	**$ 20,548**	$ 20,717	$ 20,397	$ 19,862	$ 22,401	$ 21,686	$ 24,199	$ 23,084
AFFO per unit – basic	**$ 0.18**	$ 0.18	$ 0.18	$ 0.18	$ 0.20	$ 0.20	$ 0.22	$ 0.21
Weighted average number of Units:								
Basic	**112,939,520**	112,541,940	112,174,846	111,760,819	111,301,061	110,878,351	110,469,257	109,987,243
Diluted	**127,561,321**	127,047,118	126,540,665	125,953,069	125,355,097	124,824,789	124,295,625	123,638,848
Quarterly average exchange rate ($:€1)	**1.461**	1.457	1.360	1.397	1.419	1.442	1.496	1.512

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 and Additional GAAP 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 generated from (utilized in) 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 recurring capital expenditures, as well as initial direct leasing costs and lease incentives that we expect to incur based on our current property portfolio and expected average leasing activity over the next two to three years. This estimate may differ from actual amounts incurred due to the timing of expenditures and the related leasing activities.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures and Additional GAAP 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 properties revenue less investment properties 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 and Additional GAAP Measures", NOI has been reconciled to net rental income in the table below:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Net rental income (per consolidated financial statements)	**$ 32,839**	$ 41,717	**$ 134,014**	$ 178,112
Add: Share of net rental income from investments in joint ventures	**4,853**	1,352	**18,841**	1,352
NOI	**$ 37,692**	$ 43,069	**$ 152,855**	$ 179,464

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 FFO and AFFO and diluted FFO calculations for the three months and year ended December 31, 2015 is noted in the table below. Diluted FFO includes interest and amortization adjustments related to the Debentures of $2.8 million and $11.1 million for the three months and year ended December 31, 2015, respectively.

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Weighted average Units outstanding for basic per unit amounts	**112,939,520**	111,301,061	**112,358,025**	110,663,178
Weighted average Units outstanding for diluted per unit	**127,561,321**	125,355,097	**126,781,027**	124,534,099

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 under IFRS in the consolidated financial statements, are presented and discussed throughout the MD&A using the proportionate consolidation method, which is not in accordance with GAAP. These non-GAAP measures are referred to as the REIT's owned share throughout this MD&A. A reconciliation of the financial position and results of operations to the consolidated balance sheets and consolidated statements of net income and comprehensive income is included in the following tables.

Balance sheet reconciliation to consolidated financial statements

	December 31, 2015			December 31, 2014		
	Amounts per consolidated financial statements	**Share from investment in joint ventures**	**Total**	Amounts per consolidated financial statements	Share from investment in POBA joint ventures	Total
Assets						
NON-CURRENT ASSETS						
Investment properties	**$ 2,392,281**	**$ 517,087**	**$ 2,909,368**	$ 2,079,671	$ 284,417	$ 2,364,088
Investment in joint ventures	**272,720**	**(242,982)**	**29,738**	159,967	(134,237)	25,730
Notes receivable	**6,621**	**–**	**6,621**	4,930	–	4,930
Derivative financial instruments	**4,377**	**–**	**4,377**	–	–	–
Other non-current assets	**2,723**	**1,262**	**3,985**	1,698	484	2,182
	2,678,722	**275,367**	**2,954,089**	2,246,266	150,664	2,396,930
CURRENT ASSETS						
Amounts receivable	**15,706**	**1,561**	**17,267**	17,455	2,228	19,683
Prepaid expenses	**4,430**	**48**	**4,478**	2,360	28	2,388
Cash	**28,700**	**4,603**	**33,303**	121,939	3,122	125,061
	48,836	**6,212**	**55,048**	141,754	5,378	147,132
Assets held for sale	**32,855**	**–**	**32,855**	44,363	–	44,363
Total assets	**$ 2,760,413**	**$ 281,579**	**$ 3,041,992**	$ 2,432,383	$ 156,042	$ 2,588,425
Liabilities						
NON-CURRENT LIABILITIES						
Debt	**$ 1,324,889**	**$ 263,732**	**$ 1,588,621**	$ 1,157,882	$ 149,747	$ 1,307,629
Deposits	**2,395**	**196**	**2,591**	1,802	146	1,948
Derivative financial instruments	**6,295**	**–**	**6,295**	3,420	–	3,420
Deferred Unit Incentive Plan	**14,150**	**–**	**14,150**	9,365	–	9,365
Deferred income tax liabilities	**16,856**	**6,877**	**23,733**	719	–	719
	1,364,585	**270,805**	**1,635,390**	1,173,188	149,893	1,323,081
CURRENT LIABILITIES						
Debt	**56,003**	**3,343**	**59,346**	70,514	2,989	73,503
Amounts payable and accrued liabilities	**35,613**	**7,442**	**43,055**	49,485	3,111	52,596
Income tax payable (receivable)	**1,976**	**(11)**	**1,965**	1,268	49	1,317
Derivative financial instruments	**5,022**	**–**	**5,022**	8,853	–	8,853
Distributions payable	**7,535**	**–**	**7,535**	7,431	–	7,431
	106,149	**10,774**	**116,923**	137,551	6,149	143,700
Liabilities related to assets held for sale	**521**	**–**	**521**	1,424	–	1,424
Total liabilities	**$ 1,471,255**	**$ 281,579**	**$ 1,752,834**	$ 1,312,163	$ 156,042	$ 1,468,205

Statement of net income and comprehensive income reconciliation to consolidated financial statements

	Three months ended December 31, 2015			Three months ended December 31, 2014		
	Amounts per consolidated financial statements	**Share of income from investments in joint ventures**	**Total**	Amounts per consolidated financial statements	Share of income from investments in POBA joint ventures	Total
Investment properties revenue	**$ 49,025**	**$ 6,056**	**$ 55,081**	$ 60,042	$ 1,648	$ 61,690
Investment properties operating expenses	**(16,186)**	**(1,203)**	**(17,389)**	(18,325)	(296)	(18,621)
Net rental income	**32,839**	**4,853**	**37,692**	41,717	1,352	43,069
Other income						
Interest and other income	**3,211**	**289**	**3,500**	382	14	396
Share of net income from investment in joint ventures	**4,988**	**(4,988)**	**–**	2,487	(2,487)	–
Share of net income from investment in other joint ventures	**4**	**–**	**4**	7	–	7
	8,203	**(4,699)**	**3,504**	2,876	(2,473)	403
Other expenses						
Portfolio management	**(1,412)**	**–**	**(1,412)**	(1,067)	–	(1,067)
General and administrative	**(4,335)**	**(728)**	**(5,063)**	(4,557)	(206)	(4,763)
Depreciation and amortization	**(31)**	**–**	**(31)**	(45)	–	(45)
Interest expense	**(10,148)**	**(1,286)**	**(11,434)**	(11,690)	(373)	(12,063)
	(15,926)	**(2,014)**	**(17,940)**	(17,359)	(579)	(17,938)
Fair value gain (loss) on sale of investment properties and other activities						
Fair value gain (loss) to investment properties	**24,295**	**1,292**	**25,587**	(12,876)	1,703	(11,173)
Fair value gain (loss) to financial instruments	**(568)**	**–**	**(568)**	876	–	876
Internal direct leasing costs	**(556)**	**–**	**(556)**	(324)	–	(324)
Debt settlement costs	**(5,541)**	**(533)**	**(6,074)**	–	–	–
Gain (loss) on sale of investment properties	**(108)**	**–**	**(108)**	44,332	–	44,332
Contract termination fees incurred on sale to the POBA joint venture	**–**	**–**	**–**	(510)	–	(510)
	17,522	**759**	**18,281**	31,498	1,703	33,201
Income before income taxes	**42,638**	**(1,101)**	**41,537**	58,732	3	58,735
Current income taxes recovery (expense)	**(586)**	**(41)**	**(627)**	110	(3)	107
Deferred income taxes recovery (expense)	**(4,474)**	**1,142**	**(3,332)**	1,455	–	1,455
Provision for income taxes	**(5,060)**	**1,101**	**(3,959)**	1,565	(3)	1,562
Net income	**$ 37,578**	**$ –**	**$ 37,578**	$ 60,297	$ –	$ 60,297
Total net income for the period attributable to:						
Unitholders of the Trust	**$ 37,188**	**$ –**	**$ 37,188**	$ 59,388	$ –	$ 59,388
Shareholders of subsidiaries	**390**	**–**	**390**	909	–	909
Net income	**37,578**	**–**	**37,578**	60,297	–	60,297
Foreign currency translation adjustments for the period attributable to:						
Unitholders of the Trust	**9,207**	**–**	**9,207**	(10,068)	–	(10,068)
Shareholders of subsidiaries	**115**	**–**	**115**	(98)	–	(98)
	9,322	**–**	**9,322**	(10,166)	–	(10,166)
Comprehensive income for the period attributable to:						
Unitholders of the Trust	**46,395**	**–**	**46,395**	49,320	–	49,320
Shareholders of subsidiaries	**505**	**–**	**505**	811	–	811
	$ 46,900	**$ –**	**$ 46,900**	$ 50,131	$ –	$ 50,131

	Year ended December 31, 2015			Year ended December 31, 2014		
	Amounts per consolidated financial statements	**Share of income from investments in joint ventures**	**Total**	Amounts per consolidated financial statements	Share of income from investments in POBA joint ventures	Total
Investment properties revenue	**$ 200,042**	**$ 23,127**	**$ 223,169**	$ 256,077	$ 1,648	$ 257,725
Investment properties operating expenses	**(66,028)**	**(4,286)**	**(70,314)**	(77,965)	(296)	(78,261)
Net rental income	**134,014**	**18,841**	**152,855**	178,112	1,352	179,464
Other income						
Interest and other income	**7,252**	**433**	**7,685**	418	14	432
Share of net income from investment in joint ventures	**35,655**	**(35,655)**	**–**	2,487	(2,487)	–
Share of net income from investment in other joint ventures	**20**	**–**	**20**	26	–	26
	42,927	**(35,222)**	**7,705**	2,931	(2,473)	458
Other expenses						
Portfolio management	**(5,630)**	**–**	**(5,630)**	(4,571)	–	(4,571)
General and administrative	**(15,901)**	**(2,715)**	**(18,616)**	(16,852)	(206)	(17,058)
Depreciation and amortization	**(118)**	**–**	**(118)**	(138)	–	(138)
Interest expense	**(39,357)**	**(4,898)**	**(44,255)**	(48,198)	(373)	(48,571)
	(61,006)	**(7,613)**	**(68,619)**	(69,759)	(579)	(70,338)
Fair value loss on sale of investment properties and other activities						
Fair value gain to investment properties	**68,436**	**30,805**	**99,241**	72,247	1,703	73,950
Fair value gain (loss) to financial instruments	**(11,034)**	**–**	**(11,034)**	3,056	–	3,056
Internal direct leasing costs	**(2,471)**	**—**	**(2,471)**	(1,954)	–	(1,954)
Debt settlement costs	**(5,541)**	**(533)**	**(6,074)**	–	–	–
Gain (loss) on sale of investment properties	**(2,893)**	**–**	**(2,893)**	41,873	—	41,873
Contract termination fees incurred on sale to the POBA joint venture	**–**	**–**	**–**	(510)	–	(510)
	46,497	**30,272**	**76,769**	114,712	1,703	116,415
Income before income taxes	**162,432**	**6,278**	**168,710**	225,996	3	225,999
Current income taxes expense	**(992)**	**(7)**	**(999)**	(1,325)	(3)	(1,328)
Deferred income taxes expense	**(15,614)**	**(6,271)**	**(21,885)**	(15,734)	–	(15,734)
Provision for income taxes	**(16,606)**	**(6,278)**	**(22,884)**	(17,059)	(3)	(17,062)
Net income	**$ 145,826**	**$ –**	**$ 145,826**	$ 208,937	$ –	$ 208,937
Total net income for the year attributable to:						
Unitholders of the Trust	**$ 144,747**	**$ –**	**$ 144,747**	$ 208,028	–	208,028
Shareholders of subsidiaries	**1,079**	**–**	**1,079**	909	–	909
Net income	**145,826**	**–**	**145,826**	208,937	–	208,937
Foreign currency translation adjustments for for the year attributable to:						
Unitholders of the Trust	**97,294**	**–**	**97,294**	(54,671)	–	(54,671)
Shareholders of subsidiaries	**670**	**–**	**670**	(98)	–	(98)
	97,964	**–**	**97,964**	(54,769)	–	(54,769)
Comprehensive income for the year attributable to:						
Unitholders of the Trust	**242,041**	**–**	**242,041**	153,357	–	153,357
Shareholders of subsidiaries	**1,749**	**–**	**1,749**	811	–	811
	$ 243,790	**$ –**	**$ 243,790**	$ 154,168	–	154,168

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 and Additional GAAP Measures", the table below reconciles AFFO to cash generated from operating activities.

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Cash generated from operating activities	**$ 23,050**	$ 29,366	**$ 53,024**	$ 96,065
Add (deduct):				
Change in non-cash working capital	**(11,328)**	(10,507)	**9,643**	(11,092)
Share of net income from investment in joint ventures	**4,988**	2,487	**35,655**	2,487
Internal direct leasing costs	**556**	324	**2,471**	1,954
Non-cash impact of income attributable to non-controlling interest	**(183)**	(271)	**(980)**	(351)
Depreciation and amortization	**(31)**	(45)	**(118)**	(138)
Unrealized loss on settlement of foreign exchange contracts	**964**	975	**4,068**	2,866
Tax on gains on sale of investment properties	**–**	(159)	**–**	342
Investment in lease incentives and initial direct leasing costs	**1,872**	4,859	**8,332**	14,777
Contract termination fees	**–**	510	**–**	510
Debt settlement costs	**5,541**	–	**5,541**	–
Adjustments for investment in joint ventures:				
Fair value adjustments to investment properties	**(1,292)**	(1,703)	**(30,805)**	(1,703)
Amortization of lease incentives	**35**	10	**116**	10
Debt settlement costs	**533**		**533**	
Deferred income tax expense attributable to joint ventures	**(1,142)**	–	**6,271**	–
Normalized initial direct leasing costs and lease incentives	**(1,696)**	(1,938)	**(6,878)**	(8,076)
Normalized non-recoverable recurring capital expenditures	**(1,319)**	(1,507)	**(5,349)**	(6,281)
AFFO	**$ 20,548**	$ 22,401	**$ 81,524**	$ 91,370

Net income, cash generated from (utilized in) 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. The Trust determines the distribution rate by, among other considerations, its assessment of cash flow as determined using adjusted cash generated from (utilized in) operating activities (a non-GAAP measure), which includes cash generated from (utilized in) operating activities of our investments in joint ventures that are equity accounted and excludes the fluctuations in non-cash working capital, and transaction costs on acquisitions and dispositions as well as investment in lease incentives and initial direct leasing costs. As such, the Trust believes the cash distributions are not an economic return of capital, but a distribution of sustainable adjusted cash flow from operating activities.

The Trust funds its working capital needs and investments in lease incentives and initial direct leasing costs with cash and cash equivalents on hand and its credit facilities. Accordingly, management believes adjusted cash generated from (utilized in) operating activities is an important measure that reflects our ability to pay cash distributions. This non-GAAP measurement does not represent cash generated from (utilized in) operating activities, as defined by IFRS.

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 tables below outline the differences between cash generated from (utilized in) operating activities (per consolidated financial statements) and total distributions declared, as well as the differences between net income and total distributions declared, in accordance with the guidelines.

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. To the extent that there are shortfalls in cash flow, the Trust uses existing credit facilities as a source of funding.

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Adjusted cash generated from operating activities (including investment in joint ventures)	**$ 16,296**	$ 24,542	**$ 82,628**	$ 100,574
Declared distributions paid in cash	**19,363**	18,812	**76,775**	74,051
Surplus (shortfall) of adjusted cash generated from (utilized in) operating activities over distributions paid in cash	**$ (3,067)**	$ 5,730	**$ 5,853**	$ 26,523

Cash distributions, after factoring in our DRIP program, for the three months and year ended December 31, 2015 amounted to $19.4 million and $76.8 million, respectively (representing a shortfall of $3.1 million and a surplus of $5.9 million of cash generated from operating activities over cash distributions paid). Over time, reinvestments pursuant to the DRIP will increase the number of units outstanding, which may result in upward pressure on the total amount of cash distributions. Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust, which allows for any unforeseen expenditures and the variability in cash distributions as a result of additional units issued pursuant to the Trust's DRIP.

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Cash generated from operating activities (per consolidated financial statements)	**$ 23,050**	$ 29,366	**$ 53,024**	$ 96,065
Add:				
Investment in joint ventures' cash flows from operating activities	**5,898**	518	**10,478**	518
Cash generated from operating activities (including investment in joint ventures)	**28,948**	29,884	**63,502**	96,583
Add (deduct):				
Lease incentives and initial direct leasing costs	**2,046**	5,088	**8,612**	15,006
Change in non-cash working capital	**(14,698)**	(10,430)	**10,514**	(11,015)
Adjusted cash generated from operating activities (including investment in joint ventures)	**16,296**	24,542	**82,628**	100,574
Total declared distributions	**22,666**	22,356	**90,341**	89,082
Surplus (shortfall) of adjusted cash generated from (utilized in) operating activities over total distributions	**$ (6,370)**	$ 2,186	**$ (7,713)**	$ 11,492

Once the fluctuations in leasing costs and changes in our non-cash working capital have been removed, and the cash generated from operating activities of our equity accounted investments in joint ventures have been included, total distributions, before taking into consideration the DRIP, exceeded adjusted cash generated from operating activities for the three months and year ended December 31, 2015 by $6.4 million and $7.7 million, respectively (surplus of $2.2 million and $11.5 million for the same periods in 2014). The shortfall for the three months ended December 31, 2015 was largely a result of the impact of the active disposition program and the timing between the sale and subsequent redeployment of proceeds into acquisitions, compared to a surplus in the same quarter last year. The Deutsche Post terminations and the expiry of the Lonestar head lease payments were the additional reasons for the shortfall for the year ended December 31, 2015, compared to a surplus in the prior year. We expect the negative impact of the Deutsche Post expiries on cash generated from operating activities to be short-term, as we lease up the resulting vacant space.

As the Trust uses adjusted cash generated from (utilized in) operating activities (a non-GAAP measure) in determining its cash available for distribution, the following table also outlines the differences between adjusted cash generated from (utilized in) operating activities and distributions declared.

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Cash generated from operating activities (per consolidated financial statements)	**$ 23,050**	$ 29,366	**$ 53,024**	$ 96,065
Total declared distributions	**22,666**	22,356	**90,341**	89,082
Surplus (shortfall) of cash flow from operating activities (per consolidated financial statements) over total distributions	**$ 384**	$ 7,010	**$ (37,317)**	$ 6,983

For the three months ended December 31, 2015, the Trust recorded a surplus of cash generated from operating activities over total distributions of $0.4 million, compared to a shortfall of $37.3 million for the year ended December 31, 2015. In comparison, in 2014 a surplus of $7.0 million was recorded for both the three months and the year ended December 31, 2014. The shortfall of cash generated from operating activities over total distributions for the year is mainly driven by short-term fluctuations in our non-cash working capital and the impact of investments in lease incentives and initial direct leasing costs, as well as the fact that cash flows generated from operating activities of our investments in joint ventures, which are equity accounted, are excluded from this calculation, despite the fact that they form part of the Trust's determination of its cash available for distribution.

For the three months and year ended December 31, 2015, net income exceeded total distributions by $14.9 million and $55.5 million, respectively (surplus of $37.9 million and $119.9 million, respectively, for the same periods in 2014).

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Net income for the period	**$ 37,578**	$ 60,297	**$ 145,826**	$ 208,937
Total declared distributions	**22,666**	22,356	**90,341**	89,082
Surplus of net income over total distributions	**$ 14,912**	$ 37,941	**$ 55,485**	$ 119,855

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 and Additional GAAP Measures", the table below calculates the level of debt.

			December 31, 2015
	Amounts per consolidated financial statements	**Share of amounts from investment in joint ventures**	**Total**
Non-current debt[1]	**$ 1,324,889**	**$ 263,732**	**$ 1,588,621**
Current debt	**56,003**	**3,343**	**59,346**
Total debt	**1,380,892**	**267,075**	**1,647,967**
Less cash	**28,700**	**4,603**	**33,303**
Total adjusted debt, net of cash	**1,352,192**	**262,472**	**1,614,664**
Total assets	**2,760,413**	**281,579**	**3,041,992**
Adjustments: Investment in joint ventures	**(272,720)**	**272,720**	**–**
	2,487,693	**554,299**	**3,041,992**
Less cash	**28,700**	**4,603**	**33,303**
Total assets, net of cash	**$ 2,458,993**	**$ 549,696**	**$ 3,008,689**
Debt-to-gross book value			**54%**
Debt-to-gross book value, net of cash			**54%**
Average level of debt, net of cash			**52%**
Debt-to-gross book value, net of cash, net of convertible debentures			**49%**

(1) Non-current debt includes convertible debentures valued at $154,558 at December 31, 2015.

			December 31, 2014
	Amounts per consolidated financial statements	Share of amounts from investment in joint ventures	Total
Non-current debt[1]	$ 1,157,882	$ 149,747	$ 1,307,629
Current debt	70,514	2,989	73,503
Total debt	1,228,396	152,736	1,381,132
Less cash	121,939	3,122	125,061
Total adjusted debt, net of cash	1,106,457	149,614	1,256,071
Total assets	2,432,383	156,042	2,588,425
Adjustments: Investment in joint ventures	(159,967)	159,967	–
	2,272,416	316,009	2,588,425
Less cash	121,939	3,122	125,061
Total assets, net of cash	$ 2,150,477	$ 312,887	$ 2,463,364
Debt-to-gross book value			53%
Debt-to-gross book value, net of cash			51%
Average level of debt, net of cash			55%
Debt-to-gross book value, net of cash, net of convertible debentures			45%

(1) Non-current debt includes convertible debentures valued at $152,365 at December 31, 2014.

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 other 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 and Additional GAAP Measures", the table below calculates the interest coverage ratio.

			For the year ended December 31, 2015
	Amounts per consolidated financial statements	**Share of amounts from investment in joint ventures**	**Total**
Net rental income	**$ 134,014**	**$ 18,841**	**$ 152,855**
Add: Interest and other income[1]	**7,252**	**433**	**7,685**
Less: General and administrative expenses	**15,901**	**2,715**	**18,616**
Less: Portfolio management expenses	**5,630**	**–**	**5,630**
	119,735	**16,559**	**136,294**
Interest expense	**$ 39,357**	**$ 4,898**	**$ 44,255**
Interest coverage ratio			**3.08**

(1) Includes one-time income items totalling $3.5 million.

			For the year ended December 31, 2014
	Amounts per consolidated financial statements	Share of amounts from investment in joint ventures	Total
Net rental income	$ 178,112	$ 1,352	$ 179,464
Add: Interest and other income	418	14	432
Less: General and administrative expenses	16,852	206	17,058
Less: Portfolio management expenses	4,571	–	4,571
	157,107	1,160	158,267
Interest expense	$ 48,198	$ 373	$ 48,571
Interest coverage ratio			3.26

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

For the December 31, 2015 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, 2015.

There were no changes in Dream Global REIT's internal control over financial reporting during the financial year ended December 31, 2015 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 or at www.sedar.com.

REAL ESTATE OWNERSHIP

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit), local economic conditions (such as an oversupply of 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. As at December 31, 2015, Deutsche Post's GRI was approximately 22.4% of the Trust’s overall occupied and committed GRI.

CONCENTRATION OF PROPERTIES AND TENANTS

Currently, all but one 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 and Austria. 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 a corporate income tax leakage on the rental income and capital gains. The Trust has accrued German taxes under the FCP structure for financial statement purposes (2011 to 2015). The Trust has also prepared the 2015 tax provision assuming that the FCP Unitholders will be subject to corporate income tax in Germany on their net rental income and capital gains from the sale of properties. The tax authorities have requested the tax returns for FCPs for the financial years 2011 to 2013 to be filed, which have been filed in January 2016. The 2014 returns have been requested in February 2016. The tax returns for 2011 and 2012 have been assessed by the German tax authorities. Objections have been filed against these tax assessments, arguing that the FCPs are not subject to German taxation. The tax office has granted suspension of the tax payment.

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.

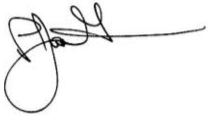
Additional information relating to Dream Global REIT, including our Annual Information Form dated March 30, 2015, is available on SEDAR at www.sedar.com.

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

Rene D. Gulliver
Chief Financial Officer

Toronto, Ontario, February 17, 2016

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, 2015 and December 31, 2014 and the consolidated statements of net income and comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and December 31, 2014 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, 2015 and December 31, 2014 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 17, 2016

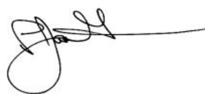
Consolidated balance sheets

(in thousands of Canadian dollars)	Note	**December 31, 2015**	December 31, 2014
Assets			
NON-CURRENT ASSETS			
Investment properties	7	**$ 2,392,281**	$ 2,079,671
Investment in joint ventures	8	**272,720**	159,967
Notes receivable	21	**6,621**	4,930
Derivative financial instruments	12	**4,377**	–
Other non-current assets	9	**2,723**	1,698
		2,678,722	2,246,266
CURRENT ASSETS			
Amounts receivable	10, 21	**15,706**	17,455
Prepaid expenses		**4,430**	2,360
Cash		**28,700**	121,939
		48,836	141,754
Assets held for sale	17	**32,855**	44,363
Total assets		**$ 2,760,413**	$ 2,432,383
Liabilities			
NON-CURRENT LIABILITIES			
Debt	11	**$ 1,324,889**	$ 1,157,882
Deposits		**2,395**	1,802
Derivative financial instruments	12	**6,295**	3,420
Deferred Unit Incentive Plan	13	**14,150**	9,365
Deferred income tax	20	**16,856**	719
		1,364,585	1,173,188
CURRENT LIABILITIES			
Debt	11	**56,003**	70,514
Amounts payable and accrued liabilities	14, 21	**35,613**	49,485
Income tax payable		**1,976**	1,268
Derivative financial instruments	12	**5,022**	8,853
Distributions payable	15	**7,535**	7,431
		106,149	137,551
Liabilities related to assets held for sale	17	**521**	1,424
Total liabilities		**1,471,255**	1,312,163
Equity			
Unitholders' equity		**1,105,485**	1,091,317
Retained earnings (deficit)		**45,555**	(8,808)
Accumulated other comprehensive income		**128,810**	31,516
Total unitholders' equity		**1,279,850**	1,114,025
Non-controlling interest	21	**9,308**	6,195
Total equity	16	**1,289,158**	1,120,220
Total liabilities and equity		**$ 2,760,413**	$ 2,432,383

Commitments and contingencies (Note 23).

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, 2015		2014
Investment properties revenue		**$**	**200,042**	$	256,077
Investment properties operating expenses			**(66,028)**		(77,965)
Net rental income			**134,014**		178,112
Other income					
Interest and other income			**7,252**		418
Share of net income from investment in joint ventures	8		**35,675**		2,513
			42,927		2,931
Other expenses					
Portfolio management			**(5,630)**		(4,571)
General and administrative	21		**(15,901)**		(16,852)
Depreciation and amortization			**(118)**		(138)
Interest expense	18		**(39,357)**		(48,198)
			(61,006)		(69,759)
Fair value adjustments, loss on sale of investment properties and other activities					
Fair value adjustments to investment properties	7, 17		**68,436**		72,247
Fair value adjustments to financial instruments	19		**(11,034)**		3,056
Internal direct leasing costs			**(2,471)**		(1,954)
Debt settlement costs	11		**(5,541)**		–
Gain (loss) on sale of investment properties	7, 8		**(2,893)**		41,873
Contract termination fees incurred on sale to the joint venture			**–**		(510)
			46,497		114,712
Income before income taxes			**162,432**		225,996
Current income tax expense			**(992)**		(1,325)
Deferred income tax expense			**(15,614)**		(15,734)
Provision for income taxes	20		**(16,606)**		(17,059)
Net income		**$**	**145,826**	$	208,937
Total net income for the year attributable to:					
Unitholders of the Trust		**$**	**144,747**	$	208,028
Shareholders of subsidiaries	21		**1,079**		909
Net income			**145,826**		208,937
Foreign currency translation adjustments for the year attributable to:					
Unitholders of the Trust			**97,294**		(54,671)
Shareholders of subsidiaries			**670**		(98)
			97,964		(54,769)
Comprehensive income for the year attributable to:					
Unitholders of the Trust			**242,041**		153,357
Shareholders of subsidiaries			**1,749**		811
		$	**243,790**	$	154,168

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

(in thousands of Canadian dollars, except number of Units)	Note	Number of Units	Unitholders' equity	Retained earnings (deficit)	Accumulated other comprehensive income	Total unitholders' equity	Non-controlling interest	Total
		Attributable to unitholders of the Trust						
Balance at January 1, 2015		**111,466,697**	**$ 1,091,317**	**$ (8,808)**	**$ 31,516**	**$ 1,114,025**	**$ 6,195**	**$ 1,120,220**
Net income for the year		**–**	**–**	**144,747**	**–**	**144,747**	**1,079**	**145,826**
Distributions paid	15	**–**	**–**	**(82,849)**	**–**	**(82,849)**	**–**	**(82,849)**
Distributions payable	15	**–**	**–**	**(7,535)**	**–**	**(7,535)**	**–**	**(7,535)**
Contribution from non-controlling interest		**–**	**–**	**–**	**–**	**–**	**1,364**	**1,364**
Distribution Reinvestment Plan	16	**1,493,617**	**13,745**	**–**	**–**	**13,745**	**–**	**13,745**
Unit Purchase Plan	16	**2,231**	**20**	**–**	**–**	**20**	**–**	**20**
Deferred Unit Incentive Plan	16	**61,920**	**576**	**–**	**–**	**576**	**–**	**576**
Issue costs		**–**	**(173)**	**–**	**–**	**(173)**	**–**	**(173)**
Foreign currency translation adjustment		**–**	**–**	**–**	**97,294**	**97,294**	**670**	**97,964**
Balance at December 31, 2015		**113,024,465**	**$ 1,105,485**	**$ 45,555**	**$ 128,810**	**$ 1,279,850**	**$ 9,308**	**$ 1,289,158**

(in thousands of Canadian dollars, except number of Units)	Note	Number of Units	Unitholders' equity	Deficit	Accumulated other comprehensive income (loss)	Total unitholders' equity	Non-controlling interest	Total
		Attributable to unitholders of the Trust						
Balance at January 1, 2014		109,698,977	$ 1,075,520	$ (127,702)	$ 86,187	$ 1,034,005	–	1,034,005
Net income for the year		–	–	208,028	–	208,028	909	208,937
Distributions paid	15	–	–	(81,703)	–	(81,703)	–	(81,703)
Distributions payable	15	–	–	(7,431)	–	(7,431)	–	(7,431)
Contribution from non-controlling interest		–	–	–	–	–	4,599	4,599
Distribution Reinvestment Plan	16	1,677,622	15,222	–	–	15,222	–	15,222
Unit Purchase Plan	16	3,683	34	–	–	34	–	34
Deferred Unit Incentive Plan	16	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)
Balance at December 31, 2014		111,466,697	$ 1,091,317	$ (8,808)	$ 31,516	$ 1,114,025	6,195	1,120,220

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)	Note	Year ended December 31, 2015	2014
Generated from (utilized in) operating activities			
Net income		**$ 145,826**	$ 208,937
Non-cash items:			
Share of net income from investment in joint ventures		**(35,675)**	(2,513)
Deferred income taxes expense		**15,614**	15,734
Amortization of lease incentives		**2,245**	1,458
Amortization of financing costs		**3,305**	3,453
Amortization of fair value adjustment on acquired debt		**(30)**	(387)
Amortization of initial discount on convertible debentures		**1,184**	1,092
Gain (loss) on sale of investment properties		**2,893**	(41,873)
Depreciation and amortization		**118**	138
Deferred unit compensation expense and asset management fees	13	**3,842**	4,189
Straight-line rent adjustment		**(928)**	(624)
Fair value adjustments to financial instruments	19	**11,034**	(3,056)
Fair value adjustments to investment properties		**(68,436)**	(72,247)
Cash settlement on foreign exchange contracts	12	**(3,625)**	(8,058)
Cash settlement on interest rate swap	12	**(6,368)**	(6,493)
Lease incentives and initial direct leasing costs	7	**(8,332)**	(14,777)
Change in non-cash working capital	22	**(9,643)**	11,092
		53,024	96,065
Generated from (utilized in) investing activities			
Investment in building improvements	7, 17	**(14,425)**	(12,741)
Acquisition of investment properties	6	**(236,401)**	(411,077)
Net proceeds from sale of interest to POBA	8	**16,006**	151,889
Cash assumed on property entity acquisition		**872**	–
Investment in Rivergate joint venture		**(67,078)**	–
Notes receivable		**(1,274)**	(4,930)
Cash sold to the POBA joint venture		**(5,186)**	(7,604)
Net proceeds from disposal of investment properties	7	**104,838**	126,425
Distributions from investment in joint ventures	8	**17,326**	682
		(185,322)	(157,356)
Generated from (utilized in) financing activities			
Purchase of interest rate caps		**(5,228)**	–
Mortgage proceeds		**161,558**	243,374
Financing costs on debts placed		**(15,268)**	(4,459)
Mortgage principal repayments		**(33,380)**	(16,467)
Term loan repayment on property dispositions and amortization	11	**(83,009)**	–
Lump sum repayment on term loan discharge	11	**(316,352)**	(67,036)
Drawdown on revolving credit facility		**101,587**	164,223
Revolving credit facility repayments		**(72,132)**	(164,209)
Proceeds of term debt		**369,543**	–
Units issued for cash	16	**20**	34
Unit issue costs		**(173)**	(252)
Distributions paid on Units	15	**(76,535)**	(73,795)
		30,631	81,413
Increase (decrease) in cash		**(101,667)**	20,122
Effect of exchange rate changes on cash		**8,428**	(4,475)
Cash, beginning of year		**121,939**	106,292
Cash, end of year		**$ 28,700**	$ 121,939

See accompanying notes to the consolidated financial statements.

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 principal office and centre of administration of the Trust is 30 Adelaide Street East, Suite 301, State Street Financial Centre, 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, 2015 were authorized for issue by the Board of Trustees on February 17, 2016, 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 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 net 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 ventures 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 net 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 statement of net 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 22% of the gross rental income generated by the Trust's properties as at the year ended December 31, 2015 (December 31, 2014 – 30%).

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 and joint ventures 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 net 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 net 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 net 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 net 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 net 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 for the year related to non-Canadian taxable subsidiaries 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 16, 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 net 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 net 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
Financial assets		
Notes receivable	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Financial liabilities		
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 tax payable	Other liabilities	Amortized cost
Financial derivatives		
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 of all principal and interest due under the original terms of the contract is unlikely. 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 statement of net 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 statement of net income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence collection of all of the amount due is unlikely. 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 statement of net 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 net 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 net 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 net 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

The Trust expenses all salary costs of permanent staff involved in negotiating and arranging new leases as internal direct leasing costs in the statement of net income as incurred.

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, non-recoverable capital expenditures, 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. From the latest draft bill issued at the beginning of 2016, foreign funds investing in German assets through FCPs shall be treated as quasi-corporate taxpayers. 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
- 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, 2018, with earlier application permitted. The Trust is currently evaluating the impact of adopting this standard on 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 an entity’s 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. The entity’s own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Lastly, a third measurement category for financial assets – “fair value through other comprehensive income” – will exist. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Financial instruments – disclosures

IFRS 7, “Financial Instruments: Disclosures” (“IFRS 7”), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Presentation of financial statements

IAS 1, “Presentation of Financial Statements” (“IAS 1”), was amended by the IASB to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment gives guidance that information within the consolidated balance sheets and statements of comprehensive income should not be aggregated or disaggregated in a manner that obscures useful information, and that disaggregation may be required in the statement of comprehensive income in the form of additional subtotals as they are relevant to understanding the entity’s financial position or performance. The amendments to IAS 1 are effective for periods beginning on or after January 1, 2016. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Acquisitions of interests in joint operations

IFRS 11, “Joint Arrangements” (“IFRS 11”), has been amended to require the application of IFRS 3 to transactions where an investor obtains an interest in a joint operation that constitutes a business. The amendment to IFRS 11 is effective for periods beginning on or after January 1, 2016. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Leases

IFRS 16, “Leases” (“IFRS 16”), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16 lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Note 6

PROPERTY ACQUISITIONS

Detailed below are the acquisitions completed during the year ended December 31, 2015:

	Property type	Interest acquired		Purchase price[1]	Date acquired
Millerntorplatz 1, Hamburg	Office	100%	$	140,856	February 6, 2015
Anger Entrée, Krämpferstrasse 2,4,6, Erfurt	Office	100%		30,000	September 4, 2015
Zimmerstraße 56 / Schützenstraße 15-17	Office	94.9%		66,015	October 27, 2015
				236,871	
Prior year acquisition cost adjustments				148	
Total			$	237,019	

(1) Includes transaction costs.

On February 6, 2015, the REIT acquired Millerntorplatz 1, an office property located in Hamburg, Germany, for $140,856 (€99,359). The acquisition was partially financed by a new mortgage of $84,283 (€59,400).

On September 4, 2015, the REIT acquired Anger Entrée, an office property located in Thuringia, Germany, for $30,000 (€20,332). The acquisition was partially financed by a new mortgage of $15,358 (€10,300).

On October 27, 2015, the REIT acquired Zimmerstraße 56, an office property located in Berlin, Germany, for $66,015 (€45,086). The acquisition was partially financed by a new mortgage of $38,807 (€26,520).

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

	Property type	Interest acquired		Purchase price[1]	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
Liebknechtstr. 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	94.8%		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	
Total			$	422,166	

(1) Includes transaction costs.

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

		For the year ended December 31, 2015		For the year ended December 31, 2014
Investment properties[1]	**$**	**237,019**	$	422,166
Total purchase price	**$**	**237,019**	$	422,166

The consideration paid consists of:

Cash	**$**	**236,401**	$	411,077
Net working capital assumed		**(246)**		2,641
Transaction costs		**(468)**		3,849
Contributions from non-controlling interest		**1,332**		4,599
Total consideration	**$**	**237,019**	$	422,166

(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 and distribution properties and regional logistics headquarters of Deutsche Post. The properties, which are dispersed throughout Germany, are generally strategically located near central train stations and main retail areas and are easily accessible by public transportation.

Acquisition properties

The Acquisition Properties, which were acquired since the Trust's Initial Public Offering in 2011, consist of high-quality office buildings located in Germany's largest office markets. The assets are generally larger, newer or recently refurbished buildings in comparison to the Initial Properties. A 50% interest in eight Acquisition Properties was sold in Q4 2014 and Q1 2015. These assets are jointly owned with the Public Officials Benefit Association ("POBA"), a South Korean pension fund. A 50% interest in an Acquisition Property in Austria was acquired with a joint venture partner in Q4 2015. Refer to Note 8 for the details regarding the jointly owned properties.

	Note	Total	Initial properties	Acquisition properties
Balance as at January 1, 2015		**$ 2,079,671**	**$ 795,362**	**$ 1,284,309**
Purchase of investment properties:				
Acquisition of properties	6	**237,019**	**–**	**237,019**
Building improvements		**14,375**	**9,130**	**5,245**
Lease incentives and initial direct leasing costs		**8,332**	**6,119**	**2,213**
Total additions to investment properties		**259,726**	**15,249**	**244,477**
Disposal of investment properties:				
Sales of investment properties		**(252)**	**(252)**	**–**
Transfers to disposal groups classified as assets held for sale – POBA joint venture assets[1]	17	**(69,368)**	**–**	**(69,368)**
Transfers to disposal groups classified as assets held for sale	17	**(97,472)**	**(97,472)**	**–**
Total disposal of investment properties		**(167,092)**	**(97,724)**	**(69,368)**
Gains (losses) and amortization included in net income:				
Change in fair value of investment properties		**69,497**	**(162)**	**69,659**
Amortization of lease incentives		**(2,245)**	**(1,931)**	**(314)**
Total gains (losses) and amortization included in net income		**67,252**	**(2,093)**	**69,345**
Gains and losses included in other comprehensive income:				
Foreign currency translation gain		**152,724**	**49,962**	**102,762**
Total gains included in other comprehensive income		**152,724**	**49,962**	**102,762**
Balance as at December 31, 2015		**$ 2,392,281**	**$ 760,756**	**$ 1,631,525**
Changes in unrealized gains (losses) included in net income for the year ended December 31, 2015:				
Change in fair value of investment properties		**$ 69,497**	**$ (162)**	**$ 69,659**

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

	Note		Total		Initial properties		Acquisition properties
Balance as at January 1, 2014		$	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
Total additions to investment properties			449,804		21,034		428,770
Disposal of investment properties:							
Sales of investment properties			(144)		(144)		–
Transfers to disposal groups classified as assets held for sale – POBA joint venture assets[1]	17		(573,521)		–		(573,521)
Transfers to disposal groups classified as assets held for sale	17		(161,174)		(161,174)		–
Total disposal of investment properties			(734,839)		(161,318)		(573,521)
Gains (losses) and amortization 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)
Total gains (losses) and amortization included in net income			75,181		(14,433)		89,614
Gains and losses included in other comprehensive income:							
Foreign currency translation loss			(100,719)		(35,133)		(65,586)
Total losses included in other comprehensive income			(100,719)		(35,133)		(65,586)
Balance as at December 31, 2014		$	2,079,671	$	795,362	$	1,284,309
Changes in unrealized gains (losses) 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.

Straight-line rent receivable, composed of free rent and contractual rent increases accrued to rental revenue, of $2,458 (December 31, 2014 – $1,429) has been included in other non-current assets.

During the year ended December 31, 2015, the balance of the investment properties increased by $312,610, mainly due to acquisitions during the year totalling $237,019 (refer to Note 6 for details of the acquisitions), an increase in fair value of $69,497 and an unrealized foreign exchange gain of $152,724 due to the appreciation of the euro against the Canadian dollar since December 31, 2014. The increase was partially offset by the reclassification to assets held for sale of $97,472, and the sale of an Acquisition Property to the POBA joint venture for a fair value of $69,368, where the REIT retained a 50% interest in the asset, which is classified as an investment in joint ventures. (Refer to Note 8 for details on joint arrangements.)

During the year ended December 31, 2015, $18,192 (December 31, 2014 – $20,866) of building improvements, tenant improvements and acquisition transaction costs were capitalized to the carrying amount of the Acquisition Properties. The fair value of the Acquisition Properties increased by a further $51,467 to $69,659 (December 31, 2014 – $89,825) in the year.

During the year ended December 31, 2015, the REIT disposed of 52 investment properties that were acquired in 2011 as part of the Initial Properties, nine of which were reclassified as assets held for sale as at December 31, 2014. Net proceeds of $104,838 (December 31, 2014 – $126,425) were received on these sales and a loss on sale of $6,079 (December 31, 2014 – $4,464) related to the transaction costs incurred was recorded. As at December 31, 2015, the REIT had entered into binding purchase and sale agreements to sell 11 properties and committed to sell one additional property, totalling $32,543. These properties have been reclassified as assets held for sale. In total, the REIT also recorded a fair value loss of $1,061 on these properties. (Refer to Note 17 for details on the assets held for sale.)

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

		December 31, 2015
Less than 1 year	$	162,411
1–5 years		435,211
Longer than 5 years		220,683
Total	$	818,305

(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, 2015	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring measurements				
Investment properties				
Initial Properties	$ 760,756	$ –	$ –	$ 760,756
Acquisition Properties	1,631,525	–	–	1,631,525
Total	$ 2,392,281	$ –	$ –	$ 2,392,281
Non-recurring measurements				
Properties reclassified to assets held for sale	$ 32,543	$ –	$ 32,543	$ –

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, 2015, investment properties valued at $32,543 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 $1,631,525 (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 expected future market rents, renewal rates, 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 $760,756 (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 10-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 10-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 1.2% to 1.9%. The weighted average growth rate used for the Initial Properties is 1.7%.

Valuation processes

Initial properties

At December 31, 2015 and 2014, the REIT obtained external valuations for the Initial Properties including assets held for sale, representing approximately 33% of the investment property portfolio. In 2015, properties with a value of $793,298 (€527,845) were valued externally (2014 – $838,259 [€597,136]). 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:

			December 31, 2015
Valuation method	Input	Range	Weighted average
Discounted cash flow	Discount rate	5.0%–20.5%	8.4%
	Exit capitalization	4.0%–19.5%	9.3%

			December 31, 2014
Valuation method	Input	Range	Weighted average
Discounted cash flow	Discount rate	5.0%–25.7%	8.4%
	Exit capitalization	4.0%–20.0%	7.3%

If both the discount rate and exit capitalization rate were to increase by 25 bps, the value of Initial Properties would decrease by $33,545. If both the discount rate and exit capitalization rate were to decrease by 25 bps, the value of the Initial Properties would increase by $35,850.

Acquisition properties

At December 31, 2015, the REIT obtained external valuations for eight of the Acquisition Properties with a value of $657,143 (€437,250). For the balance of properties in 2015, and for 2014, the REIT performed internal valuations. In 2015, properties with a value of $881,751 (€586,700) were subject to internal valuations (2014 – $1,284,309 [€914,880]). 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:

			December 31, 2015
Valuation method	Input	Range	Weighted average
Direct income capitalization	Capitalization rate	4.2%–7.0%	5.6%

			December 31, 2014
Valuation method	Input	Range	Weighted average
Direct income capitalization	Capitalization rate	4.7%–7.7%	6.2%

If the capitalization rate were to increase by 25 bps, the value of Acquisition Properties would decrease by $70,922. If the capitalization rate were to decrease by 25 bps, the value of Acquisition Properties would increase by $77,728.

Note 8

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.

Joint venture with POBA

During Q1 2015, the REIT entered into an additional joint venture agreement with POBA to sell a 50% interest in an Acquisition Property, which was held in a separate subsidiary. As a result, an Acquisition Property valued at $69,368 and the related mortgage valued at $40,698 were derecognized as at January 30, 2015. The total consideration to the REIT for the 50% interest in the investment property was $36,782. The consideration consisted of the assumption of working capital of $102, and POBA assuming 50% of the outstanding mortgage, which totalled $20,349, with the balance of $16,331 paid to the REIT in cash. The REIT incurred transaction costs of $325 relating to the sale resulting in net proceeds to the REIT of $16,006.

In selling a 50% interest in the Acquisition property, the REIT and POBA entered into a co-ownership arrangement regarding the asset. Under these circumstances, IFRS requires the REIT to derecognize the asset and record the gain that accrued prior to selling control on 100% of the asset 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 the entity. As such, the REIT recorded a gain on the sale of $3,186, including $397 of deferred tax loss. Of the total gain, $2,098 relates to remeasuring the retained interest in the POBA joint venture at fair value. As at December 31, 2015, the carrying value of the investment in the POBA joint ventures which include the eight Acquisition properties is $205,915, which includes the fair value remeasurement of the retained interests in the joint ventures totalling $27,668.

As at December 31, 2015, the REIT has a total of eight Acquisition Properties under this arrangement with POBA. Pursuant to this arrangement, the REIT no longer has control of these property subsidiaries and as such, has classified its 50% interest in the entities as investment in joint venture and accounted for the investment using the equity method.

Rivergate joint venture

On December 16, 2015, the REIT acquired 50% interest in a joint venture with an Asian sovereign wealth fund to jointly acquire Rivergate, an office property located at Vienna, Austria. The total consideration (100%) paid on the date of closing for the equity interest was $157,574 (€104,368), which was subsequently financed by an additional mortgage (100%) of $29,366 (€19,450) held within the joint venture. The property (100%) was valued at $285,352 (€189,000) on the date of acquisition, with a mortgage (100%) totalled $156,944 (€103,950). The mortgage carries a fixed rate of 1.60% per annum, maturing on December 16, 2020. The REIT also incurred $1,878 transaction costs for the acquisition. The transaction costs were capitalized as carrying costs in the joint venture.

As at December 31, 2015, the REIT has one Acquisition Property under this arrangement with the Asian sovereign wealth fund. Pursuant to this arrangement, the REIT has joint control of the separate entity that holds the property and as such, has classified its 50% interest as investment in joint venture and accounted for the investment using the equity method.

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.

		Ownership interest (%)	
Name	Location	**December 31, 2015**	December 31, 2014
POBA joint venture			
Löwenkontor	Berlin, Germany	**50**	50
Vordernbergstrasse 6/Heilbronner Strasse 35 (Z-UP)	Stuttgart, Germany	**50**	50
Speicherstrasse 55 (Werfthaus)	Frankfurt, Germany	**50**	50
Derendorfer Allee 4–4a (doubleU)	Düsseldorf, Germany	**50**	50
Neue Mainzer Strasse 28 (K26)	Frankfurt, Germany	**50**	50
ABC-Strasse 19 (ABC Bogen)	Hamburg, Germany	**50**	50
Marsstrasse 20–22	Munich, Germany	**50**	50
Liebknechtstr. 33/35, Heßbrühlstr. 7 (Officium)	Stuttgart, Germany	**50**	100
Rivergate joint venture	Vienna, Austria	**50**	n/a
Lorac Investment Management S.à r.l.	Luxembourg, Luxembourg	**50**	50

Name		Net assets at % ownership interest **December 31, 2015**		December 31, 2014
Löwenkontor	**$**	**23,343**	$	21,038
Vordernbergstrasse 6/Heilbronner Strasse 35 (Z-UP)		**13,973**		11,553
Speicherstrasse 55 (Werfthaus)		**26,106**		21,064
Derendorfer Allee 4–4a (doubleU)		**19,104**		20,162
Neue Mainzer Strasse 28 (K26)		**30,171**		28,170
ABC-Strasse 19 (ABC Bogen)		**39,707**		33,830
Marsstrasse 20–22		**30,405**		23,990
Liebknechtstr. 33/35, Heßbrühlstr. 7 (Officium)		**23,106**		–
Investment in POBA joint venture		**205,915**		159,807
Rivergate joint venture		**66,613**		–
Lorac Investment Management S.à r.l.		**192**		160
Total investment in joint ventures	**$**	**272,720**	$	159,967

Name		Share of net income at % ownership interest for year ended December 31, **2015**		2014
Löwenkontor	**$**	**6,139**	$	1,713
Vordernbergstrasse 6/Heilbronner Strasse 35 (Z-UP)		**2,233**		(36)
Speicherstrasse 55 (Werfthaus)		**5,661**		704
Derendorfer Allee 4–4a (doubleU)		**3,395**		202
Neue Mainzer Strasse 28 (K26)		**350**		(217)
ABC-Strasse 19 (ABC Bogen)		**5,975**		(40)
Marsstrasse 20–22		**5,688**		161
Liebknechtstr. 33/35, Heßbrühlstr. 7 (Officium)		**6,383**		–
Share of net income from POBA joint venture		**35,824**		2,487
Rivergate joint venture		**(169)**		–
Lorac Investment Management S.à r.l.		**20**		26
Share of net income from investment in joint ventures	**$**	**35,675**	$	2,513

On September 24, 2015, the REIT refinanced a mortgage totalling $37,093 (€24,809) on a property in Dusseldorf. The property is 50% owned by POBA as part of the joint venture and the REIT's share of the mortgage is $18,547 (€12,405). The original mortgage had an interest rate of 2.09% per annum, with a maturity date of July 31, 2017. The refinanced mortgage has an interest rate of 1.40% per annum, with a maturity date of December 31, 2021. Upon refinancing, the mortgage was increased by $7,760 (€5,191). The REIT received a 50% share of the proceeds from the increase, $3,880 (€2,595), which was used for general corporate purposes. The refinanced loan has amortization of 2% per annum, an increase from 1.4% per annum under the previous mortgage. Deferred financing costs and breakage costs incurred for the refinancing amounted to $135 (€90) and $830 (€555), respectively. The REIT's 50% share of the costs amounted to $68 (€45) and $415 (€278), respectively. These costs are capitalized, amortized over the term of the new mortgage and charged to the net income of the joint venture.

On October 14, 2015, the REIT refinanced a mortgage totalling $48,616 (€33,000) on a property in Berlin. The property is 50% owned by POBA as part of the joint venture and the REIT's share of the mortgage is $24,308 (€16,500). The original mortgage had an interest rate of 2.37% per annum, with a maturity date of March 29, 2018. The refinanced mortgage has an interest rate of 1.59% per annum, with a maturity date of September 30, 2022. Upon refinancing, the mortgage was increased by $9,988 (€6,780). The REIT received a 50% share of the proceeds from the increase, $4,994 (€3,390), which was used for general corporate purposes. The refinanced loan requires no principal amortization until June 2019, when a 2% amortization per annum on the initial loan amount will be required. This compared to the 2% per annum under the previous mortgage. On refinancing, unamortized deferred financing costs of $390 (€266) of the existing mortgage and breakage costs of $677 (€461) were charged to net income of the joint venture as Debt settlement costs. The REIT's 50% share of the Debt settlement costs amounted to $533 (€363).

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. On refinancing of these two joint venture properties, POBA repaid the loan balance of $2,632 (€1,773), pursuant to the terms of arrangement. During the year ended December 31, 2015, the REIT recorded fee income relating to the POBA joint venture of $3,150 (year ended December 31, 2014 – $nil), which is included in interest and other income.

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 at 100%		POBA joint venture at 50%	
	December 31, 2015	December 31, 2014	**December 31, 2015**	December 31, 2014
Non-current assets				
Investment properties	**$ 750,126**	$ 568,834	**$ 375,063**	$ 284,417
Other non-current assets	**2,524**	968	**1,262**	484
	752,650	569,802	**376,325**	284,901
Current assets				
Amounts receivable	**1,830**	4,456	**915**	2,228
Prepaid expenses	**96**	56	**48**	28
Cash	**5,514**	6,244	**2,757**	3,122
	7,440	10,756	**3,720**	5,378
Total assets	**760,090**	580,558	**380,045**	290,279
Non-current liabilities				
Debt	**373,494**	299,494	**186,747**	149,747
Deposits	**392**	292	**196**	146
Deferred income tax payable	**13,716**	–	**6,858**	–
	387,602	299,786	**193,801**	149,893
Current liabilities				
Debt	**6,686**	5,978	**3,343**	2,989
Amounts payable and accrued liabilities	**9,330**	6,222	**4,665**	3,111
Income tax (receivable) payable	**(22)**	98	**(11)**	49
	15,994	12,298	**7,997**	6,149
Total liabilities	**403,596**	312,084	**201,798**	156,042
Net assets	**$ 356,494**	$ 268,474	**$ 178,247**	$ 134,237
Fair value remeasurement on the retained interest			**27,668**	25,570
Investment in POBA joint venture			**$ 205,915**	$ 159,807

	POBA joint venture at 100%		POBA joint venture at 50%	
	Year ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Investment properties revenue	**$ 45,568**	$ 3,296	**$ 22,784**	$ 1,648
Investment properties operating expenses	**(8,470)**	(592)	**(4,235)**	(296)
Net rental income	**37,098**	2,704	**18,549**	1,352
Other income				
Interest income and other income	**866**	28	**433**	14
	866	28	**433**	14
Other expenses				
General and administrative	**(5,374)**	(412)	**(2,687)**	(206)
Interest expense	**(9,662)**	(746)	**(4,831)**	(373)
	(15,036)	(1,158)	**(7,518)**	(579)
Fair value adjustments to investment properties and other activities				
Fair value adjustments to investment properties	**62,304**	3,406	**31,152**	1,703
Debt settlement costs	**(1,066)**	–	**(533)**	–
	61,238	3,406	**30,619**	1,703
Income before income taxes	**84,166**	4,980	**42,083**	2,490
Current income tax expense	**(14)**	(6)	**(7)**	(3)
Deferred income tax expense	**(12,504)**	–	**(6,252)**	–
Net income for the year	**$ 71,648**	$ 4,974	**$ 35,824**	$ 2,487
Foreign currency translation adjustments for the year	**26,122**	(2,958)	**13,061**	(1,479)
Comprehensive income for the year	**97,770**	2,016	**48,885**	1,008

	POBA joint venture at 100%		POBA joint venture at 50%	
	Year ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Cash flow generated from (utilized in):				
Operating activities	**$ 19,282**	$ 1,036	**$ 9,641**	$ 518
Investing activities	**4,566**	(500)	**2,283**	(250)
Financing activities (excluding owners' distributions)	**10,074**	(532)	**5,037**	(266)
Cash flow before owners' distributions	**33,922**	4	**16,961**	2
Joint ventures' distributions to owners	**(34,652)**	(1,364)	**(17,326)**	(682)
Decrease in cash	**$ (730)**	$ (1,360)	**$ (365)**	$ (680)

	Rivergate joint venture December 31, 2015	
	At 100%	At 50%
Non-current assets	$	$
Investment properties	284,048	142,024
	284,048	142,024
Current assets		
Amounts receivable	1,292	646
Cash	3,692	1,846
	4,984	2,492
Total assets	289,032	144,516
Non-current liabilities		
Debt	153,970	76,985
Deferred income tax payable	38	19
	154,008	77,004
Current liabilities		
Amounts payable and accrued liabilities	5,554	2,777
	5,554	2,777
Total liabilities	159,562	79,781
Net assets	$ 129,470	$ 64,735
Carrying costs attributable to joint venture		1,878
Investment in Rivergate joint venture		$ 66,613

	Rivergate joint venture December 31, 2015	
	At 100%	At 50%
Investment properties revenue	$ 686	$ 343
Investment properties operating expenses	(102)	(51)
Net rental income	584	292
Other expenses		
General and administrative	(56)	(28)
Interest expense	(134)	(67)
	(190)	(95)
Fair value adjustments to investment properties		
Fair value adjustments to investment properties	(694)	(347)
	(694)	(347)
Loss before income taxes	(300)	(150)
Deferred income taxes expense	(38)	(19)
Net loss for the period	$ (338)	$ (169)
Foreign currency translation adjustments for the period	(598)	(299)
Comprehensive income for the period	(936)	(468)

	Rivergate joint venture December 31, 2015	
	At 100%	At 50%
Cash flow generated from:		
Operating activities	$ 1,674	$ 837
Investing activities	2,018	1,009
Financing activities (excluding owners' distributions)	27,168	13,584
Cash flow before owners' distributions	30,860	15,430
Joint ventures' distributions directed to pay vendor	(27,168)	(13,584)
Increase in cash	$ 3,692	$ 1,846

Note 9
OTHER NON-CURRENT ASSETS

	December 31, 2015	December 31, 2014
Other assets	**$ 37**	$ 37
Fixtures and computer equipment	**228**	232
Straight-line rent receivable	**2,458**	1,429
Total	**$ 2,723**	$ 1,698

Note 10
AMOUNTS RECEIVABLE

	December 31, 2015	December 31, 2014
Trade receivables	**$ 9,966**	$ 12,509
Less: Provision for impairment of trade receivables	**(2,127)**	(1,165)
Trade receivables, net	**7,839**	11,344
Other amounts receivable	**7,867**	6,111
Total	**$ 15,706**	$ 17,455

The movement in the provision for impairment of trade receivables during the year ended December 31, 2015 was as follows:

	Year ended December 31,	
	2015	2014
As at January 1	**$ 1,165**	$ 655
Provision for impairment of trade receivables	**1,001**	1,042
	2,166	1,697
Receivables written off during the year as uncollectible	**(39)**	(532)
Total	**$ 2,127**	$ 1,165

As at December 31, 2015, other amounts receivable include unbilled amounts from tenants in relation to operating cost recoveries of $3,623 (December 31, 2014 – $2,244).

The carrying amount of amounts receivable approximates fair value due to their current nature. As at December 31, 2015, trade receivables relates primarily to billed amounts to tenants for operating cost recoveries of approximately $7,839, of which $4,419 (December 31, 2014 – $3,599) were past due. Subsequent to year-end, $1,803 of the past due amount was received as settlement for 2013 and prior year operating cost recoveries. These amounts are 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 11
DEBT

		December 31, 2015		December 31, 2014
Mortgage debt	**$**	**841,101**	$	701,325
Convertible debentures		**154,558**		152,365
Revolving credit facility		**29,908**		–
Term loan credit facility(1)		**355,325**		374,706
Total		**1,380,892**		1,228,396
Less: Current portion(1)		**56,003**		70,514
Non-current debt	**$**	**1,324,889**	$	1,157,882

(1) The current portion of debt includes $11,209 of the term loan credit facility associated with the assets held for sale. This balance will be paid from the proceeds from disposition when the respective asset sales close.

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

Effective January 1, 2015, the Trust completed refinancings of two mortgages in the amounts of $61,455 (€43,619) and $38,990 (€27,674) related to two Acquisition Properties. The face rates of those mortgages were reduced from 2.07% and 2.09% to 1.92% and 1.88%, respectively, and the terms of the mortgages have been extended for an additional two years. On February 27, 2015, the Trust also completed the refinancing of an additional property for $23,110 (€16,500), at a face rate of 1.75% for eight years, while discharging the assumed mortgage with a face rate of 4.17%. Concurrently, the REIT extended term of another mortgage on a cross-collateralized property for an additional two years on the same existing terms, except that interest rate on the mortgage will drop by 8 bps after 2021.

On February 6, 2015, the Trust drew on a mortgage with a principal balance of $84,283 (€59,400) at a fixed rate of 1.71% per annum, maturing on February 6, 2025, in connection with the acquisition of Millerntorplatz 1, in Hamburg. The mortgage requires quarterly repayments with a principal amortization of 1.25% per annum of the initial loan amount.

During the first quarter of 2015, the Trust sold a 50% interest in an additional Acquisition Property as part of the joint venture agreement with POBA. In conjunction with this sale, 50% of the mortgage debt relating to the asset was assumed by POBA. Since the investment in the joint venture is equity accounted, 100% of the debt, which totalled $40,698, on the property has been removed from mortgage debt in the Trust's consolidated financial statements.

On September 25, 2015, the Trust drew on a mortgage with a principal balance of $15,358 (€10,300) at a fixed rate of 1.42% per annum, maturing on September 30, 2022, in connection with the acquisition of Erfurt Anger 81, in Thuringia. The mortgage requires quarterly repayments with no principal amortization until December 31, 2020, when principal amortization of 2% per annum of the initial loan amount will be required.

On October 27, 2015, the Trust drew on a mortgage with a principal balance of $38,807 (€26,520) at a variable rate of three-month EURIBOR plus 0.95% per annum, maturing on October 31, 2022, in connection with the acquisition of Zimmerstrasse, in Berlin. Concurrent with the closing of the mortgage, the REIT purchased an interest rate cap with a 1% strike price, which effectively limits the mortgage interest rate to a maximum of 1.95%. The mortgage requires quarterly repayments with a principal amortization of 1.25% per annum of the initial loan amount.

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, 2015, the outstanding principal amount is $161,000 (December 31, 2014 – $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). Variable rate interest was 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 requirements of the Facility, the Trust entered into an interest 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 did not exceed 5% on that portion. No amortization of principal under the Facility was required during the first three years of the Facility term. Thereafter, amortization of principal equal to 2% per annum of the initial loan amount was payable on a quarterly basis. Effective August 3, 2013, the Trust was required to pay additional interest of 1% on the portion of the €100,000 plus a 15% prepayment amount, less any amounts repaid. During the period to December 14, 2015, the Trust repaid €58,194 ($83,009) in connection with the disposition of 51 properties including prepayment amounts, and mandatory repayments, in accordance with the terms of the Facility (year ended December 31, 2014 – €46,561 ($67,036)).

On December 14, 2015, the Trust fully repaid and discharged the remaining outstanding loan amount of €208,965 ($316,352), financed by a new term loan facility (the "New Facility") for gross proceeds of €244,100 ($369,543). The New Facility has a term of five years and there are no principal amortization payments required during the term. Variable rate interest is calculated and payable quarterly under the New Facility at a rate equal to the aggregate of the three-month EURIBOR plus a margin of 225 basis points (the "margin"). Pursuant to the requirements of the New Facility, the Trust purchased interest rate caps with a weighted average strike rate of 1.03% (excluding the margin) to cover 95% of the New Facility loan amount. Transaction costs relating to the New Facility were €7,674 ($11,618). In connection with the refinancing, the Trust incurred an interest rate swap breakage costs of €3,626 ($5,409) relating to the Facility. This amount was charged to net income as Debt settlement cost. The unamortized deferred financing costs of $132 were also written off, resulting in a total Debt settlement costs of $5,541.

The New Facility includes 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 New Facility agreement requires the debt service coverage ratio to be equal to or above 235% at each interest payment date and the loan-to-value ratio not to exceed 60%. As at December 31, 2015, the Trust was in compliance with its loan covenants.

There are no prepayment fees on property disposals for up to 25% of the portfolio value within the first two years of the loan and up to 40% of the portfolio value during the term of the loan. On property disposals, 110% of the loan amount allocated to the disposed property has to be repaid. Prepayment amounts exceeding the established thresholds for property disposals within the first two years of the loan are subject to a prepayment fee equal to a yield maintenance fee. Commencing in year 3, a prepayment fee of 2.0% is payable, which subsequently drops to 1.5% in year 4, and no prepayment fee is payable in the final year of the New Facility. As of December 31, 2015, the Trust is in compliance with the terms of the New Facility.

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, and increased it to €75,000 subsequently on April 1, 2015, and further increased it to €100,000 on November 20, 2015, with no change to the covenants or interest rate spreads, and the term has been extended to September 25, 2017. The REIT has provided a general security agreement as collateral for the revolving credit facility. 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 $1,276 as at December 31, 2015. 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. As at December 31, 2015, the outstanding balance of the credit facility was €19,900 ($29,908) and the Trust was in compliance with the covenants of the revolving credit facility. As at December 31, 2015, the Trust had an undrawn letter of credit in the amount of $1,803 committed against the revolving 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			Debt amount	
	December 31, 2015	December 31, 2014	**December 31, 2015**	December 31, 2014	Maturity dates	**December 31, 2015**	December 31, 2014
Fixed rate							
Mortgage debt	**2.17%**	2.33%	**2.47%**	2.49%	2017–2025	**$ 801,834**	$ 701,325
Term loan credit facility	**–**	4.23%	**–**	4.23%	2020	**–**	366,749
Convertible debentures	**5.50%**	5.50%	**7.31%**	7.31%	2018	**154,558**	152,365
Total fixed rate debt	**2.71%**	3.30%	**3.25%**	3.61%		**956,392**	1,220,439
Variable rate							
Mortgage debt[1]	**0.95%**	–	**1.17%**	–	2022	**39,267**	–
Revolving credit facility	**3.00%**	–	**3.00%**	–	2016	**29,908**	–
Term loan credit facility[1]	**2.25%**	3.23%	**3.01%**	3.22%	2020	**355,325**	7,957
Total variable rate debt	**2.18%**	3.23%	**2.84%**	3.22%		**424,500**	7,957
Total debt	**2.55%**	3.30%	**3.13%**	3.61%		**$ 1,380,892**	$ 1,228,396

(1) Subject to interest rate cap.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term loan	Convertible debentures	Revolving credit facility	Total
2016	$ 14,886	$ 11,209	$ –	29,908	$ 56,003
2017	71,122	–	–	–	71,122
2018	158,623	–	161,000	–	319,623
2019	42,971	–	–	–	42,971
2020	117,274	355,649	–	–	472,923
2021 and thereafter	446,397	–	–	–	446,397
	$ 851,273	$ 366,858	$ 161,000	29,908	1,409,039
Acquisition date fair value adjustments					(3,527)
Transaction costs					(24,620)
					$ 1,380,892

Note 12
DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2015	December 31, 2014
Interest rate swaps (Note 25)	**$ –**	$ 10,623
Interest rate caps (Note 25)	**(4,377)**	–
Foreign exchange forward contracts (Note 25)	**11,284**	1,492
Conversion feature on the convertible debentures (Notes 11 and 25)	**33**	158
Total	**$ 6,940**	$ 12,273

	December 31, 2015	December 31, 2014
Non-current assets		
Interest rate cap	**$ (4,377)**	$ –
Foreign exchange forward contracts	**–**	(655)
Total derivative assets	**(4,377)**	(655)
Current liabilities		
Interest rate swaps	**–**	6,706
Foreign exchange forward contracts	**5,022**	2,147
	5,022	8,853
Non-current liabilities		
Interest rate swaps	**–**	3,917
Foreign exchange forward contracts	**6,262**	–
Conversion feature on the convertible debentures	**33**	158
	6,295	4,075
Total derivative liabilities	**11,317**	12,928
Total derivative financial instruments	**$ 6,940**	$ 12,273

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

	For the year ended December 31, 2015
Balance at beginning of year	$ 158
Remeasurement of conversion feature	(125)
Balance at end of year	$ 33

The movement in the interest rate swaps was as follows:

	For the year ended December 31, 2015
Balance at beginning of year	$ 10,623
Fair value change	(4,662)
Swap settlement	(6,368)
Foreign currency translation	407
Balance at end of year	$ –

The movement in the interest rate caps was as follows:

	For the year ended December 31, 2015
Balance at beginning of year	–
Purchase of financial instrument	(5,228)
Fair value change	884
Foreign currency translation	(33)
Balance at end of year	(4,377)

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 €163,893 from January 2016 to December 2018 at an average exchange rate of $1.450 per euro.

The movement in the foreign exchange forward contracts was as follows:

		For the year ended December 31, 2015
Balance at beginning of year	$	1,492
Loss on settlement		(3,625)
Fair value change		13,417
Balance at end of year	$	11,284

Note 13

DEFERRED UNIT INCENTIVE PLAN

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

As at January 1, 2014	$	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)
As at December 31, 2014		9,365
Compensation during the year		1,972
Asset management fees during the year		1,870
Issue of deferred units		(577)
Remeasurements of carrying value		1,520
As at December 31, 2015	$	14,150

DAM elected to receive the first $3,500 of 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 in each year for the first five years. The deferred trust units granted to DAM vest annually over five years, commencing on the sixth 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 fair 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:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Risk-free rate	**0.56%–1.10%**	1.3%–1.5%
Expected volatility	**17%–36%**	20.0%–34.0%

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 weighting 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, 2015
Units at December 31, 2015, closing price of $8.66 per unit	**$**	**15,522**
Discount rate of 19% per unit for units issued in 2011		**(195)**
Discount rate of 21% per unit for units issued in 2012		**(654)**
Discount rate of 25% per unit for units issued in 2013		**(866)**
Discount rate of 30% per unit for units issued in 2014		**(1,186)**
Discount rate of 53% per unit for units issued in 2015		**(2,103)**
	$	**10,518**

		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

During the year ended December 31, 2015, $1,870 of asset management fees were recorded (December 31, 2014 – $2,541) 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 403,819 deferred trust units during the year (December 31, 2014 – 422,171) and 23,866 deferred trust units granted on January 1, 2016 (January 1, 2015 – 30,410). As at January 1, 2016, 1,792,344 unvested deferred trust units and income deferred units (January 1, 2015 – 1,364,659) were outstanding with respect to the asset management fee. Compensation expense of $1,972 for the year (December 31, 2014 – $1,648) was also included in general and administrative expenses.

On February 18, 2015, 132,200 deferred trust units were granted to senior management and trustees. Of the 132,200 units granted, 105,000 relate to trustees and key management personnel. The grant date value for the deferred trust units was $9.21.

On May 6, 2015, 73,000 deferred trust units were granted to key management personnel and trustees. The grant date value for the deferred trust units was $9.89.

On June 30, 2015, 5,650 deferred trust units were granted to trustees who elected to receive their 2015 annual retainer in the form of deferred units rather than cash. The grant date value for the deferred trust units was $10.00.

On September 30, 2015, 6,366 deferred trust units were granted to trustees who elected to receive their 2015 annual retainer in the form of deferred units rather than cash. The grant date value for the deferred trust units was $8.88.

On December 31, 2015, 6,893 deferred trust units were granted to trustees who elected to receive their 2015 annual retainer in the form of deferred units rather than cash. The grant date value for the deferred trust units was $8.69.

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 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.

Note 14

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2015		December 31, 2014
Trade payables	**$**	**4,199**	$	11,473
Accrued liabilities and other payables		**26,568**		34,253
Accrued interest		**4,846**		3,759
Total	**$**	**35,613**	$	49,485

Note 15

DISTRIBUTIONS

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

		2015		2014
Paid in cash	**$**	**76,535**	$	73,795
Paid by way of reinvestment in Units		**13,745**		15,222
Less: Payable at January 1		**(7,431)**		(7,314)
Plus: Payable at December 31		**7,535**		7,431
Total	**$**	**90,384**	$	89,134

The distribution for the month of December 2015 in the amount of $0.0667 per unit, declared on December 17, 2015 and payable on January 15, 2016, amounted to $7,535. The amount payable as at December 31, 2015 was satisfied on January 15, 2016 by $6,537 cash and $998 through the issuance of 123,142 Units. The distribution for the month of January 2016 was declared in the amount of $0.0667 per unit, payable on February 15, 2016.

The Trust declared distributions of $0.0667 per unit per month for the months of January 2015 to December 2015.

Note 16

EQUITY

	December 31, 2015			December 31, 2014		
	Number of Units		**Amount**	Number of Units		Amount
Total	**113,024,465**	**$**	**1,289,158**	111,466,697	$	1,120,220

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, 2015, 1,493,617 Units were issued pursuant to the DRIP for $13,745 (December 31, 2014 – 1,677,622 Units for $15,222).

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, 2015, 2,231 Units were issued under the Unit Purchase Plan for $20 (December 31, 2014 – 3,683 Units for $34).

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 vests 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. On May 6, 2015, the unitholders of the Trust approved the increase of the number of deferred units that may be granted or credited under the plan by a further 1,626,000 units, increasing the maximum issuable under the DUIP to 3,700,000 deferred trust units. As at December 31, 2015, 2,578,775 deferred trust units were granted.

For the year ended December 31, 2015, 61,920 Units were issued to trustees, officers and employees pursuant to the DUIP for $576 (December 31, 2014 – 86,415 Units for $793).

Note 17

ASSETS HELD FOR SALE

As at December 31, 2015, 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 held for sale.

	December 31, 2015	December 31, 2014
Investment properties	**$ 32,543**	$ 42,897
Other non-current assets	**6**	1
Prepaid expenses and other assets	**306**	1,465
Assets held for sale	**32,855**	44,363
Amounts payable and accrued liabilities	**(521)**	(1,424)
Liabilities related to assets held for sale	**(521)**	(1,424)
Net assets	**$ 32,334**	$ 42,939

Investment properties held for sale

	For the year ended December 31, 2015	For the year ended December 31, 2014
Balance at beginning of year	**$ 42,897**	$ 21,147
Building improvements	**50**	11
Lease incentives and initial direct leasing costs	**–**	(131)
Investment properties reclassified as held for sale	**97,472**	161,174
Investment properties reclassified as held for sale – POBA joint venture assets	**69,368**	573,521
Fair value adjustments	**(1,061)**	(4,392)
Dispositions	**(110,665)**	(130,746)
Dispositions – POBA joint venture assets	**(69,368)**	(573,521)
Foreign currency translation	**3,850**	(4,166)
Balance at end of year	**$ 32,543**	$ 42,897

Note 18

INTEREST EXPENSE

Interest on debt

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

	Year ended December 31,	
	2015	2014
Interest on term loan credit facility	**$ 8,259**	$ 11,972
Interest on convertible debentures	**8,862**	8,862
Interest on mortgage debt	**16,773**	22,371
Interest and stand-by fees on revolving credit facility	**898**	835
Amortization of financing costs, discounts and fair value adjustments on acquired debt	**4,459**	4,158
Interest other	**106**	–
Interest expense	**$ 39,357**	$ 48,198

Note 19

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Note		Year ended December 31, 2015		2014
Fair value gain (loss) on interest rate swaps and caps	12	**$**	**3,778**	$	(3,898)
Fair value gain on conversion feature of convertible debentures	12		**125**		226
Fair value gain (loss) on Deferred Unit Incentive Plan	13		**(1,520)**		337
Fair value gain (loss) on foreign exchange forward contracts	12		**(13,417)**		6,391
Fair value gain (loss) adjustment to financial instruments		**$**	**(11,034)**	$	3,056

Note 20

INCOME TAXES

Reconciliation of tax expense

		Year ended December 31, 2015		2014
Income before income taxes	**$**	**162,432**	$	225,996
Income attributable to shareholders of subsidiaries		**(1,079)**		(909)
Income before income taxes attributable to Unitholders of the Trust		**161,353**		225,087
Tax calculated at the German corporate tax rate of 15.825%		**25,534**		35,620
Increase (decrease) resulting from:				
Income related to equity accounted investments		**(5,099)**		–
Expenses not deductible for tax		**0**		436
Effect of different tax rates in countries in which the group operates		**(487)**		(526)
Income distributed and taxable to unitholders		**(4,750)**		(9,710)
Tax benefits (costs) not previously recognized		**396**		(110)
Impact from sale of assets		**(348)**		(8,488)
Taxes not based on profit – Minimum Taxes		**256**		–
Foreign exchange adjustment and other items		**1,104**		(163)
Provision for income taxes	**$**	**16,606**	$	17,059

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

		December 31, 2015		December 31, 2014
Deferred tax liability related to difference in tax and book basis of investment properties	**$**	**(42,158)**	$	(14,619)
Deferred tax asset (liability) related to difference in tax and book basis of financial instruments		**(45)**		2,110
Deferred tax asset related to tax loss carry-forwards		**26,501**		11,443
Deferred tax asset (liability) related to differences in tax and book basis of financing costs		**(1,108)**		390
Deferred tax liability related to investment in joint venture		**(46)**		(43)
Total deferred income tax liabilities	**$**	**(16,856)**	$	(719)

The deferred tax asset related to tax loss carry-forwards includes $3,727 related to Luxembourg tax losses. The remaining balance relates to German tax losses.

Note 21

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.

	Year ended December 31,	
	2015	2014
Incurred under the Asset Management Agreement:		
Asset management fees in Deferred units (included in general and administrative expenses)	**$ 1,870**	$ 2,541
Asset management fees in cash (included in general and administrative expenses)	**6,385**	4,969
Asset acquisition fees (capitalized as acquisition costs, and then written off on remeasurement of investment properties)	**2,588**	2,845
Financing fees (included in debt/unitholders' equity)	**553**	421
Reimbursement for out-of-pocket and incidental costs (included in general and administrative expenses)	**918**	585
Total incurred under the Asset Management Agreement	**$ 12,314**	$ 11,361

As at December 31, 2015, the Trust has recorded $3,794 (December 31, 2014 – $3,871) in amounts payable and $117 (December 31, 2014 – $1,185) in amounts receivable 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 was 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.

	Year ended December 31,	
	2015	2014
Incurred under the Shared Services and Cost Sharing Agreement:		
Branding, process improvements and technology transformations (included in general and administrative)	**$ 347**	$ 240
Total incurred under the Shared Services and Cost Sharing Agreement	**$ 347**	$ 240

The Trust's future commitment under the Shared Services and Cost Sharing Agreement over the remaining term to 2020 is $820.

Non-controlling interest and notes receivable

DAM has co-invested with the Trust in properties with their share of interest ranging from 0.26% to 5.2%. For the year ended December 31, 2015, the non-controlling interest and net income attributable to DAM amounted to $9,308 (December 31, 2014 – $6,195) and $1,079 (December 31, 2014 – $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 10-year term. As at December 31, 2015, the notes receivable outstanding and interest accrued amounted to $6,621 (December 31, 2014 – $4,930) and $636 (December 31, 2014 – $111), respectively.

Note 22

SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended December 31,	
	2015	2014
Decrease in amounts receivable	**$ 1,317**	$ 5,640
Increase in prepaid expenses and other assets	**(889)**	(1,968)
Increase (decrease) in amounts payable and accrued liabilities	**(10,704)**	7,222
Increase in tenant deposits	**633**	198
Change in non-cash working capital	**$ (9,643)**	$ 11,092

The following amounts were paid on account of interest:

	Year ended December 31,	
	2015	2014
Debt	**$ 33,871**	$ 44,175

Note 23

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, 2015, the REIT's future minimum commitments under operating leases are as follows:

	Operating lease payments
No longer than 1 year	$ 985
1–5 years	1,236
Longer than 5 years	–
Total	$ 2,221

During the year ended December 31, 2015, the Trust paid $858 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 $11,200.

Note 24

CAPITAL MANAGEMENT

At December 31, 2015, 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 and was in full compliance with all loan facilities.

Note 25

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 12-month period. A 1% change is considered a reasonable level of fluctuation on variable rate assets and debts.

	Carrying amount	Interest rate risk -1% Income	Interest rate risk -1% Equity	Interest rate risk +1% Income	Interest rate risk +1% Equity
Financial assets					
Cash[1]	$ 28,700	$ (287)	$ (287)	$ 287	$ 287
Financial liabilities					
Mortgage debt	39,267	393	393	(393)	(393)
Revolving credit facility	29,908	299	299	(299)	(299)
Term loan credit facility[2]	$ 355,325	$ 3,553	$ 3,553	$ (3,553)	$ (3,553)

(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.

(2) Subject to interest rate cap.

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 €163,893 total from January 2016 to December 2018 at an average exchange rate of $1.450 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, 2015:

	Notional	Rate	Maturity	Carrying value
Interest rate caps	$ 388,372	1.03%	2020–2022	$ 4,377
	$ 388,372			$ 4,377

Foreign currency derivatives

The following table provides details on foreign currency forward contracts outstanding as at December 31, 2015 and December 31, 2014:

For the year ended December 31, 2015					
Hedging currency	Notional	Blended exchange rate	Forward contracts start date	Forward contracts end date	Carrying value
Euro	€ 163,893	1.450	January 15, 2016	December 14, 2018	$ (11,284)

For the year ended December 31, 2014					
Hedging currency	Notional	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)

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 December 31, 2015	Fair value as at December 31, 2015 Level 1	Level 2	Level 3
Recurring measurements				
Financial assets (liabilities)				
Interest rate caps	**$ 4,377**	**$ –**	**$ 4,377**	**$ –**
Foreign exchange forward contracts	**(11,284)**	**–**	**(11,284)**	**–**
Conversion feature on the convertible debentures	**(33)**	**–**	**–**	**(33)**
Fair values disclosed				
Mortgage debt	**(841,101)**	**–**	**–**	**(864,129)**
Convertible debenture excluding conversion feature	**(154,558)**	**–**	**–**	**(160,162)**

	Carrying value as at December 31, 2014	Fair value as at December 31, 2014 Level 1	Level 2	Level 3
Recurring measurements				
Financial liabilities				
Interest rate swaps	$ (10,623)	$ –	$ (10,623)	$ –
Foreign exchange forward contracts	(1,492)	–	(1,492)	–
Conversion feature on the convertible debentures	(158)	–	–	(158)
Fair values disclosed				
Mortgage debt	(701,325)	–	–	(722,208)
Convertible debenture excluding conversion feature	(152,365)	–	–	(160,037)

Amounts receivable, notes receivable, 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 the interest rate caps was valued by qualified banks using assumptions regarding market conditions and established valuation methods and models such as discounted cash flow method or Libor Market Model as well as bank proprietary models.

A higher volatility will increase the value of the interest rate caps. A higher underlying rate will increase the value of the interest rate caps.

The following table shows the changes in fair value of the interest rate caps from a 5% increase or 5% decrease in volatility and a 1% increase or decrease in underlying rates, all other inputs being constant:

	Impact of change to volatility		Impact of change to underlying rates	
	Increase +5%	Decrease -5%	Increase +1%	Decrease -1%
Increase (decrease) in fair value as at December 31, 2015	$ 208	$ (195)	$ 9,781	$ (2,602)

Foreign currency derivatives

The fair value of foreign currency derivatives was determined using forward exchange market rates ranging from $1.503 to $1.553 to €1 at the measurement date, with the resulting value discounted back to present value using the risk-free Canadian bond rate of 0.48%, plus a credit spread of 488 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, 2015	$ 11,669	$ (11,669)

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 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, 2015 are the following:

- Volatility: Expected volatility as at December 31, 2015 was derived from the historical prices of the REIT matching term to maturity of the Debenture. The volatility used was 19.09% (December 31, 2014 – 17.27%).
- Credit spread: The credit spread of the convertible debentures was imputed from the traded price of the convertible debenture as at December 31, 2015. The credit spread used was 4.8847% (December 31, 2014 – 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, 2015	$ 129	$ (31)	$ 102	$ (2,251)

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, 2015 has been calculated by discounting the expected cash flows of each debt using discount rates ranging from 1.257% to 2.487%. 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 26

SUBSEQUENT EVENTS

On February 3, 2016, the REIT completed the acquisition of Europa-Center, an office property located in Essen, Germany for €27,100, excluding transaction costs. The acquisition was partially financed by a new mortgage of €16,260, with a fixed interest rate of 1.62% for a term of 10 years.

Appendix

Address	City	State	Ownership	Owned GLA (sq. ft.)	Occupancy (%)
Acquisition Properties:					
Millerntorplatz 1	Hamburg	Hamburg	100%	374,907	88.9%
Im Mediapark 8 (Cologne Tower)	Köln	Nordrhein-Westfalen	95%	295,180[1]	98.4%
Handelskai 92 (Rivergate)	Vienna	Vienna	50%	287,144	93.8%
Karl-Martell-Straße 60	Nürnberg	Bavaria	100%	268,931	100.0%
Feldmuhleplatz 1+15	Düsseldorf	Nordrhein-Westfalen	95%	246,376[1]	100.0%
Greifswalder Str. 154-156	Berlin	Berlin	100%	242,771	99.2%
Straßenbahnring 15, 17-19/Hoheluftchausee 18-20/Lehmweg 8, 8a, 7	Hamburg	Hamburg	100%	226,932	98.9%
Moskauer Str. 25-27	Düsseldorf	Nordrhein-Westfalen	100%	217,282	91.3%
Robert-Bosch-Str. 9–11	Darmstadt	Hessen	100%	212,864	99.0%
Podbielskistraße 158-168	Hannover	Niedersachsen	100%	211,770	96.3%
Cäcilienkloster 2, 6, 8, 10	Köln	Nordrhein-Westfalen	100%	200,915	99.2%
Oasis III	Stuttgart	Baden-Württemberg	100%	172,692	100.0%
Hammer Str. 30-34	Hamburg	Hamburg	100%	172,306	100.0%
Zimmerstrasse 56/Schützenstrasse 15-17 (Zimmer 56)	Berlin	Berlin	95%	169,424[1]	99.4%
Schlossstr. 8	Hamburg	Hamburg	100%	165,900	85.8%
Leopoldstr. 252	München	Bavaria	100%	155,715	98.9%
Liebknechtstraße 33/35, Heßbrühlstraße 7 (Officium)	Stuttgart	Baden-Württemberg	50%	134,736	91.7%
Anger 81, Krämpferstraße 2, 4, 6 (Anger Entrée)	Erfurt	Thüringen	100%	131,056	94.4%
Beuthstraße 6-8/Seydelstraße 2-5 (Löwenkontor)	Berlin	Berlin	50%	129,179	98.5%
Westendstr. 160-162/Barthstr. 24-26	München	Bavaria	100%	123,837	82.4%
Bertoldstr. 48/Sedanstr. 7	Freiburg	Baden-Württemberg	100%	121,553	100.0%
Marsstraße 20-22	München	Bavaria	50%	115,400	98.1%
Am Sandtorkai 37 (Humboldthaus)	Hamburg	Hamburg	100%	113,391	99.1%
Reichskanzler-Müller-Str. 21-25	Mannheim	Baden-Württemberg	100%	100,613	97.7%
Am Stadtpark 2	Nürnberg	Bavaria	100%	94,649	96.5%
Dillwächterstr. 5/Tübinger Str. 11	München	Bavaria	100%	81,907	95.0%
ABC-Str. 19 (ABC Bogen)	Hamburg	Hamburg	50%	79,244	99.7%
Speicherstr. 55 (Werfthaus)	Frankfurt	Hessen	50%	75,914	97.2%
Derendorfer Allee 4 (doubleU)	Düsseldorf	Nordrhein-Westfalen	50%	71,114	100.0%
Werner-Eckert-Straße 8-12	München	Bavaria	100%	64,772	94.6%
Neue Mainzer Str. 28 (K26)	Frankfurt	Hessen	50%	61,765	100.0%
Lörracher Str. 16/16a	Freiburg	Baden-Württemberg	100%	57,618	98.8%
Vordernbergstr. 6/Heilbronner Str. 35 (Z-Up)	Stuttgart	Baden-Württemberg	50%	44,266	100.0%
Total Acquisition Properties				**5,222,126**	**96.4%**

(1) GLA reflects 100% share

Address	City	State	Ownership	Owned GLA (sq. ft.)	Occupancy (%)
Initial Properties:					
Grüne Str. 6-8/Kurfürstenstr. 2	Dortmund	Nordrhein-Westfalen	100%	299,567	100.0%
Am Hauptbahnhof 16-18	Saarbrücken	Saarland	100%	293,737	7.1%
Kurfürstenallee 130	Bremen	Bremen	100%	203,949	93.0%
Poststr. 4-6, Göbelstr. 30, Bismarckstr	Darmstadt	Hessen	100%	201,518	76.3%
Karlstal 1-21/Werftstr. 201	Kiel	Schleswig-Holstein	100%	180,837	95.5%
Franz-Zebisch-Str. 15	Weiden	Bavaria	100%	166,601	100.0%
E.-Kamieth-Str. 2 b	Halle	Sachsen-Anhalt	100%	161,105	55.1%
Überseering 17/Mexikoring 22	Hamburg	Hamburg	100%	160,785	92.7%
Am Neumarkt 40/Luetkensallee 49	Hamburg	Hamburg	100%	160,397	89.4%
Bahnhofstr. 82-86	Gießen	Hessen	100%	149,499	57.4%
Czernyring 15	Heidelberg	Baden-Württemberg	100%	133,379	57.7%
Marienstr. 80	Offenbach am Main	Hessen	100%	114,114	96.1%
Rüppurrer Str. 81, 87, 89/Ettlinger 67	Karlsruhe	Baden-Württemberg	100%	111,778	97.0%
Gerokstr. 14-20	Dresden	Sachsen	100%	110,434	86.8%
Hindenburgstr. 9/Heeserstr. 5	Siegen	Nordrhein-Westfalen	100%	102,410	77.5%
Zimmermannstr. 2/Eisenstr.	Marburg	Hessen	100%	99,751	97.9%
Friedrich-Karl-Str. 1-7	Oberhausen	Nordrhein-Westfalen	100%	97,606	93.7%
Blücherstr. 12	Koblenz	Rheinland-Pfalz	100%	94,569	67.6%
Kaiserstr. 24	Gütersloh	Nordrhein-Westfalen	100%	94,488	61.5%
Bahnhofsplatz 2, 3, 4, Pepperworth 7	Hildesheim	Niedersachsen	100%	87,084	51.9%

Address	City	State	Ownership	Owned GLA (sq. ft.)	Occupancy (%)
Pausaer Str. 1-3	Plauen	Sachsen	100%	87,025	76.6%
Klubgartenstr. 10	Goslar	Niedersachsen	100%	86,572	51.4%
Am Hauptbahnhof 2	Mülheim	Nordrhein-Westfalen	100%	84,303	81.1%
Husemannstr. 1	Gelsenkirchen	Nordrhein-Westfalen	100%	80,591	94.0%
Kapellenstr. 44	Einbeck	Niedersachsen	100%	80,500	68.3%
Kommandantenstr. 43-51	Duisburg	Nordrhein-Westfalen	100%	80,122	100.0%
Stresemannstr. 15	Wuppertal	Nordrhein-Westfalen	100%	79,478	59.9%
Bahnhofsring 2	Leer	Niedersachsen	100%	78,627	81.6%
Kaiser-Karl-Ring 59-63/Dorotheenstr	Bonn	Nordrhein-Westfalen	100%	75,815	99.8%
Bürgerreuther Str. 1	Bayreuth	Bavaria	100%	75,534	100.0%
Bahnhofplatz 10	Fürth	Bavaria	100%	73,818	73.4%
77er Str. 54	Celle	Niedersachsen	100%	73,440	64.8%
Wiener Str. 43	Stuttgart	Baden-Württemberg	100%	72,192	91.8%
Bahnhofsplatz 1	Schweinfurt	Bavaria	100%	67,503	87.0%
Rathausplatz 2	Wilhelmshaven	Niedersachsen	100%	64,970	97.2%
Joachim-Campe-Str. 1.3/5/7, Postho	Salzgitter	Niedersachsen	100%	62,041	82.0%
Bahnhofstr. 40	Flensburg	Schleswig-Holstein	100%	61,826	97.5%
Heinrich-von-Stephan-Str. 8-10	Leverkusen	Nordrhein-Westfalen	100%	61,011	78.8%
Am Bahnhof 5	Zwickau	Sachsen	100%	60,738	66.9%
Friedrich-Ebert-Str. 28	Pinneberg	Schleswig-Holstein	100%	59,218	99.7%
Postplatz 3	Bautzen	Sachsen	100%	57,571	67.5%
Poststr. 2 U 3	Helmstedt	Niedersachsen	100%	53,468	20.3%
Poststr. 5-7	Heide	Schleswig-Holstein	100%	53,363	91.9%
Bahnhofsplatz 9	Emden	Niedersachsen	100%	53,327	97.9%
Ostbahnstr. 5	Landau	Rheinland-Pfalz	100%	52,978	98.3%
Friedrich-Ebert-Str. 75-79	Bremerhaven	Bremen	100%	52,165	89.4%
Baarstr. 5	Iserlohn	Nordrhein-Westfalen	100%	51,027	92.8%
Rathausplatz 4	Lüdenscheid	Nordrhein-Westfalen	100%	49,529	26.7%
Europaplatz 17	Bad Kreuznach	Rheinland-Pfalz	100%	48,549	39.3%
Unter den Zwicken 1-3	Halberstadt	Sachsen-Anhalt	100%	47,145	14.9%
Schützenstr. 17, 19	Peine	Niedersachsen	100%	46,532	48.8%
Willy-Brandt-Str. 6	Auerbach	Sachsen	100%	46,512	56.3%
Bahnhofstr. 2	Cham	Bavaria	100%	46,129	61.5%
Theodor-Heuss-Platz 13	Neuss	Nordrhein-Westfalen	100%	46,128	94.8%
Stembergstr. 27-29	Arnsberg	Nordrhein-Westfalen	100%	45,820	98.8%
Poststr. 14	Rastatt	Baden-Württemberg	100%	45,659	92.4%
Bahnhofplatz 3,5	Heidenheim	Baden-Württemberg	100%	45,656	86.0%
Poststr. 2	Gummersbach	Nordrhein-Westfalen	100%	45,558	97.6%
Lippertor 6	Lippstadt	Nordrhein-Westfalen	100%	44,341	93.4%
Südbrede 1-5	Ahlen	Nordrhein-Westfalen	100%	44,130	81.2%
Bahnhofstr. 169	Bietigheim-Bissingen	Baden-Württemberg	100%	43,620	98.3%
Vegesacker Heerstr. 111	Bremen	Bremen	100%	43,484	84.6%
Koblenzer Str. 67	Bonn	Nordrhein-Westfalen	100%	43,157	100.0%
Kardinal-Galen-Ring 84/86	Rheine	Nordrhein-Westfalen	100%	42,191	75.7%
Martinistr. 19	Recklinghausen	Nordrhein-Westfalen	100%	41,847	97.3%
Kalkumer Str. 70	Düsseldorf	Nordrhein-Westfalen	100%	41,781	55.4%
Falkenbergstr. 17-23	Norderstedt	Schleswig-Holstein	100%	41,249	98.1%
Balhornstr. 15, 17/B.Köthenbürger-Str	Paderborn	Nordrhein-Westfalen	100%	40,927	92.7%
August-Bebel-Str. 6	Torgau	Sachsen	100%	40,745	86.5%
Cavaillonstr. 2	Weinheim	Baden-Württemberg	100%	40,648	90.8%
Hauptstr. 279/Hommelstr. 2	Idar-Oberstein	Rheinland-Pfalz	100%	39,192	48.0%
Bismarckstr. 21-23	Bünde	Nordrhein-Westfalen	100%	38,761	95.6%
Hindenburgstr. 8/Hohenstauf 9, 17, 19	Bocholt	Nordrhein-Westfalen	100%	37,925	98.8%
Steinerother Str. 1 U 1a	Betzdorf	Rheinland-Pfalz	100%	37,679	94.9%
Heinrich-von-Stephan-Platz 6	Naumburg	Sachsen-Anhalt	100%	37,612	91.0%
Mühlenstr. 5-7	Delmenhorst	Niedersachsen	100%	37,266	99.3%
Lönsstr. 20-22	Castrop-Rauxel	Nordrhein-Westfalen	100%	36,289	93.0%
Apostelweg 4-6	Hamburg	Hamburg	100%	36,273	97.3%
Brückenstr. 21	Neunkirchen	Saarland	100%	35,971	100.0%
Kurt-Schumacher-Str. 5	Lünen	Nordrhein-Westfalen	100%	35,290	100.0%
Lilienstr. 3	Leipzig	Sachsen	100%	35,234	97.3%
Stadtring 3-5	Nordhorn	Niedersachsen	100%	35,189	80.5%

Address	City	State	Ownership	Owned GLA (sq. ft.)	Occupancy (%)
Goethestr. 2-6	Duisburg	Nordrhein-Westfalen	100%	34,839	85.8%
Gerstenstr. 5	Neubrandenburg	Mecklenburg-Vorpommern	100%	34,347	100.0%
Ölmühlweg 12	Königstein	Hessen	100%	33,716	100.0%
Worthingtonstr. 15	Crailsheim	Baden-Württemberg	100%	33,136	100.0%
Palleskestr. 38	Frankfurt am Main	Hessen	100%	33,119	83.6%
Hellersdorfer Str. 78	Berlin	Berlin	100%	32,876	75.9%
Zwieseler Str. 27-29	Regen	Bavaria	100%	32,676	89.1%
Markendorfer Str. 10	Frankfurt an der Oder	Brandenburg	100%	32,330	97.5%
Bahnhofstr. 6/Luisenstr. 4-5	Villingen-Schwenningen	Baden-Württemberg	100%	32,191	96.5%
Tunnelweg 1	Husum	Schleswig-Holstein	100%	31,116	88.7%
Bahnhofsplatz 2	Herborn	Hessen	100%	29,746	90.6%
Poststr. 24-26	Ratingen	Nordrhein-Westfalen	100%	29,445	100.0%
Konrad-Adenauer-Str. 49-51	Tübingen	Baden-Württemberg	100%	29,341	98.2%
Feldschlößchenstr./Kunadstr. o. Nr.	Dresden	Sachsen	100%	29,236	100.0%
Bahnhofstr. 29	Meppen	Niedersachsen	100%	29,056	89.7%
Poststr. 12	Lehrte	Niedersachsen	100%	28,764	97.6%
Dr.-Friedrich-Uhde-Str. 18	Einbeck	Niedersachsen	100%	27,793	64.8%
Poststr. 1-3	Korbach	Hessen	100%	27,577	99.8%
Poststr. 48	St Ingbert	Saarland	100%	27,051	91.6%
Bahnhofstr. 2	Gifhorn	Niedersachsen	100%	26,922	92.9%
Ruthenstr. 19/21	Hameln	Niedersachsen	100%	26,895	92.9%
Königswiese 1	Gelsenkirchen	Nordrhein-Westfalen	100%	26,468	100.0%
Wilhelmstr. 11/Kamperdickstr. 29	Kamp-Lintfort	Nordrhein-Westfalen	100%	26,159	93.9%
Kaiserstr. 140	Radevormwald	Nordrhein-Westfalen	100%	25,643	73.8%
Ludwigsplatz 1	Alsfeld	Hessen	100%	25,477	32.6%
In der Trift 10/12	Olpe	Nordrhein-Westfalen	100%	24,894	93.6%
Bahnhofstr. 6	Quakenbrück	Niedersachsen	100%	24,446	97.1%
Alleestr. 6	Neustadt	Bavaria	100%	23,495	100.0%
Uferstr. 2	Höxter	Nordrhein-Westfalen	100%	23,240	79.3%
Lindenstr. 11	Bitterfeld	Sachsen-Anhalt	100%	23,183	85.8%
Bahnhofsplatz 8	Marktredwitz	Bavaria	100%	22,710	95.1%
Poststr. 19-23	Hilden	Nordrhein-Westfalen	100%	22,454	86.7%
Brückenstr. 26	Miltenberg	Bavaria	100%	22,017	88.9%
Lindenstr. 15	Landstuhl	Rheinland-Pfalz	100%	21,726	99.2%
Lindenstr. 42	Grevenbroich	Nordrhein-Westfalen	100%	21,668	70.5%
Innungsstr. 57-59	Berlin	Berlin	100%	21,187	100.0%
Wilhelmstr. 5	Ibbenbüren	Nordrhein-Westfalen	100%	21,031	100.0%
Geistmarkt 17	Emmerich	Nordrhein-Westfalen	100%	20,942	100.0%
Lyoner Passage 14	Köln	Nordrhein-Westfalen	100%	20,742	100.0%
Martin-Pöhlmann-Str 5/Friedrich-e	Selb	Bavaria	100%	20,681	74.6%
Steinstr. 6	Pulheim	Nordrhein-Westfalen	100%	20,670	100.0%
Am Markt 4-5	Norden	Niedersachsen	100%	20,668	80.9%
Am Stadtpark 5	Papenburg	Niedersachsen	100%	20,578	16.8%
Saarbrücker Str. 292-294	Saarbrücken	Saarland	100%	20,433	92.0%
Speckweg 24-26	Mannheim	Baden-Württemberg	100%	20,128	89.8%
Lübecker Str./Wedringer Str. o. Nr.	Magdeburg	Sachsen-Anhalt	100%	19,454	100.0%
Ooser Karlstr. 21/23/25	Baden-Baden	Baden-Württemberg	100%	19,444	92.9%
Güterstr. 2-4	Bitburg	Rheinland-Pfalz	100%	19,340	99.3%
Bismarckstr. 12/Fr.Hoffmann-Str.	Steinfurt	Nordrhein-Westfalen	100%	19,159	87.0%
Poststr. 6	Beckum	Nordrhein-Westfalen	100%	18,831	100.0%
Lagerstr. 1	Meschede	Nordrhein-Westfalen	100%	18,683	100.0%
Bahnhofstr. 3	Osterburken	Baden-Württemberg	100%	18,498	100.0%
Bahnhofstr. 43	Riesa	Sachsen	100%	18,275	89.8%
Bahnhofstr. 33 U. 33 A	Stendal	Sachsen-Anhalt	100%	18,200	92.6%
Friedrichstr. 2	Monheim	Nordrhein-Westfalen	100%	18,156	100.0%
Königstr. 20	Brilon	Nordrhein-Westfalen	100%	17,733	100.0%
Kornmarkt 15	Osterode	Niedersachsen	100%	17,690	100.0%
Marktstr. 51	Essen	Nordrhein-Westfalen	100%	17,661	100.0%
Übacher Weg 4	Alsdorf	Nordrhein-Westfalen	100%	16,991	100.0%
Niederwall 3	Lübbecke	Nordrhein-Westfalen	100%	16,563	100.0%
Hochstr. 31/Postgasse 5	Bochum	Nordrhein-Westfalen	100%	16,359	100.0%
Sattigstr. 33	Görlitz	Sachsen	100%	16,279	100.0%

Address	City	State	Ownership	Owned GLA (sq. ft.)	Occupancy (%)
Robert-Koch-Str. 3	Laatzen	Niedersachsen	100%	16,126	100.0%
Kaiserstr. 35	Minden	Nordrhein-Westfalen	100%	16,043	98.7%
Bahnhofstr. 8-10	Borken	Nordrhein-Westfalen	100%	15,893	98.2%
Poststr. 28	Hemer	Nordrhein-Westfalen	100%	15,782	100.0%
Bahnhofstr. 41	Eberbach	Baden-Württemberg	100%	15,634	100.0%
Melanchthonstr. 96	Bretten	Baden-Württemberg	100%	15,501	90.2%
Hauptstr. 141	Rheda-Wiedenbrück	Nordrhein-Westfalen	100%	15,178	100.0%
Herrlichkeit 7	Syke	Niedersachsen	100%	14,560	94.3%
Grenzstr. 24	Halle	Sachsen-Anhalt	100%	14,533	100.0%
Mercedesstr. 5	Hannover	Niedersachsen	100%	14,504	100.0%
Münchner Str. 50	Fürstenfeldbruck	Bavaria	100%	13,326	100.0%
Schönbornstr. 1	Geisenheim	Hessen	100%	13,117	90.2%
Langener Landstr. 237-239	Bremerhaven	Bremen	100%	12,803	100.0%
Löbauer Str. 63	Bautzen	Sachsen	100%	12,686	100.0%
Albert-Steiner-Str. 10	Herzogenrath	Nordrhein-Westfalen	100%	12,667	79.3%
Fritz-Brandt-Str. 25	Zerbst	Sachsen-Anhalt	100%	12,654	95.8%
Dahmestr. 17	Mittenwalde	Brandenburg	100%	12,631	100.0%
Bünder Str. 36	Löhne	Nordrhein-Westfalen	100%	12,625	100.0%
Poststr. 1	Erftstadt	Nordrhein-Westfalen	100%	12,498	100.0%
Gorsemannstr. 22	Bremen	Bremen	100%	12,379	100.0%
Bahnhofstr. 11	Alpirsbach	Baden-Württemberg	100%	12,112	76.0%
Gutachstr. 56	Titisee-Neustadt	Baden-Württemberg	100%	10,813	100.0%
Unterstr. 14	Bochum	Nordrhein-Westfalen	100%	10,732	100.0%
Am Markt 4	St. Georgen	Baden-Württemberg	100%	10,324	100.0%
Hauptstr. 40	Porta Westfalica	Nordrhein-Westfalen	100%	10,315	100.0%
Sandstr. 4	Germersheim	Rheinland-Pfalz	100%	10,132	100.0%
Langfuhren 9	Bad Säckingen	Baden-Württemberg	100%	9,717	100.0%
De-Lenoncourt-Str. 2	Dillingen	Saarland	100%	8,995	100.0%
Rosenstr. 1/Fünfhausenstr. 19/21	Springe	Niedersachsen	100%	8,881	100.0%
Melcherstätte 8	Stuhr	Niedersachsen	100%	8,196	100.0%
Wetterstr. 20/Poststr. 2	Herdecke	Nordrhein-Westfalen	100%	7,702	100.0%
Total Initial Properties				**8,206,043**	**81.8%**
Total Portfolio				**13,428,169**	**87.5%**

Trustees

Dr. R. Sacha Bhatia
Toronto, Ontario
Director of the Institute for Health System Solutions and Virtual Care ("WIHV") at Women's College Hospital

Detlef Bierbaum [1,2,3,4]
Köln, Germany
Corporate Director

Michael J. Cooper [2]
Toronto, Ontario
President and Chief Responsible Officer
Dream Unlimited Corp.

P. Jane Gavan [2]
Toronto, Ontario
President and Chief Executive Officer
Dream Global REIT

Duncan Jackman [1,3]
Toronto, Ontario
Chairman, President and CEO
E-L Financial Corporation Limited

Johann Koss [2,3]
Toronto, Ontario
Chief Executive Officer
Right to Play

John Sullivan [1]
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

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TAXATION OF DISTRIBUTIONS

Distributions paid to unitholders in respect of the tax year ended December 31, 2015 are taxed as follows:
Foreign non-business income: 43.6%
Return of capital: 56.4%

STOCK EXCHANGE LISTING

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

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.

Design: THE WORKS DESIGN COMMUNICATIONS LTD. www.worksdesign.com

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