dream global REIT

2016 Annual Report

Letter to Unitholders

P. Jane Gavan
President and Chief Executive Officer

In 2016, Dream Global accomplished a number of significant milestones, laying the groundwork for strong financial performance in 2017 and beyond.

Throughout the year, the Trust's balance sheet was reshaped with the early redemption of the convertible debentures, raising and deploying equity into high quality office buildings and refinancing mortgage debt with lower interest rates and longer maturities. In addition, two major initiatives, a dual listing for Dream Global REIT's units on the Frankfurt Stock Exchange under the trading symbol DRG, and receiving an investment grade credit rating from Moody's, further helped to position Dream Global for the future.

One of the Trust's key initiatives between the end of August and year-end was the refinancing of 14 mortgages, reducing their weighted average face interest rate to 1.29% from 2.43%, and extending their average maturity to 8.4 years from 2.7 years. Year-over-year, the average face interest rate of all of the Trust's debt obligations declined to 1.85% at the end of 2016, from 2.49% at the end of 2015, and the average debt term increased to 5.7 years at the end of 2016 from 5.0 years at the end of 2015.

With the tailwinds of an exceptionally strong German economy, evidenced by record low unemployment, the fundamentals in the office sector continued to improve. The REIT finished the year at the highest occupancy in its history, with in-place and committed occupancy reaching 90%. Q4 2016 also marked the Trust's eighth consecutive quarter of occupancy growth. Year-over-year, in-place rents increased by 7% to €10.29 per square foot, largely due to rental rate increases for renewals and new leases as well as a consumer price index ("CPI") adjustment across all of our leases with Deutsche Post in early 2016.

We have continued our capital recycling program in 2016 by selling over $100 million of Deutsche Post assets and redeploying the proceeds into higher quality buildings. In total, we acquired four assets for $215 million, at an average 7.4% cap rate, financed at 1.3% for 8 years. We've further reduced our tenant concentration, with Deutsche Post now representing 18.9% of our GRI, down from 22.4% at the end of 2015.

Dream Global's business is in the best shape it has ever been. The combination of exceptionally strong market fundamentals, attractive financing rates, our successful capital recycling program and the REIT's recent corporate initiatives, position us very well heading into 2017 and beyond.

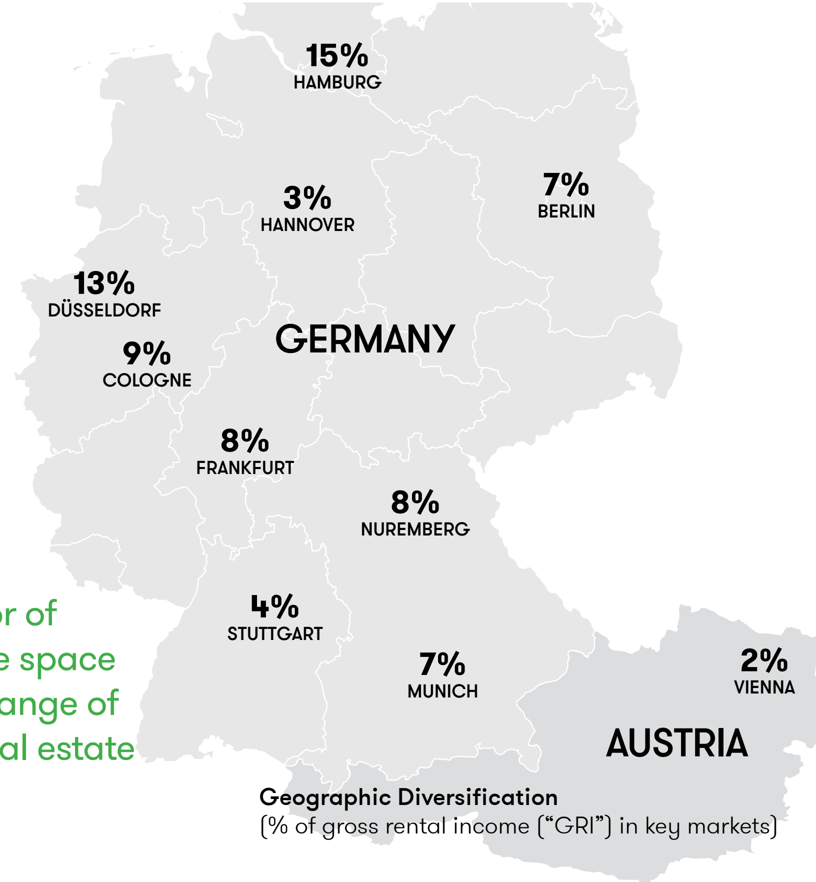
On behalf of our management team and our Board of Trustees, I would like to thank you for your continued support.

Sincerely

P. Jane Gavan
President & Chief Executive Officer
February 22, 2017

Portfolio at-a-Glance

DECEMBER 31, 2016



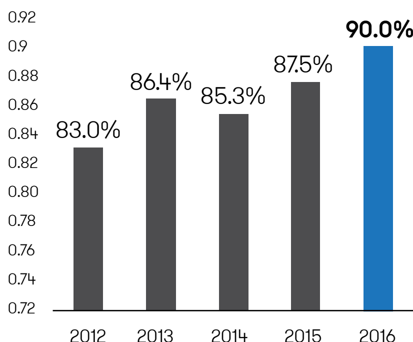
Dream Global REIT is the owner and operator of 13 million square feet of office and mixed-use space in Germany and Austria. It provides a wide range of investors with the opportunity to invest in real estate exclusively outside of Canada.

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

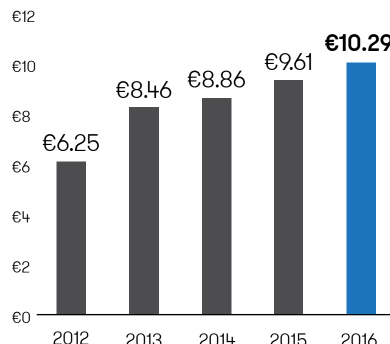
Diversified High-Quality Tenants

TENANT COMPOSITION	TOTAL ANNUALIZED GRI (%)	CREDIT RATING
Deutsche Post Immobilien GmbH	18.9%	BBB+
Siemens Aktiengesellschaft	3.9%	A+
Freshfields Bruckhaus Deringer	3.4%	n/a
Ergo Direkt Lebensversicherung AG	3.0%	AA-
City of Hamburg	3.1%	AAA
Deutsche Rentenversicherung Knappschaft Bahn See	2.1%	n/a
BNP Paribas SA/NV	1.8%	A+
Deutsche Postbank AG	1.7%	BBB+
Google Germany GmbH	1.6%	AA
CinemaxX Entertainment GmbH & Co. KG	1.5%	n/a
Other third-party tenants	59.0%	n/a
Total	**100.0**	

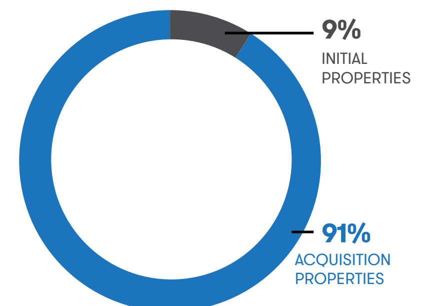
Committed Occupancy



In-place Rent
(per square foot per year)



2016 Adjusted Funds from Operations ("AFFO")
(Q4/2016)



* As at December 31, 2016

$2.9 billion

TOTAL ASSESTS

Rivergate, Vienna

4%

INCREASE IN AFFO/UNIT IN 2016

Europa-Center, Bremen

$10.82

TOTAL EQUITY PER UNIT

€7.64

Dual listed

TORONTO STOCK EXCHANGE AND FRANKFURT STOCK EXCHANGE

ABC Bogen, Hamburg

1.5 million

SQUARE FEET OF NEW LEASING IN 2016

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Management's discussion and analysis

All dollar amounts in our tables are presented in thousands of Canadian dollars, unless otherwise indicated.

SECTION I – OVERVIEW AND FINANCIAL HIGHLIGHTS

KEY PERFORMANCE INDICATORS		December 31, 2016		September 30, 2016		December 31, 2015
Portfolio						
Number of properties (excluding properties held for sale)[1]		**173**		181		208
Gross leasable area ("GLA") (in square feet)[1]		**13,025,346**		12,580,821		13,428,169
Occupancy rate – including committed (period-end)[1]		**90.0%**		89.1%		87.5%
Occupancy rate – in-place (period-end)[1]		**88.6%**		86.7%		86.8%
Average in-place net rent per square foot (period-end)[1]	**€**	**10.29**	€	10.26	€	9.61
Market rents above in-place net rents[1]		**3.3%**		3.8%		6.1%

		Three months ended						Year ended December 31,		
		December 31, 2016[1]		September 30, 2016[1]		December 31, 2015[1]		**2016[1]**		2015[1]
Operating results – in €										
Investment properties revenue[2]										
Total portfolio	**€**	**39,064**	€	40,657	€	37,692	**€**	**160,466**	€	157,493
Initial Properties		**13,051**		15,541		14,996		**59,584**		66,656
Acquisition Properties		**26,013**		25,116		22,696		**100,882**		90,837
Net operating income ("NOI")[3]										
Total portfolio		**26,925**		27,240		25,780		**109,032**		107,881
Initial Properties		**5,780**		7,608		7,739		**29,149**		34,603
Acquisition Properties		**21,145**		19,632		18,041		**79,883**		73,278
Operating results – in $[4]										
Investment properties revenue[2]										
Total portfolio	**$**	**56,250**	$	59,200	$	55,081	**$**	**235,312**	$	223,169
Initial Properties		**18,843**		22,629		21,888		**87,447**		94,336
Acquisition Properties		**37,407**		36,571		33,193		**147,865**		128,833
Net operating income ("NOI")[3]										
Total portfolio		**38,769**		39,649		37,692		**159,946**		152,855
Initial Properties		**8,361**		11,064		11,303		**42,851**		48,981
Acquisition Properties		**30,408**		28,585		26,389		**117,095**		103,874
Funds from operations ("FFO")[5]		**25,463**		24,205		21,338		**95,338**		86,660
Adjusted funds from operations ("AFFO")[6]		**22,820**		22,969		20,548		**90,595**		81,524
Average exchange rate (Canadian dollars to one euro)		**1.438**		1.456		1.461		**1.466**		1.419
Distributions										
Declared distributions	**$**	**25,068**	$	24,267	$	22,578	**$**	**94,745**	$	89,858
DRIP participation ratio (for the period)		**13%**		13%		14%		**13%**		15%
Per unit amounts[7]										
Distribution	**$**	**0.20**	$	0.20	$	0.20	**$**	**0.80**	$	0.80
Basic:										
FFO		**0.20**		0.20		0.19		**0.80**		0.77
AFFO		**0.18**		0.19		0.18		**0.76**		0.73
Diluted:										
FFO		**0.20**		0.20		0.19		**0.80**		0.77

	December 31, 2016	September 30, 2016	December 31, 2015
Financing			
Weighted average face rate of interest on debt (period-end)[8]	**1.85%**	1.93%	2.49%
Interest coverage ratio[8][9]	**2.95 times**	2.80 times	3.08 times
Level of debt (net debt-to-gross book value, net of cash) at period-end[8][9]	**52%**	50%	54%
Average level of debt, net of cash[8][2]	**53%**	53%	52%
Debt – average term to maturity (years)[8]	**5.7**	5.6	5.0
Unsecured convertible debentures	**$ —**	$ —	$ 154,558

(1) Includes the joint venture properties but excludes properties classified as assets held for sale.

(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 investment properties revenue less investment properties operating expenses, 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 30.

(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) Reflects the REIT’s Owned Share of Joint Ventures. Joint venture properties are accounted for using the equity method in our consolidated financial statements.

(9) 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)”.

FINANCIAL OVERVIEW

The fourth quarter and year-end results were in line with our expectations with funds from operations (“FFO”) of $25.5 million and $95.3 million, respectively. By comparison, FFO for the three months and year ended December 31, 2015 were $21.3 million and $86.7 million, respectively. Adjusted funds from operations (“AFFO”) increased by $2.3 million and $9.1 million for the quarter and year ended December 31, 2016, respectively, compared to the same periods in 2015. The increases in both FFO and AFFO in 2016 compared to 2015 reflect the impact of acquisitions, strong leasing, lower effective interest costs and additional asset management fees from our joint ventures.

On a per unit basis, FFO for the three months and year ended December 31, 2016 were 20 cents and 80 cents, respectively, compared to 19 cents and 77 cents in the same periods in 2015. Despite the impact of a lower euro against the Canadian dollar in Q4 2016 versus Q4 2015, AFFO per unit remained flat year-over-year in the fourth quarter. For the year, AFFO increased by 3 cents to 76 cents in 2016 compared to 2015.

Our leasing momentum and the overall leasing pipeline remained strong during the fourth quarter, buoyed by solid market fundamentals in Germany’s office markets. We completed approximately 334,000 square feet of new leases and renewals in Q4 2016 and achieved a tenant retention rate of 81%. Overall in-place and committed occupancy increased to 90.0% in Q4 2016, compared to 89.1% at the end of Q3 2016. Year-over-year occupancy increased by 250 basis points from 87.5% at the end of 2015, partially as a result of strong leasing in addition to the sale of Initial Properties (as defined under “Basis of Presentation” below) which, in general, have lower occupancy rates.

In 2016, we further reduced our exposure to Deutsche Post, our largest tenant, who now contributes less than 19% to the Trust’s overall gross rental income (“GRI”), largely due to our capital recycling program. During the fourth quarter, we disposed of 16 Initial Properties for an aggregate gross sales price of approximately $57.0 million, increasing sales completed in 2016 to approximately $103.0 million. In addition, we had 11 properties under contract for sale as at December 31, 2016 for $45.5 million.

Year-over-year, in-place rents increased by 7% to €10.29 per square foot at the end of 2016 from €9.61 per square foot at the end of 2015. The increase demonstrates management’s ability to align leasing initiatives to strong market fundamentals. It also reflects an increase across all of our leases with Deutsche Post, which were subject to an automatic adjustment linked to the German Consumer Price Index (“CPI”) in March 2016.

The Trust took further advantage of a favourable lending environment in the second half of 2016 and completed the refinancing of 14 mortgages between the end of August and year-end, decreasing their weighted average face interest rate to 1.29% from 2.43% and extending their average maturity to 8.4 years from 2.7 years. Year-over-year, the average face interest

rate of all of the Trust's debt obligations declined to 1.85% at the end of 2016 from 2.49% at the end of 2015, with the average debt term increasing to 5.7 years from 5.0 years at the end of 2015.

OUTLOOK

The German economy continues to benefit from a very robust labour market, fuelled by domestic demand and government spending. Germany's unemployment rate reached a new record low of 3.5% at the end of 2016, further dropping from 3.9% a month earlier and 4.5% at the end of 2015. German GDP grew by 1.9% in 2016, ahead of expectations and reaching a five-year high.

The fundamentals in the German office sector are strong, with office vacancy rates continuing to decrease across the major office markets. In the Big 7 German office markets, vacancy rates declined to a record low of 5.5% at the end of 2016, down 90 basis points since the end of 2015. Fuelled by strong market fundamentals as well as our committed leasing efforts, in-place and committed occupancy in the Trust's portfolio rose to 90% for the first time in Dream Global REIT's history. Q4 2016 also marked the Trust's eighth consecutive quarter of occupancy growth.

Throughout the fourth quarter of 2016 and the beginning of 2017, we have continued our discussions with Deutsche Post with respect to the tenant's 2018 lease expiries. Drawing on past experience and our discussions with Deutsche Post to date, we are confident that we will be able to retain a significant portion of the expiring GRI. We will continue our strategy with respect to these expiries, which includes our ongoing asset recycling plan, active leasing and pursuing redevelopment opportunities in addition to our proactive discussions.

Dream Global REIT reached a number of significant milestones in 2016, including the refinancing of $332.0 million of our mortgages at lower rates and with a longer term; early redemption of the Trust's $161.0 million convertible debenture to achieve significant interest rate savings; a dual listing for Dream Global REIT's units on the Frankfurt Stock Exchange under the trading symbol DRG; and receiving an investment-grade credit rating from Moody's, reflecting our track record in Europe, strong German economic fundamentals, the quality of the platform as well as a solid balance sheet.

With the momentum we created in 2016 through a number of key strategic initiatives, supported by solid economic conditions and strong real estate fundamentals in our target markets, we are well positioned to further improve our business and improve the stability of our cash flow in 2017 and beyond.

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, 2016 and December 31, 2015.

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 22, 2017. For simplicity, throughout this discussion, we may make reference to the following:

- "Debentures", meaning the 5.5% convertible unsecured subordinated debentures of the Trust, which were redeemed on September 15, 2016;
- "GLA", meaning gross leasable area;
- "GRI", meaning gross rental income, including basic rent per lease agreements, parking contracts and miscellaneous contracts relating to the properties, but excluding contributions made by tenants towards the recovery of operating expenses;
- "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 Jones Lang LaSalle (“JLL”) and CBRE, commercial firms that provide information relating to the German and Austrian real estate industries. 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, including but not limited to statements relating to the Trust’s objectives, strategies to achieve those objectives, the Trust’s beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth, results of operations, performance, business prospects and opportunities, acquisitions or divestitures, tenant base, future maintenance and development plans and costs, capital investments, financing, the availability of financing sources, income taxes, vacancy and leasing assumptions, litigation and the real estate industry in general (including statements regarding our future acquisitions and the timing thereof, our disposition strategy, our leasing strategies with respect to the 2018 Deutsche Post lease expiries, the Deutsche Post renewal obligations and the Postbank subleases), in each case that are not historical facts. Forward-looking statements generally can be identified by words such as “outlook”, “objective”, “may”, “will”, “would”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “could”, “likely”, “plan”, “project”, “budget” or “continue” or similar expressions suggesting future outcomes or events. Forward-looking information is based 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 MD&A 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 22, 2017, 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 the Trust's asset manager. Our Units are listed on the Toronto Stock Exchange under the trading symbol DRG.UN and the Frankfurt Stock Exchange under the trading symbol DRG.

As at December 31, 2016, our portfolio consisted of 173 properties (excluding 11 assets that are held for sale) and comprises approximately 13.0 million square feet of GLA. Of this total, 172 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 in which Dream Global REIT holds a 50% ownership interest.

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 will be exempt from the SIFT rules. We do not rely on the real estate investment trust exception ("REIT exception") under the *Income Tax Act* (Canada) in order to be exempt from the SIFT rules. As a result, we are not subject to the same restrictions on our activities as those that apply to Canadian real estate investment trusts that do rely on the REIT exception. This gives us flexibility in terms of the nature and scope of our investments and other activities. Because we do not own taxable Canadian property, as defined in the *Income Tax Act* (Canada), we are not subject to restrictions on our ownership by non-Canadian investors.

OUR OBJECTIVES

We are committed to:

- managing our investments to provide stable, sustainable and growing cash flows through investments in commercial real estate located outside of Canada;
- 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.

OUR STRATEGY

To meet our stated objectives, we implemented the following strategy:

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 and geographic 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 objective is 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.

OUR ASSETS

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

Initial Properties

As at December 31, 2016, this category included 136 properties (excluding 11 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 and 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, 2016, this category included 37 office properties, which were acquired since our initial public offering in 2011. Of this total, 36 properties are located in cities across Germany. A 50% interest in eight properties was sold in late 2014 and early 2015 to POBA, a South Korean pension fund. In addition, one of the Trust's properties, jointly owned with an Asian sovereign wealth fund, is located in Vienna, Austria. 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	874,218	7	7
Cologne	815,097	6	9
Düsseldorf	1,665,832	13	13
Frankfurt	915,483	7	8
Hamburg	1,222,214	9	15
Hannover	585,377	4	3
Munich	626,792	5	7
Nuremberg	1,116,203	8	8
Stuttgart	467,506	4	4
Other	4,736,624	37	26
Total	13,025,346	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 2016, Deutsche Post's GRI was approximately 18.9% of the Trust's overall occupied and committed GRI, down from 22.4% at the end of 2015.

Tenant composition[1]	Total annualized GRI (%)	Credit rating[2][3]
Deutsche Post	18.9	BBB+
Siemens AG	4.0	n/a
Freshfields Bruckhaus Deringer	3.4	n/a
City of Hamburg	3.1	AAA
ERGO Group AG	3.0	AA-
Deutsche Rentenversicherung Knappschaft Bahn-See	2.1	n/a
BNP Paribas Fortis SA/NV	1.8	A+
Deutsche Postbank AG	1.7	BBB+
Google Germany GmbH	1.6	AA
CinemaxX Entertainment GmbH & Co. KG	1.5	n/a
Other third-party tenants	58.9	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 500,000 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, 2016, our portfolio featured approximately 97 Postbank branches, allowing for the delivery of integrated financial and postal services. Leases for 34 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.

Siemens AG ("Siemens")

Siemens, the Trust's second largest tenant, is headquartered in Germany and is one of the world's largest engineering and technology companies, employing over 350,000[2] people worldwide with nearly one-third of its workforce located in Germany. Siemens occupies the entire space in our property located at Gleiwitzer Strasse 555 (Siemens Office Campus) in Nuremberg and approximately 6% of the space in Officivm, our property located at Liebknechtstrasse 33/35 and Hessbrühlstrasse 7, and generated approximately 4.0% of the REIT's overall annualized GRI as at December 31, 2016.

Freshfields Bruckhaus Deringer ("Freshfields")

Freshfields is the third 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.[3] Freshfields occupies 71% of the space in our property located at Feldmühleplatz 1 and generated approximately 3.4% of the REIT's overall annualized GRI as at December 31, 2016.

City of Hamburg

The City of Hamburg, Germany's second largest municipality with a population of 1.8 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 20% of the space in our property at Millerntorplatz 1, 9% of the space in our property at Schlossstrasse 8, and the entire space at our property located at Hammer Strasse 30–34. The City of Hamburg contributes approximately 3.1% to the REIT's overall annualized GRI based on total GRI as at December 31, 2016.

ERGO Group AG ("ERGO")

ERGO is one of the largest insurance companies in Germany with approximately 43,000 employees in over 30 countries concentrated in Europe and Asia.[5] 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 annualized GRI as at December 31, 2016.

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

Deutsche Rentenversicherung is Germany's state pension fund covering approximately 54 million people. Nearly €290 billion was paid to recipients in 2015 alone.[6] Deutsche Rentenversicherung occupies approximately 37% of the space in our property located at Millerntorplatz 1 in Hamburg and generated approximately 2.1% of the REIT's overall annualized GRI as at December 31, 2016.

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.[7] The company, with strong roots in Europe's economic history, occupies approximately 55% of the space in Cäcilienkloster in Cologne as well as 8% in Z-UP in Stuttgart and generated approximately 1.8% of the REIT's overall annualized GRI as at December 31, 2016.

Deutsche Postbank AG ("Postbank")

Postbank is one of Germany's largest financial service providers with approximately 14 million clients, nearly 19,000 employees and total assets of approximately €148 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 1,000 of its own branches and over 4,500 Deutsche Post partner branches as well as 700 Postbank advisory centres.[8] As at December 31, 2016, Postbank generated approximately 1.7% of the REIT's overall annualized GRI.

Google Germany GmbH ("Google")

Google is an American multinational corporation specializing in internet-related services and products and employs over 60,000 people worldwide.[9] 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 1.6% of the REIT's overall annualized GRI as at December 31, 2016.

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

CinemaxX is a well-known cinema chain in Germany and Denmark with 29 cinemas and approximately 2,000 employees.[10] 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 annualized GRI as at December 31, 2016.

(1) As disclosed at Deutsche Post DHL's website at www.dpdhl.com
(2) As disclosed at Siemens' website at www.siemens.com
(3) As disclosed at Freshfields' website at www.freshfields.com
(4) As disclosed at the Destatis – Germany's Federal Statistical Office website at www.destatis.de
(5) As disclosed at ERGO's website at www.ergo.com
(6) As disclosed at Deutsche Rentenversicherung's website at www.deutsche-rentenversicherung.de
(7) As disclosed at BNP Paribas' website at www.bnpparibas.com
(8) As disclosed at Deutsche Postbank AG's website at www.postbank.com
(9) As disclosed at Google's website at www.google.com and www.statistica.com/topics/1001/google/
(10) As disclosed at CinemaxX's website at www.cinemaxx.com

MARKET OVERVIEW – GERMANY AND AUSTRIA

German economy

Germany, Europe's largest 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.

Overall, the German economy continues to be the main driving force of Europe and benefits from a robust labour market. German GDP has grown by 1.9% in 2016, slightly ahead of expectations. Growth is largely driven by low interest rates as well as increased household and government spending. Germany's unemployment reached a record low of 3.5%[1] in December 2016, further dropping from 3.9% a month earlier and 4.5% at the end of 2015. This is a strong signal that the German economy continues to strengthen.

The German real estate sector

Germany remains a highly sought-after real estate investment market in Europe, benefiting from strong local and international investor demand. The investment market picked up significantly in the second half of 2016, ending the year with €52.9 billion[2] of transactions, only slightly below 2015. The active second half of 2016 was largely driven by low interest rates and the perception of Germany as a safe harbour, resulting in strong investor demand. Office properties remained the top choice for investors with approximately 45% of all transactions taking place in this segment. Demand from international investors remained high at 48%[2] in 2016.

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. At December 31, 2016, the average vacancy rate in the Big 7 office markets was 5.5%,[3] a 90 basis point decline since the end of 2015, with Stuttgart and Berlin experiencing the most significant declines in vacancy rates.

Austrian economy

The Austrian economy is closely linked to Germany and features a skilled labour force and a high standard of living. Similar to Germany, it has a high degree of financial stability, a reliable protection of property rights and a transparent legal system. Economic growth is expected to have kept up the pace in Q4 2016 following a strong third quarter with confidence indicators at multi-year highs at the end of 2016.[4]

The Austrian real estate sector

In 2016, the total investment volume for commercial real estate in Austria reached €2.8 billion, a decrease of 29% compared to a record high in 2015 but 16% above the five-year average investment volume. Approximately 60% of all transactions took place in Vienna. Office properties were the most sought-after asset class with approximately 40% of all transactions taking place in this sector.[5]

The underlying fundamentals in the office sector in Vienna remain very strong. The average vacancy rate in this market declined to 5.3%[6] at the end of 2016, a 110 basis point decline compared to the end of 2015. Strong demand and limited new construction of office space were responsible for the year-over-year improvement.

(1) Destatis – Germany's Federal Statistical Office
(2) JLL Investment Market Overview Q4 2016
(3) JLL Office Market Overview Q4 2016
(4) Focus Economics – Austria Economy Data
(5) CBRE Market View – Investments Austria, Q4 2016
(6) CBRE Market View – Vienna Office Market, Q4 2016

SECTION II – EXECUTING THE STRATEGY

OUR OPERATIONS

Occupancy

Overall, the occupancy rate (including committed) was 90.0% at December 31, 2016, an increase of 250 basis points from the end of 2015 and 90 basis points quarter-over-quarter compared to Q3 2016. Occupancy in our Initial Properties increased from 81.8% at the end of 2015 to 83.9% at December 31, 2016, due to our leasing efforts as well as property dispositions, including properties that were sold but had not closed as at December 31, 2016. These properties are classified under "Assets held for sale" in our 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 remained fairly flat at 96.3% at December 31, 2016 compared to 96.4% at the end of 2015. Quarter-over-quarter, occupancy in our Acquisition Properties slightly increased by 10 basis points due to strong leasing activity, offset by some acquired vacancy.

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, 2016 and December 31, 2015, and excludes properties that were acquired or sold in 2016.

	Total portfolio		Comparative portfolio	
Portfolio (%)	**December 31, 2016**	December 31, 2015	**December 31, 2016**	December 31, 2015
Initial Properties	**83.9**	81.8	**83.9**	81.8
Acquisition Properties[1]	**96.3**	96.4	**96.6**	96.4
Total portfolio	**90.0**	87.5	**89.5**	88.2

(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, 2016. During Q4 2016, our overall space available for lease decreased by 69,819 square feet. The decrease in vacancy was largely the result of dispositions and strong leasing, offset by acquired vacancy in our Acquisition Properties. Overall, we achieved a high retention rate of 81% across the entire portfolio in Q4 2016.

	For the three months ended December 31, 2016		
(in square feet)	Initial Properties	Acquisition Properties[1]	Total[1]
Available for lease – October 1, 2016	1,165,144	205,370	1,370,514
Change in vacancy due to acquisitions	—	51,784	51,784
Change in vacancy due to dispositions	(51,361)	—	(51,361)
Remeasurements	(10,350)	388	(9,962)
Subtotal – available for lease	1,103,433	257,542	1,360,975
Expiries[2]	20,947	227,057	248,004
Early termination and bankruptcies	10,890	14,521	25,411
New leases	(59,141)	(9,903)	(69,044)
Renewals[1]	(9,493)	(181,960)	(191,453)
Future leases committed in the period[2]	—	(73,198)	(73,198)
Available for lease – December 31, 2016	1,066,636	234,059	1,300,695

(1) Reflects the REIT's Owned Share.

(2) For the purposes of calculating tenant retention, 10,171 square feet currently included in new and future leases were added back to renewals, reflecting tenant expansions and related company lease takeovers.

	For the year ended December 31, 2016		
(in square feet)	Initial Properties	Acquisition Properties[1]	Total[1]
Available for lease – January 1, 2016	1,496,262	187,114	1,683,376
Change in vacancy due to acquisitions	—	64,148	64,148
Change in vacancy due to dispositions	(303,800)	—	(303,800)
Remeasurements	(31,920)	13,083	(18,837)
Subtotal – available for lease	1,160,542	264,345	1,424,887
Expiries	332,409	1,020,911	1,353,320
Early termination and bankruptcies	28,650	42,327	70,977
New leases	(107,389)	(40,041)	(147,430)
Renewals	(221,015)	(750,445)	(971,460)
Future leases committed in the period	(126,561)	(303,038)	(429,599)
Available for lease – December 31, 2016	1,066,636	234,059	1,300,695

(1) Reflects the REIT's Owned Share.

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 2016[1][2]	Q3 2016[1][2]	Q2 2016[1][2]	Q1 2016[1][2]	Q4 2015[1][2]	Q3 2015[1][2]	Q2 2015[1][2]	Q1 2015[1][2]
Occupancy								
In-place and committed occupancy (square feet)	**11,724,651**	11,210,306	11,686,420	11,841,472	11,744,793	11,478,813	11,523,398	11,920,554
In-place and committed occupancy	**90.0%**	89.1%	88.3%	88.0%	87.5%	86.8%	86.1%	86.0%
In-place occupancy (square feet)	**11,545,792**	10,901,405	11,386,217	11,644,004	11,653,086	11,403,146	11,488,609	11,867,554
In-place occupancy	**88.6%**	86.7%	86.0%	86.5%	86.8%	86.2%	85.8%	85.6%
Leasing activity								
Expiries	**(248,004)**	(397,638)	(355,812)	(351,866)	(269,929)	(235,519)	(330,102)	(232,711)
Early termination and bankruptcies	**(25,411)**	(3,037)	—	(42,529)	(179,917)	(3,584)	(2,898)	(15,819)
New leases	**69,044**	24,243	20,932	33,211	52,794	49,346	44,309	21,725
Renewals	**191,453**	288,926	283,300	207,780	128,283	124,820	225,341	143,968
Future leases	**73,198**	136,353	57,584	162,464	297,643	71,803	70,626	35,150
Net leasing absorption (before Deutsche Post terminations)	**60,280**	48,847	6,004	9,060	28,874	6,866	7,276	(47,687)
Deutsche Post leasing activity								
Deutsche Post terminations	**—**	—	—	—	—	—	—	—
Expiries of Deutsche Post extensions	**—**	—	—	—	—	—	(30,363)	(105,515)
Deutsche Post/Postbank renewals and extensions	**—**	—	—	—	—	—	—	—
Net leasing absorption (incl. DP terminations)	**60,280**	48,847	6,004	9,060	28,874	6,866	(23,087)	(153,202)
Average in-place rent (€/sq. ft./year)	**€10.29**	€10.26	€9.95	€9.66	€9.61	€9.46	€9.39	€9.26
% change	**0.3%**	3.0%	3.0%	0.5%	1.6%	0.7%	1.4%	4.5%

(1) Reflects the REIT's Owned Share.

(2) Excludes properties held for sale.

In-place rental rates

Average in-place rents increased slightly from €10.26 per square foot/year at September 30, 2016 to €10.29 per square foot/year at December 31, 2016, largely reflecting dispositions of assets with below-average in-place rents in Q4. Year-over-year, in-place rents increased by 7% as a result of strong leasing and dispositions of assets with below-average in-place rents in our Initial Properties portfolio. Average market rents remain above in-place rents as at December 31, 2016, with an overall spread between in-place rents and market rents of 3.3%. The difference between in-place rents and market rents in our Initial Properties is approximately 10.6%, allowing for rental rate growth in this segment of our portfolio. For our Acquisition Properties, market rents exceeded in-place rents by 0.7% as at December 31, 2016.

The table below provides a comparison between in-place rents and estimated market rents in our portfolio as at December 31, 2016.

	In $ (as at December 31, 2016)		In € (as at December 31, 2016)		% of market rents above (below)
(per square foot/year)	In-place rent	Market rent	In-place rent	Market rent	in-place rents
Initial Properties – Deutsche Post[1]	$ 7.82	$ 8.74	€ 5.52	€ 6.17	11.8
Initial Properties – third party	8.88	9.58	6.27	6.76	7.8
Total Initial Properties[2]	8.12	8.98	5.73	6.34	10.6
Acquisition Properties[3]	20.42	20.56	14.41	14.51	0.7
Overall	$ 14.58	$ 15.06	€ 10.29	€ 10.63	3.3

(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 a new arm's length lease in the event a unit becomes vacant after a reasonable marketing period with an inducement and a 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, 2016, the WALT of all leases was approximately 4.5 years.

(years)[1]	**WALT at December 31, 2016**	WALT at December 31, 2015
Initial Properties – Deutsche Post	**1.8**[2]	2.8
Initial Properties – third party	**6.1**	5.7
Total Initial Properties[3]	**3.1**	3.5
Acquisition Properties[4]	**5.7**	5.6
Overall	**4.5**	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, 2016. Our lease maturity profile remains staggered with less than 7% (excluding space leased on a month-to-month basis) of our portfolio expiring prior to 2018.

(in square feet)	Current vacancy	Month-to-month	2017	2018	2019	2020	2021+	Total
Initial Properties[1]	1,066,636	170,738	156,230	3,135,331	815,295	285,046	999,274	6,628,550
Acquisition Properties	234,059	57,981	299,580	432,394	610,661	654,847	4,107,274	6,396,796
Total GLA	1,300,695	228,719	455,810	3,567,725	1,425,956	939,893	5,106,548	13,025,346
Total GLA (%)	10.0%	1.8%	3.5%	27.4%	10.9%	7.2%	38.4%	100.0%
Total GRI ($)		3,313,840	7,895,995	33,877,800	21,538,112	15,940,867	97,339,770	179,906,385
Total GRI (%)		1.8%	4.4%	18.8%	12.0%	8.9%	54.1%	100.0%

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

Deutsche Post leases

The majority of the Trust's leases with Deutsche Post have a ten-year term that commenced on July 1, 2008. Many of the leases provide Deutsche Post with an option to extend the term until June 30, 2023, as described in more detail below. Deutsche Post is contractually required to extend a portion of its total leases. At December 31, 2016, leases with Deutsche Post comprised approximately 30.8% of the portfolio's GLA and accounted for approximately 18.9% of the portfolio's GRI.

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

	Total GLA (sq. ft.)	Number of leases
Deutsche Post lease expiries		
2017	14,324	1
2018	3,055,734	83
2019	603,730	27
2020	209,906	12
2021	57,890	4
2022	18,920	2
2023	23,962	2
Total Deutsche Post lease expiries	3,984,466	131

2018 Lease maturity

Management of the Trust is in discussions with Deutsche Post with respect to the tenant's 2018 lease expiries. As of December 31, 2016, the Trust had 83 Deutsche Post leases in its initial portfolio with a maturity date of June 30, 2018. These leases have a combined GLA of approximately 3.1 million square feet, corresponding to annualized GRI from Initial Properties of approximately €16.7 million, or approximately 13.2% of the portfolio's GRI as of December 31, 2016.

Drawing on past experience and discussions with the tenant to date, we are confident that we will be able to retain a significant portion of the expiring GRI. Until the renewal date, we will continue our comprehensive strategy with respect to this expiry, which includes:

- Ongoing asset recycling plan through the disposition of non-core assets and reinvestment of proceeds into income-producing assets.
- Active leasing, including proactive lease negotiations with Deutsche Post and Postbank.
- Pursuit of redevelopment opportunities.

Individual asset strategies

The majority of the Initial Properties by value consist of core assets that management believes will provide cash flow and net asset value ("NAV") growth over the mid to long term through a combination of retention of Deutsche Post and Postbank, re-leasing of any vacant space, rezoning, intensification or redevelopment.

The Trust intends to continue disposing of the non-core Initial Properties where it sees an opportunity to recycle capital and reinvest the proceeds into high-quality assets in its target markets. Since 2012, the Trust has disposed of 155 Initial Properties for total gross proceeds of approximately €250 million. Subject to the outcome of the lease renewal negotiations with Deutsche Post, the Trust intends to address up to 45% of GRI expiring in 2018 through dispositions.

Proactive negotiations with Postbank

60 Deutsche Post properties with leases maturing in 2018 have a Postbank branch under a sublease arrangement with Deutsche Post. While the sublease arrangements have not been disclosed to the REIT, based on prior experience, management expects that regardless of Deutsche Post renewing its leases in 2018, Postbank will continue to lease space it currently occupies in our properties as this well-located space is integral to Postbank's operations.

Historically, the Trust achieved a retention ratio of 100% with respect to Postbank leases for properties subject to termination rights in 2012, 2014 and 2016. Management estimates that space occupied by Postbank currently represents approximately 10% to 15% of the GRI expiring in 2018.

Contractual lease extension of Deutsche Post

For all Deutsche Post leases maturing on June 30, 2018, the tenant has a renewal option to extend the leases for a fixed term of five years to June 30, 2023 at its expiring rents. Deutsche Post is required to exercise this option by June 30, 2017. In addition, by June 30, 2017, Deutsche Post is required to extend certain leases for two additional years to June 30, 2020 (the "DP Renewal Obligation"), representing approximately one-third of all fixed-term Deutsche Post leases[1] by rent that formed part of the 2008 sale-and-leaseback transaction involving over 1,200 properties. Management estimates that the total GLA subject to this contractual lease extension amounts to approximately 1.5 million square feet and the total GRI amounts to approximately €8.4 million per annum. Although the renewal obligation does not only relate to the REIT's leases, management believes that as one of the largest landlords to Deutsche Post, the Trust is well positioned to maximize the number of leases renewed in our portfolio.

Rent adjustment

The rent payable under the Deutsche Post leases is 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. The last such adjustment took place in March 2016. The threshold was met when the CPI reached 107.3 index points. As a result, Deutsche Post's rent payable under the Deutsche Post leases increased by 4.3%. The CPI has to exceed 111.5 index points before the next adjustment comes into effect. German inflation rates increased in 2016, reaching 108.8 index points at year-end. A rent adjustment in 2017 is not expected.

Historic termination rights

Deutsche Post was entitled to terminate some of its leases in 2012, 2014 and 2016, subject to certain limitations and requirements. The Trust's experience has been that the retention of Deutsche Post and Postbank has been progressively increasing with each termination option. As such, management believes that the properties with a longer original contractual lease terms have greater value to the tenant's operations:

Of the leases that were terminated, the REIT has had success leasing the space to new tenants. One of the opportunities that the Deutsche Post terminations afforded the REIT was 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, the GRI generated by the terminated properties actually improves.

The chart below sets out the last three terminations, including the retention percentage and the percentage of terminated GRI that was replaced through subsequent leasing.

	GLA	Retention		GRI replacement
Expiry	(million square feet)	GLA	%	as at December 31, 2016
July 2012	1.10	0.20	18%	90%
July 2014	1,76	1.49	85%	94%
July 2016	0.39	0.34	99%	n/a

In summary, our experience with previous terminations gives us confidence that the impact of the 2018 terminations can be mitigated through our recycling strategy, Deutsche Post and Postbank renewals, leasing activity and development.

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

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. Valuations are prepared by either external independent appraisers or the REIT's asset management team. For properties subject to an external appraiser's report, the asset management team verifies all major inputs in valuation models and reviews the results with the external appraiser.

The REIT obtained external appraisals for 100% of the Acquisition Properties in 2016 and for 100% of the Initial Properties either at December 31, 2016 or December 31, 2015. Changes in the value of our investment properties for the year ended December 31, 2016 and for the year ended December 31, 2015 are summarized in the table below as follows:

	December 31, 2016			December 31, 2015		
	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 January 1, 2016	**$ 2,394,739**	**$ 518,349**	**$ 2,913,088**	$ 2,081,100	$ 284,901	$ 2,366,001
Additions						
Acquisitions	**229,942**	**—**	**229,942**	237,019	142,805	379,824
Building improvements	**27,094**	**1,378**	**28,472**	14,375	181	14,556
Lease incentives and initial direct leasing costs	**11,244**	**703**	**11,947**	8,332	627	8,959
Change in straight-line rents	**1,883**	**309**	**2,192**	1,029	778	1,807
Amortization of lease incentives	**(2,951)**	**(259)**	**(3,210)**	(2,245)	(116)	(2,361)
Disposition of vacant land (Initial Properties)	**(2,141)**	**—**	**(2,141)**	(252)	—	(252)
Reclassified to assets held for sale	**(121,335)**	**—**	**(121,335)**	(96,411)	—	(96,411)
POBA joint venture assets reclassified to assets held for sale	**—**	**—**	**—**	(69,368)	34,684	(34,684)
Fair value adjustments	**94,669**	**20,171**	**114,840**	79,837	30,805	110,642
Transaction and other costs related to acquisition	**(14,354)**	**—**	**(14,354)**	(11,401)	—	(11,401)
Foreign currency translation	**(137,204)**	**(30,330)**	**(167,534)**	152,724	23,684	176,408
Balance at December 31, 2016	**$ 2,481,586**	**$ 510,321**	**$ 2,991,907**	$ 2,394,739	$ 518,349	$ 2,913,088

As at December 31, 2016, the REIT's portfolio consisted of 173 properties, including 37 Acquisition Properties and 136 Initial Properties (excluding 11 assets held for sale), with a combined fair value of $3.0 billion (€2.1 billion), an increase from $2.9 billion (€1.9 billion) at December 31, 2015. The comparative portfolio, which includes properties which were owned on December 31, 2015 as well as December 31, 2016, represents 92.9%, or approximately $2,779,245 of the portfolio. The comparative portfolio experienced a 5.8% increase in value since December 31, 2015 as a result of increased occupancy rates (1.3%), in-place rental rates (7%) and a compression of capitalization rates.

Due to the depreciation of the euro against the Canadian dollar from $1.503 at the end of 2015 to $1.417 at the end of 2016, the investment property value decreased by $167.5 million as a result of this unrealized foreign exchange loss.

Investment properties held for sale

During the year ended December 31, 2016, we reclassified 38 properties from the Initial Properties portfolio valued at $121.3 million as assets held for sale. As at December 31, 2016, the REIT had entered into binding purchase and sale agreements for 11 properties totalling $45.5 million, representing the assets' approximate fair value. These properties are reclassified as assets held for sale on the balance sheet and excluded from the value of investment properties.

		For the year ended December 31, 2016		For the year ended December 31, 2015
Balance at January 1, 2016	**$**	**32,549**	$	42,898
Building improvements		**32**		50
Lease incentives and initial direct leasing costs		**2**		—
Investment properties reclassified as held for sale		**121,335**		96,411
Investment properties reclassified as held for sale – POBA joint venture assets		**—**		69,368
Change in straight-line rents		**(1)**		5
Dispositions		**(100,826)**		(110,665)
Dispositions – POBA joint venture assets		**—**		(69,368)
Foreign currency translation		**(7,630)**		3,850
Balance at December 31, 2106	**$**	**45,461**	$	32,549

Acquisitions

During the year ended December 31, 2016, we completed the following acquisitions:

Office property	**Acquired GLA (sq. ft.)**	**Occupancy at acquisition (%)**		**Purchase price**		**Financed by mortgage**	**Date acquired**
Europa-Center, Essen	**147,188**	**96**	**$**	**41,474**	**$**	**24,884**	**February 3, 2016**
Werner-Eckert-Str. 14, 16, 18, Munich	**63,895**	**96**		**23,170**		**14,108**	**February 29, 2016**
Siemens Office Campus, Nuremberg	**579,777**	**100**		**73,093**		**51,165**	**October 31, 2016**
Europa-Center, Bremen	**358,906**	**86**		**77,754**		**47,501**	**December 21, 2016**
	1,149,766	**95**	**$**	**215,491**	**$**	**137,658**	
Transaction costs				**14,451**			
Total			**$**	**229,942**			

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

	Acquired GLA (sq. ft.)	Occupancy at acquisition (%)		Purchase price		Financed by mortgage	Date acquired
Millerntorplatz 1, Hamburg	374,477	88	$	133,351	$	84,283	February 6, 2015
Anger Entrée, Erfurt	131,116	96		27,481		15,358	September 4, 2015
Zimmer 56, Berlin	169,424	99		64,678		38,807	October 27, 2015
				225,510	$	138,448	
Transaction costs				11,509			
Total			$	237,019			

Acquisition through joint venture	Acquired GLA (sq. ft.)	Occupancy at acquisition (%)		Purchase price(1)		Financed by mortgage	Date acquired
Rivergate, Vienna, Austria(2)	287,144	94	$	142,676	$	78,472	December 16, 2015

(1) Excludes transaction costs of $0.1 million.

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

Dispositions

During the three months ended December 31, 2016, the REIT disposed of 16 investment properties for an aggregate gross sales proceeds of $57.0 million (2015 – 11 properties sold for $40.9 million). During the year ended December 31, 2016, the REIT disposed of 39 properties (2015 – 51 properties) and a parcel of excess land for aggregate gross proceeds of approximately $103.0 million (2015 – $110.9 million), reflecting the properties' fair value at the last reporting period prior to their sale. A portion of the net sales proceeds of $97.5 million was used to reduce our term loan credit facility.

Building improvements

Building improvements represent investments made in our investment properties to ensure our buildings are operating at an optimal level. During the three months and year ended December 31, 2016, we spent $12.6 million and $28.5 million, respectively, on building improvements, compared to $7.0 million and $14.6 million during the three months and year ended December 31, 2015, respectively. The year-over-year increase in building improvements is due to value-add redevelopment projects initiated in 2016. 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.

During the three months and year ended December 31, 2016, we incurred $3.5 million and $11.9 million, respectively, of lease incentives and initial direct leasing costs, compared to $2.4 million and $9.0 million for the three months and year ended December 31, 2015, respectively. As at December 31, 2016, we had outstanding initial direct leasing cost commitments of $15.4 million, for lease terms in excess of ten 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 and associates

As at December 31, 2016, the carrying amount of the REIT's investment in joint ventures and associates was $265.3 million (December 31, 2015 – $272.7 million).

The Trust participates in partnerships ("joint ventures") with respect to a number of 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, 2016**	December 31, 2015
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 (Officivm)	Stuttgart, Germany	**50**	50
Rivergate joint venture	Vienna, Austria	**50**	50
Dream Technology Ventures LP	Toronto, Canada	**10**	n/a

As at December 31, 2016, the REIT has a total of eight Acquisition Properties under a co-ownership arrangement with POBA ("POBA joint venture") and one Acquisition Property under a similar co-ownership agreement with an Asian sovereign wealth fund ("Rivergate joint venture"). Pursuant to these arrangements, the REIT does not have control of these property subsidiaries and, as such, has classified its 50% interest in the entities as investment in joint ventures and accounted for the investment using the equity method.

During the year ended December 31, 2016, the fair value of the investment properties held through joint ventures increased by $40.4 million. The REIT's 50% share of this increase was $20.2 million, which was reflected in the investment in joint ventures as at December 31, 2016.

During the year ended December 31, 2016, the REIT recorded fee income relating to joint ventures of $5.2 million (year ended December 31, 2015 – $3.2 million), which is included in interest and other income.

The investment properties held through the Trust's joint ventures are consistent in terms of the class and type of properties held in the Trust's portfolio.

OUR CAPITAL

Liquidity and capital resources

The REIT's primary sources of capital include cash generated from operating activities, a credit facility, mortgage financing and refinancing, and equity or 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 facilities, debt refinancings and, as growth requires and when appropriate, new equity or debt issues.

As of December 31, 2016 and at the REIT's Owned Share, our current liabilities exceed our current assets by $145.5 million, which includes the draw of $87.1 million on our revolving credit facility as at December 31, 2016. Typically, real estate entities seek to address liquidity needs by having a balanced debt maturity schedule and revolving 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 mortgage principal repayments that are due within one year amount to $15.6 million, and a $31.9 million mortgage is maturing within one year. A total of $26.8 million of our term loan credit facility is payable within one year in connection with assets sold or 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 or dispositions completed during the reporting period. The REIT fully expects that it will be able to meet its debt and payable obligations on their respective due dates.

Debt

	December 31, 2016	December 31, 2015
Total debt	**$ 1,662,385**	$ 1,647,967
Less debt related to:		
Investment in joint ventures	**262,923**	267,075
Debt (per consolidated financial statements)	**$ 1,399,462**	$ 1,380,892

	December 31, 2016	December 31, 2015
Mortgage debt	**$ 1,286,053**	$ 1,108,176
Less mortgage debt related to:		
Investment in joint ventures	**262,923**	267,075
Mortgage debt (per consolidated financial statements)	**$ 1,023,130**	$ 841,101

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, as well as to utilize the unsecured debt market. Having received Moody's investment-grade issuer rating, the Trust will be able to fund acquisitions and maturing debt with unsecured debentures, creating an unencumbered pool of assets. Our objective 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 floating rate credit facilities. We operate within a targeted debt-to-gross book value (net of cash) range of 50% to 60%. As at December 31, 2016, the debt-to-gross book value ratio (net of cash) was 52%, a decrease from 54% at December 31, 2015, largely resulting from the equity issue completed in August 2016.

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Financing activities		
Weighted average interest rate[(1)(2)]	**1.85%**	2.49%
Weighted average effective interest rate[(2)(3)]	**2.18%**	3.02%
Level of debt (debt-to-gross book value, net of cash, net of Debentures)[(2)(4)]	**52%**	48%
Level of debt (debt-to-gross book value, net of cash) at period-end[(2)(4)]	**52%**	54%
Average level of debt, net of cash[(2)(4)]	**53%**	52%
Interest coverage ratio[(2)(4)]	**2.95 times**	3.08 times
Debt – average term to maturity (years)[(2)]	**5.7**	5.0

(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) 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.

(4) 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".

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio for the year ended December 31, 2016 is 2.95 times and reflects our ability to cover interest expense requirements. The interest coverage ratio dropped slightly year-over-year, due to the new mortgages in connection with acquisitions completed in 2016 and the use of the revolving credit facility. On a Q4 2016 annualized basis, the interest coverage ratio is 3.55 times, resulting from interest savings on the repayment of convertible debentures and the refinancing of mortgages.

Financing activities

We finance our ownership of assets using equity as well as conventional mortgage financing, term debt, floating rate credit facilities. The credit rating will allow the REIT to issue unsecured debt in the future.

Equity issue

On August 6, 2016, we completed a public offering of 10,867,500 Units, including an over-allotment option of 1,417,500 Units, all of which were sold to the syndicate of underwriters at a price of $9.00 per unit. The Trust received gross proceeds of $97.8 million.

New debt

During the year ended December 31, 2016, we obtained the following new mortgages:

Property	Mortgage ($000s)	Mortgage (€000s)	Face rate	Date of funding	Date of maturity
Debt on new acquisitions					
Friedrichstraße 45, 47 (Europa-Center), Essen	$ 24,884	€ 16,260	1.62%	February 3, 2016	January 31, 2026
Werner-Eckert-Str. 14, 16, 18, Munich	14,108	9,600	1.07%	February 29, 2016	February 28, 2023
Gleiwitzer Str. 555 (Siemens Office Campus), Nuremberg	51,165	34,825	1.20%	October 31, 2016	September 30, 2024
Flughafenallee 13–17 (Europa-Center), Bremen	47,501	34,000	1.36%	December 21, 2016	December 21, 2023
Additional debt on existing properties					
Greifswalder Str. 154–156, Berlin	16,252	11,200	1.40%	August 17, 2016	December 7, 2022
Reichskanzler-Müller-Str. 21–2, Mannheim	3,364	2,307	1.75%	August 25, 2016	March 13, 2023
Speicherstrasse 55, Frankfurt	4,752	3,258	1.75%	August 25, 2016	March 13, 2023
Total	$ 162,026	€ 111,450			

(1) Reflects the REIT's Owned Share.

On August 25, 2016, the Trust increased the loan of an existing mortgage on Speicherstrasse 55 in Frankfurt, a property in which we have a 50% interest held in a joint venture with POBA, by $9.5 million (€6.5 million) at a fixed rate of 1.75%, which reduced the overall face rate of the entire mortgage to 3.08% from 3.32%. Our share of the loan increase was $4.8 million (€3.3 million).

In addition, the REIT has completed the following 14 refinancings in the period from August 26, 2016 to December 27, 2016:

			In Canadian $		
	Financing date	New maturity date	New loan amount	Old mortgage discharged	Net proceeds
Oasis III, Stuttgart	August 26, 2016	August 4, 2025	$ 38,121	$ 25,916	$ 12,205
Schlossstrasse 8, Hamburg	August 26, 2016	August 4, 2025	37,103	23,399	13,704
Am Sandtorkai 37, Hamburg	August 26, 2016	August 4, 2024	28,373	23,004	5,369
Bertoldstrasse 48/Sedanstrasse 7, Frankfurt	September 1, 2016	August 31, 2026	32,278	25,485	6,793
Werner-Eckert-Straße, München	September 1, 2016	February 28, 2023	14,525	12,253	2,272
Lörracher Strasse 16/16a, Frankfurt	September 1, 2016	August 31, 2026	8,803	7,185	1,618
Am Stadtpark 2 (Parcside), Nuremberg	September 1, 2016	August 31, 2026	23,622	20,740	2,882
Westendstrasse 160–162/Barthstrasse, Munich	September 1, 2016	August 31, 2026	26,850	20,605	6,245
Feldmühleplatz 1, Düsseldorf	September 27, 2016	September 22, 2023	80,185	66,390	13,795
ABC-Strasse 19, Hamburg[1]	August 26, 2016	August 4, 2024	35,866	29,250	6,616
Vordernbergstr. 6/Heilbronner, Stuttgart[1]	September 1, 2016	August 31, 2026	13,938	11,454	2,484
Leopoldstrasse 252, Munich	December 9, 2016	November 30, 2024	31,913	20,128	11,785
Dillwächterstrasse 5/Tübinger Strasse 11, Munich	December 9, 2016	November 30, 2024	19,425	13,794	5,631
Hammer Strasse 30–34, Hamburg	December 27, 2016	December 27, 2024	42,249	32,437	9,812
Total ($)			$ 433,251	$ 332,040	$ 101,211
Total (€)			€ 298,650	€ 228,604	€ 70,046

(1) Reflects the REIT's Owned Share.

The 14 refinancings decreased the weighted average face rate of such mortgages to 1.29% from 2.43% and extended the average maturity to 8.4 years from 2.7 years.

The new proceeds of $263.2 million from our mortgage financing and refinancing activities in 2016, together with proceeds from the August 6, 2016 equity offering, were deployed in the redemption of the Debentures on September 15, 2016 and used for financing new acquisitions.

Debt composition

		December 31, 2016			December 31, 2015	
	Variable	**Fixed**	**Total**	Variable	Fixed	Total
Term loan credit facility[1]	**$ 289,193**	**$ —**	**$ 289,193**	$ 355,325	$ —	$ 355,325
Revolving credit facility	**87,139**	**—**	**87,139**	29,908	—	29,908
Mortgage debt[1][2]	**36,618**	**1,249,435**	**1,286,053**	39,267	1,068,909	1,108,176
Debentures[3]	**—**	**—**	**—**	—	154,558	154,558
Total	**$ 412,950**	**$ 1,249,435**	**$ 1,662,385**	$ 424,500	$ 1,223,467	$ 1,647,967
Percent	**25%**	**75%**	**100%**	26%	74%	100%

(1) Balance shown is net of deferred financing costs.

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

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

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. 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 $12.7 million (€8.4 million).

As at December 31, 2016, the weighted average rate of the New Facility was 2.25%. Including financing costs, the effective interest rate under the Facility was 3.16%.

The New Facility agreement requires that at each interest payment date, and each date of prepayment of the New Facility, the interest coverage ratio be equal to or above 2.35 times and that the loan-to-value ratio does not exceed 60%. As at December 31, 2016, the Trust was in compliance with these loan covenants.

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 a 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 three, a prepayment fee of 2.0% is payable, which subsequently drops to 1.5% in year four, and no prepayment fee is payable in the final year of the New Facility.

During the year ended December 31, 2016, the Trust repaid $48.7 million (€34.1 million) in connection with the disposition of the 39 properties, in accordance with the terms of the New Facility.

Revolving credit facility

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. The interest rate on Canadian dollar advances is prime plus 200 basis points or bankers' acceptance rates plus 300 basis points. The interest rate for euro advances is 300 basis points over the three-month EURIBOR rate. In addition, the term was extended by one year to September 25, 2017. As at December 31, 2016, there was a drawn balance of $87.1 million (€61.50 million) on the revolving credit facility. There was also an undrawn letter of credit commitment for €1.2 million against the facility as at December 31, 2016.

Debentures

On September 15, 2016, we redeemed all of the $161.0 million principal outstanding of the Debentures and repaid accrued interest of $1.1 million, totalling $162.1 million in cash.

The conversion feature of the Debentures was remeasured in each reporting period to fair value, with changes in fair value recorded in comprehensive income. The Trust recorded a fair value gain of $nil and $1.4 million, respectively, for the three and twelve months ended December 31, 2016, attributed to the conversion feature.

Debt maturity profile

The table below highlights our debt maturity profile:

	Debt maturities	Scheduled principal repayments on non-matured debt	Total
2017	$ 145,882	$ 15,592	$ 161,474
2018	—	16,239	16,239
2019	—	17,927	17,927
2020	384,175	16,404	400,579
2021	92,123	15,916	108,039
2022 and thereafter	943,795	35,889	979,684
	$ 1,565,975	$ 117,967	1,683,942
Financing costs			(21,557)
Total[1]			$ 1,662,385

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

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, 2016, the REIT's future minimum commitments under operating leases are as follows:

	Operating lease payments
Less than 1 year	$ 918
1–5 years	612
Longer than 5 years	—
Total	$ 1,530

During the three months and year ended December 31, 2016, the Trust paid $0.3 million and $1.0 million in minimum lease payments, respectively, which have been included in comprehensive income for the period.

Foreign currency contracts

In order to manage the exposure to currency risk of unitholders, the Trust has entered into foreign exchange forward contracts. At December 31, 2016, 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 to market the contracts quarterly and recorded an unrealized gain of $11.3 million and $20.1 million for the three months and year ended December 31, 2016, respectively.

At December 31, 2016, the Trust had foreign exchange forward contracts to sell €185.8 million in total from January 2017 to December 2019 at an average exchange rate of $1.513 per euro.

The table below highlights the forward contracts outstanding as at December 31, 2016:

Contracts by quarter	Hedge value	Weighted average hedge rate
Q1 2017	€ 17,559	1.453
Q2 2017	17,600	1.448
Q3 2017	17,214	1.484
Q4 2017	17,508	1.462
Q1 2018	16,884	1.520
Q2 2018	17,304	1.487
Q3 2018	17,023	1.515
Q4 2018	17,155	1.499
Q1 2019	11,799	1.601
Q2 2019	11,673	1.596
Q3 2019	11,854	1.600
Q4 2019	12,179	1.600
Total	€ 185,752	1.513

Equity

The table below highlights our outstanding equity:

	Unitholders' equity			
	December 31, 2016		December 31, 2015	
	Number of Units	**Amount**	Number of Units	Amount
Units	**125,456,199**	**$ 1,357,724**	113,024,465	$ 1,289,158

Units

Our amended and restated declaration of trust dated May 7, 2014 (the "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. No Special Trust Units are currently outstanding.

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 and 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, 2015	113,024,465
Units issued pursuant to public offerings	10,867,500
Units issued pursuant to the DUIP	107,400
Units issued pursuant to the DRIP	1,454,911
Conversion of Debentures	1,923
Total Units outstanding on December 31, 2016	125,456,199
Units issued pursuant to the DUIP	57,135
Units issued pursuant to the DRIP on January 15, 2017	118,761
Total Units outstanding on January 31, 2017	125,632,095

For the year ended December 31, 2016, 107,400 Units were issued pursuant to the DUIP to trustees, officers and employees (December 31, 2015 – 61,920 Units). A total of 2,893,914 deferred trust units and income deferred trust units were outstanding as at December 31, 2016.

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. In order to manage the exposure to currency risk of unitholders, the Trust has entered into foreign exchange forward contracts.

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, 2016, approximately 13.4% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP").

	December 31,		September 30,		June 30,		March 31,	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
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	**$ 9.45**	$ 8.66	**$ 9.01**	$ 8.84	**$ 9.38**	$ 9.93	**$ 8.71**	$ 9.84
Annualized distribution yield on closing unit price	**8.47%**	9.24%	**8.88%**	9.05%	**8.53%**	8.06%	**9.19%**	8.13%

For the quarter ended December 31, 2016, distributions declared amounted to $25.1 million. Of this amount, $3.2 million was reinvested in additional Units pursuant to the DRIP, resulting in a cash payout ratio of 87.2%. Distributions declared for the year ended December 31, 2016 were $94.7 million. Of this amount, $12.4 million was reinvested in additional Units pursuant to the DRIP, resulting in a cash payout ratio of 86.9%.

	Three months ended December 31, 2016			Year ended December 31, 2016		
	Declared amounts	4% bonus distribution	Total	Declared amounts	4% bonus distribution	Total
2016 distributions						
Paid in cash or reinvested in Units	$ 16,704	$ 85	$ 16,789	$ 86,381	$ 452	$ 86,833
Payable at December 31, 2016	8,364	—	8,364	8,364	—	8,364
Total distributions	$ 25,068	$ 85	$ 25,153	$ 94,745	$ 452	$ 95,197
2016 reinvestment						
Reinvested to December 31, 2016	$ 2,125	$ 85	$ 2,210	$ 11,303	$ 452	$ 11,755
Reinvested on January 15, 2017	1,078	43	1,121	1,078	43	1,121
Total distributions reinvested	$ 3,203	$ 128	$ 3,331	$ 12,381	$ 495	$ 12,876
Distributions paid in cash	$ 21,865			$ 82,364		
Reinvestment to distribution ratio (for the period)	12.8%			13.1%		
Cash payout ratio	87.2%			86.9%		

Normal course issuer bid

On December 18, 2015, the Trust renewed its normal course issuer bid (the “Bid”). No purchases have been made under the Bid, which expired on December 17, 2016, and to date, the Trust has not renewed its 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,	
	2016[1]	2015[1]	**2016**[1]	2015[1]
Investment properties revenue	**$ 56,250**	$ 55,081	**$ 235,312**	$ 223,169
Investment properties operating expenses	**(17,481)**	(17,389)	**(75,366)**	(70,314)
Net rental income	**38,769**	37,692	**159,946**	152,855
Other income				
Interest and other income	**1,416**	3,500	**8,339**	7,685
Share of net income from investment in other joint ventures	**5**	4	**19**	20
	1,421	3,504	**8,358**	7,705
Other expenses				
Portfolio management	**(1,379)**	(1,412)	**(6,031)**	(5,630)
General and administrative	**(5,963)**	(5,063)	**(23,866)**	(18,616)
Depreciation and amortization	**(21)**	(31)	**(111)**	(118)
Interest expense	**(9,247)**	(11,434)	**(46,988)**	(44,255)
	(16,610)	(17,940)	**(76,996)**	(68,619)
Fair value adjustments, loss on sale of investment properties and other activities				
Fair value gain to investment properties	**19,223**	25,587	**100,486**	99,241
Fair value gain (loss) to financial instruments	**10,553**	(568)	**15,190**	(11,034)
Internal direct leasing costs	**(716)**	(556)	**(3,181)**	(2,471)
Debt settlement costs	**(3,253)**	(6,074)	**(23,295)**	(6,074)
Loss on sale of investment properties	**(2,547)**	(108)	**(5,482)**	(2,893)
	23,260	18,281	**83,718**	76,769
Income before income taxes	**46,840**	41,537	**175,026**	168,710
Current income tax expense	**(157)**	(627)	**(475)**	(999)
Deferred income tax expense	**(15,968)**	(3,332)	**(33,217)**	(21,885)
Provision for income taxes	**(16,125)**	(3,959)	**(33,692)**	(22,884)
Net income	**$ 30,715**	$ 37,578	**$ 141,334**	$ 145,826
Total net income for the period attributable to:				
Unitholders of the Trust	**$ 29,870**	$ 37,188	**$ 139,733**	$ 144,747
Shareholders of subsidiaries	**845**	390	**1,601**	1,079
Net income	**30,715**	37,578	**141,334**	145,826
Foreign currency translation adjustments for the period attributable to:				
Other operations	**(44,386)**	7,726	**(67,354)**	84,519
Investment in joint ventures	**(9,954)**	1,481	**(15,644)**	12,775
Unitholders of the Trust	**(54,340)**	9,207	**(82,998)**	97,294
Shareholders of subsidiaries	**(430)**	115	**(650)**	670
	(54,770)	9,322	**(83,648)**	97,964
Comprehensive income for the period attributable to:				
Unitholders of the Trust	**(24,470)**	46,395	**56,735**	242,041
Shareholders of subsidiaries	**415**	505	**951**	1,749
	$ (24,055)	$ 46,900	**$ 57,686**	$ 243,790

(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, 2016 were converted at \$1.438:€1 and \$1.466:€1, respectively; for 2015, the three- and twelve-month periods ended December 31, 2015 were converted at \$1.461:€1 and \$1.419:€1, respectively.

Investment properties revenue

Investment properties revenue includes 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 €39.1 million ($56.3 million), an increase of €1.4 million ($1.2 million including foreign exchange effect), or 3.6%, over the prior year comparative quarter. This increase was net of a €2.5 million ($3.7 million) reduction in revenue as a result of a lease expiry and a tenant insolvency with respect to two former top ten tenants (Maersk, whose lease expired at the beginning of 2016, and Imtech, who declared insolvency in August 2015 and vacated its space in Q2 2016), lower amounts recovered from tenants and the impact of Initial Properties dispositions in 2015 and 2016. Excluding the impact of these factors, investment properties revenue for the quarter increased by €3.9 million ($4.9 million) over the prior year comparative quarter as a result of acquisitions completed in 2015 and 2016, an increase in rental rates in our Deutsche Post portfolio due to a CPI adjustment, and solid leasing performance.

For the year ended December 31, 2016, investment property revenue was €160.5 million ($235.3 million), an increase of €3.0 million ($12.1 million increase including foreign exchange effect), or 1.9%, over the prior year comparative period. Excluding the effects of Maersk's lease expiry, Imtech's insolvency and dispositions completed in 2015 and 2016, investment properties revenue in 2016 increased by €14.5 million ($27.9 million) over the prior year, reflecting the impact of acquisitions completed in 2015 and 2016, an increase in rental rates in our Deutsche Post portfolio due to a CPI adjustment, and solid leasing performance.

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. Investment properties operating expenses fluctuate with changes in occupancy levels and levels of repairs and maintenance.

Investment properties operating expenses for the quarter were €12.1 million ($17.5 million), an increase of €0.2 million ($0.1 million including foreign exchange effect), or 1.9%, over the prior year comparative quarter, mainly due to acquisitions completed in 2015 and 2016, partially offset by dispositions completed in 2015 and 2016. The lease expiry of Maersk and the insolvency of Imtech did not have a significant impact on investment properties operating expenses in Q4 2016 compared to Q4 2015. For the year ended December 31, 2016, investment properties operating expenses were €51.4 million ($75.4 million), an increase of €1.8 million ($5.1 million including foreign exchange effect), or 3.7%, over the prior year, for similar reasons that caused the quarterly increase.

Net operating income

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Investment properties revenue	**€ 39,064**	€ 37,692	**€ 160,466**	€ 157,493
Investment properties operating expenses	**(12,139)**	(11,912)	**(51,434)**	(49,612)
Net operating income[1]	**€ 26,925**	€ 25,780	**€ 109,032**	€ 107,881

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

Net operating income for the quarter was €26.9 million ($38.8 million), an increase of €1.1 million (increase of $1.1 million including foreign exchange effect), or 4.4%, over the comparative quarter in the prior year. This increase was net of a €1.6 million ($2.4 million) NOI decrease as a result of Maersk's lease expiry, the insolvency of Imtech, lower amounts recovered from tenants and the dispositions in 2015 and 2016. Excluding the impact of these factors, NOI for the quarter increased by €2.7 million ($3.5 million) over the prior year comparative quarter as a result of acquisitions completed in 2015 and 2016, an increase in rental rates in our Deutsche Post portfolio due to a CPI adjustment, and solid leasing performance.

For the year ended December 31, 2016, net operating income was €109.0 million ($159.9 million), a €1.2 million increase ($7.1 million increase including foreign exchange effect) over the prior year comparative period. Excluding the effects of the Maersk lease expiry, the Imtech insolvency, lower amounts recovered from tenants and dispositions completed in 2015 and 2016, NOI for the year ended December 31, 2016 increased by €8.5 million ($17.2 million) over the prior year, reflecting the impact of acquisitions completed in 2015 and 2016, an increase in rental rates in our Deutsche Post portfolio due to a CPI adjustment, and solid leasing performance.

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

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Initial Properties	**$ 8,361**	$ 11,303	**$ 42,851**	$ 48,981
Acquisition Properties	**30,408**	26,389	**117,095**	103,874
Net operating income[1]	**$ 38,769**	$ 37,692	**$ 159,946**	$ 152,855

(1) Net operating income 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 comprises interest earned on notes receivable, the management fees and loan facility income earned with respect to the POBA and Rivergate 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 $1.4 million and $8.3 million for the three months and year ended December 31, 2016, respectively, representing a $2.1 million decrease and a $0.7 million increase compared to the prior year comparative periods. Other income in 2015 was higher as a result of a $3.5 million compensation payment from a vendor for vacant spaces in the Acquisition Properties, of which $1.7 million was received in the last quarter of 2015. Higher fees generated from managing joint ventures contributed a $0.1 million and $0.8 million increase, respectively, for the three months and year ended December 31, 2016. Timing of refinancing activities generated a $0.4 million decrease and a $1.3 million increase in income from mortgage refinancing services provided to POBA for the three months and year ended December 31, 2016, respectively, pursuant to terms of the POBA loan amortization facility. During the three months and year ended December 31, 2016, we also received higher lease termination fees and other payments of $0.1 million and $2.1 million, respectively, 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 operational management services for the investment properties, including leasing activities, oversight of the third-party property managers and facility managers, reporting and compliance.

Portfolio management expense was $1.4 million and $6.0 million, respectively, for the three months and year ended December 31, 2016, being $nil and $0.4 million higher than the amounts incurred in the comparative periods in 2015, primarily due to currency fluctuations of the euro in the comparative periods.

General and administrative

General and administrative expenses totalled $6.0 million and $23.9 million, respectively, for the three months and year ended December 31, 2016, representing an increase of $0.9 million and $5.3 million, respectively, over the comparative periods in 2015. The increases mainly resulted from higher corporate and compliance costs and asset management fees due to completed acquisitions.

Interest expense

Interest expense was $9.2 million for the quarter ended December 31, 2016, a decrease of $2.2 million compared to the prior year comparative quarter. The decrease was a result of interest cost savings arising from the redemption of convertible debentures and mortgages refinanced in the second half of 2016, partially offset by the amortization of higher deferred financing costs associated with the term loan credit facility refinanced in December 2015, and higher drawn balances on the revolving credit facility.

Interest expense was $47.0 million for the year ended December 31, 2016, an increase of $2.7 million compared to the same period last year. Excluding the impact of a higher euro on average in 2016 compared to 2015, interest expense increased by $1.5 million. This comprised a $1.5 million increase in mortgage interest resulting from 2015 and 2016 acquisitions, $1.5 million of higher deferred financing costs associated with the term loan credit facility, and $1.7 million of interest resulting from higher drawn balances on the revolving credit facility during the year, offset by the redemption of convertible debentures on September 15, 2016 which decreased interest expenses by $3.2 million.

Fair value gain (loss) to investment properties

For the three months ended December 31, 2016, a gain of $19.2 million was recognized compared to a gain of $25.6 million in the comparative quarter last year. The gain in the current quarter was primarily driven by a $47.6 million increase in the fair value of the Acquisition Properties, primarily due to capitalization rate compression and improved leasing, partially offset by a $9.5 million fair value loss related to transaction costs of properties acquired during the quarter, an $11.4 million fair value adjustment on the Initial Properties, and a fair value loss of $7.5 million on investment properties held for sale.

For the year ended December 31, 2016, a gain of $100.5 million was recognized compared to a gain of $99.2 million in the comparative period last year. The gain in the current year was primarily driven by a $138.9 million increase in the fair value of the Acquisition Properties, largely due to capitalization rate compression and improved leasing, a $1.4 million increase in fair value of a plot of surplus land adjacent to an existing Initial Property, partially offset by a $14.4 million fair value loss related to transaction costs of properties acquired during the year, a $12.5 million fair value adjustment on the Initial Properties due to increases in capitalization rates, and a fair value loss of $12.9 million on investment properties held for sale.

Fair value gain (loss) to financial instruments

For the three months ended December 31, 2016, we incurred a gain in the fair value of financial instruments of $10.6 million compared to a loss of $0.6 million in the prior comparative period. The fair value adjustments in the quarter mainly comprise the following components:

- A $0.6 million gain was recognized on the fair value change in the interest rate cap as a result of an increase in the forward price of interest rates. A $4.1 million gain was recognized in the comparative period last year due to the settlement of all outstanding swap contracts on repayment of the old term loan credit facility in mid-December 2015;
- No fair value change was recognized on the conversion feature of the Debentures, as the Debentures were redeemed on September 15, 2016, compared to a loss of $3.0 million in the same period in 2015;
- An unrealized gain of $11.3 million was recognized related to our foreign currency forward contracts due to the depreciation of the euro compared to the Canadian dollar since the end of Q3 2016, versus a $1.7 million unrealized loss during the comparative quarter due to an appreciation of the euro compared to the Canadian dollar; and
- A $1.3 million loss was recognized related to our DUIP, mainly reflecting an increase in the market price of our Units compared to $nil in the same period in 2015.

For the year ended December 31, 2016, we incurred a gain in the fair value of financial instruments of $15.2 million compared to a loss of $11.0 million in the prior comparative period. The fair value adjustments in the period mainly comprise the following components:

- A $2.8 million loss was recognized on the fair value change in the interest rate cap as a result of a decrease in the forward price of interest rates. A $3.8 million gain was recognized in the comparative period last year due to the settlement of all outstanding swap contracts on repayment of the old term loan credit facility in mid-December 2015;
- A $1.4 million fair value gain was recognized on the conversion feature of the Debentures, mainly reflecting a decrease in the credit spread and a decrease in the risk-free interest rate applicable to our Units, compared to a gain of $0.1 million in the same period in 2015;
- An unrealized gain of $20.1 million was recognized related to our foreign currency forward contracts due to the depreciation of the euro compared to the Canadian dollar since the end of 2015, versus a $13.4 million unrealized loss during the comparative period due to an appreciation of the Canadian dollar compared to the euro; and
- A $3.5 million loss was recognized related to our DUIP, mainly reflecting an increase in the market price of our Units compared to a loss of $1.5 million in the same period in 2015.

Debt settlement costs

For the three months ended December 31, 2016, we incurred debt settlement costs of $3.3 million compared to $6.1 million in the prior comparative period. The debt settlement costs in the quarter mainly comprise the following components:

- $2.4 million was recognized on refinancing of three mortgages during the quarter, comprising $2.0 million in cancellation charges and $0.4 million of unamortized deferred financing costs in the current quarter, compared to $0.6 million recognized on refinancing of mortgages during the same quarter last year; and

- $0.9 million was recognized as unamortized deferred financing costs with respect to term loan facility repayments on the sale of Initial Properties and was written off in the current quarter, compared to $5.5 million recognized on the interest rate swap settlement in connection with the refinancing of the old term loan credit facility in the same quarter last year.

For the year ended December 31, 2016, we incurred debt settlement costs of $23.3 million compared to $6.1 million in the prior year. The debt settlement costs in the current year mainly comprise the following components:

- $6.1 million was recognized on redemption of the Debentures on September 15, 2016, comprising $2.2 million of unamortized deferred financing costs, $2.6 million of an unamortized initial discount on the Debentures, and a $1.3 million loss on redemption in connection with the conversion feature of the Debentures;
- $15.8 million was recognized on refinancing of 14 mortgages during the period, comprising $13.5 million of cancellation charges and $2.3 million of unamortized deferred financing costs; and
- $1.4 million was recognized as unamortized deferred financing costs with respect to term loan facility repayments on the sale of Initial Properties and was written off.

Internal direct leasing costs

A total of $0.7 million and $3.2 million of internal leasing staff costs for the three months and year ended December 31, 2016 have been incurred. In the comparative periods in 2015, $0.6 million and $2.5 million were incurred, respectively. The increase of $0.2 million and $0.7 million for the three months and year ended December 31, 2016, respectively, reflect an appreciation of the euro compared to the Canadian dollar as well as additional resources needed to support increased leasing volumes in connection with growing leasing activities.

Loss on sale of investment properties

Loss on sale of investment properties for the quarter was $2.5 million, compared to a $0.1 million loss on sale of investment properties in the same quarter last year. For the year ended December 31, 2016, loss on sale of investment properties was $5.5 million, compared to a $2.9 million loss in the prior year.

Income taxes

We recognized a current income tax expense of $0.2 million and $0.5 million for the three months and year ended December 31, 2016, respectively, compared to a current income tax expense of $0.6 million and $1.0 million for the comparative periods in 2015.

We also recognized deferred income tax expenses of $16.0 million and $33.2 million, respectively, for the three months and year ended December 31, 2016, compared to deferred income tax expenses of $3.3 million and $21.9 million for the comparative periods in 2015. The higher deferred tax in 2016 was mainly a result of the impact associated with fair value adjustments related to investment properties net of tax depreciation, fair value changes related to financial instruments and a deferred tax asset valuation provision.

Related-party transactions

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:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Incurred under the Asset Management Agreement:				
Asset management fees in deferred units (included in general and administrative expenses)	**$ 260**	$ 460	**$ 1,613**	$ 1,870
Asset management fees in cash (included in general and administrative expenses)	**2,522**	1,677	**8,647**	6,385
Asset acquisition fees (capitalized as acquisition costs, and then written off on remeasurement of investment properties)	**1,382**	1,633	**1,705**	2,588
Financing fees (included in debt/unitholders' equity)	**214**	254	**490**	553
Reimbursement for out-of-pocket and incidental costs (included in general and administrative expenses)	**256**	273	**1,002**	918
Total incurred under the Asset Management Agreement	**$ 4,634**	$ 4,297	**$ 13,457**	$ 12,314

As at December 31, 2016, the Trust has recorded $3.2 million (December 31, 2015 – $3.8 million) in amounts payable and $1.5 million (December 31, 2015 – $0.1 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. As at January 1, 2016, the Shared Services and Cost Sharing Agreement was amended such that future funding costs incurred in respect of technology personnel and technology-related platforms cease subsequent to December 31, 2015. There were no other material changes to the agreement.

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Incurred under the Shared Services and Cost Sharing Agreement:				
Branding, process improvements and technology transformations (included in general and administrative)	**$ 266**	$ 91	**$ 491**	$ 347
Total incurred under the Shared Services and Cost Sharing Agreement	**$ 266**	$ 91	**$ 491**	$ 347

The Trust's future commitment under the Shared Services and Cost Sharing Agreement over the remaining term to 2017 is $nil.

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,		
	2016	2015	Change	**2016**	2015	Change
Average exchange rate (Cdn. dollars to one euro)	**1.438**	1.461	(1.6)%	**1.466**	1.419	3.4%
Exchange rate at period-end (Cdn. dollars to one euro)	**1.417**	1.503	(5.7)%	**1.417**	1.503	(5.7)%

Comprehensive income was impacted by a foreign currency translation loss of $54.8 million and $83.6 million for the three months and year ended December 31, 2016, respectively. The exchange rate decreased from $1.503:€1 as at December 31, 2015 to $1.417:€1 as at December 31, 2016. The quarterly results of our euro-denominated operations included in net income were translated at an average exchange rate of $1.438:€1 compared to $1.461:€1 in the same quarter last year. For the year ended December 31, 2016, results were translated at an average exchange rate of $1.466:€1 compared to $1.419:€1 in the same period last year.

Funds from operations and adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Net income for the period	**$ 30,715**	$ 37,578	**$ 141,334**	$ 145,826
Add (deduct):				
Net loss attributable to non-controlling interest	**(845)**	(390)	**(1,601)**	(1,079)
Net FFO impact attributable to non-controlling interest	**636**	199	**766**	360
Amortization of lease incentives	**949**	631	**3,210**	2,361
Internal direct leasing costs	**716**	556	**3,181**	2,471
Debt settlement costs	**3,253**	6,074	**23,295**	6,074
Loss on sale of investment properties	**2,547**	108	**5,482**	2,893
Deferred income tax expense	**15,968**	3,332	**33,217**	21,886
Cash settlement on interest rate swap	**—**	(1,218)	**—**	(6,368)
Gain (loss) on settlement of foreign currency contracts	**1,300**	(513)	**2,129**	443
Fair value gain to investment properties	**(19,223)**	(25,587)	**(100,485)**	(99,241)
Fair value (gain) loss to financial instruments	**(10,553)**	568	**(15,190)**	11,034
FFO[1]	**$ 25,463**	$ 21,338	**$ 95,338**	$ 86,660
Add (deduct):				
Amortization of financing costs	**$ 1,200**	$ 1,050	**$ 5,873**	$ 3,696
Amortization of initial discount on Debentures	**—**	306	**893**	1,183
Amortization of fair value adjustment on acquired debt	**—**	—	**—**	(30)
Deferred unit compensation expense	**668**	516	**2,151**	1,972
Deferred asset management fees	**261**	460	**1,613**	1,870
Straight-line rent	**(1,670)**	(107)	**(2,476)**	(1,600)
	25,922	23,563	**103,392**	93,751
Deduct:				
Normalized initial direct leasing costs and lease incentives	**(1,745)**	(1,696)	**(7,198)**	(6,878)
Normalized non-recoverable recurring capital expenditures	**(1,357)**	(1,319)	**(5,599)**	(5,349)
AFFO[1]	**$ 22,820**	$ 20,548	**$ 90,595**	$ 81,524

(1) FFO and AFFO are non-GAAP measures. See "Non-GAAP measures and other disclosures".

Funds from operations

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
FFO	**$ 25,463**	$ 21,338	**$ 95,338**	$ 86,660
FFO per unit – basic	**$ 0.20**	$ 0.19	**$ 0.80**	$ 0.77
FFO per unit – diluted	**$ 0.20**	$ 0.19	**$ 0.80**	$ 0.77

Total FFO for the quarter was $25.5 million, an increase of $4.1 million, or 19.3%, over the prior year comparative quarter, mainly reflecting the impact of favourable foreign exchange contract settlements, completed acquisitions net of dispositions, solid leasing performance, lower effective interest costs from the term loan credit facility refinancing in December 2015, lower interest costs from the mortgage refinancing activities and the Debenture redemption in the second half of 2016, and additional fees from our joint ventures, partially offset by higher general and administrative expenses. Total FFO for the year ended December 31, 2016 was $95.3 million, an increase of $8.7 million, or 10.0%, over the prior year, primarily due to a higher euro in 2016 compared to 2015, and the reasons noted above that impacted the quarter.

For the quarter ended December 31, 2016, basic and diluted FFO on a per unit basis was 20 cents compared to 19 cents in the prior year comparative quarter. For the year ended December 31, 2016, basic and diluted FFO on a per unit basis increased to 80 cents per unit from 77 cents per unit over the prior year.

Adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
AFFO	**$ 22,820**	$ 20,548	**$ 90,595**	$ 81,524
AFFO per unit – basic	**$ 0.18**	$ 0.18	**$ 0.76**	$ 0.73

Total AFFO for the quarter ended December 31, 2016 increased by $2.3 million over the prior year comparative quarter, mainly reflecting the impact of favourable foreign exchange contract settlements, completed acquisitions net of dispositions, strong leasing performance, lower effective interest costs as a result of the refinancing of the term loan credit facility in December 2015 and additional fees from our joint ventures, partially offset by higher general and administrative expenses. Total AFFO for the year ended December 31, 2016 was $90.6 million, an increase of $9.1 million, or 11.1%, over the prior year, primarily due to a higher euro in 2016 compared to 2015, and the reasons noted above that impacted the quarter.

For the quarter ended December 31, 2016, basic AFFO on a per unit basis was 18 cents per unit, same as the prior year comparative quarter. For the year ended December 31, 2016, basic AFFO on a per unit basis increased to 76 cents per unit from 73 cents per unit in the prior year.

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

	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
Investment properties revenue[(1)]	**$ 235,312**	$ 223,169	$ 257,725
Net income	**141,334**	145,826	208,937
Total assets[(1)]	**3,167,493**	3,045,780	2,588,425
Non-current liabilities[(1)]	**1,585,480**	1,639,178	1,323,081
Distributions declared	**95,239**	90,384	89,134
REIT Units	**125,456,199**	113,024,465	111,466,697

(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, 2015:

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Investment properties revenue	**$ 48,576**	$ 51,254	$ 52,009	$ 51,726	$ 49,025	$ 49,798	$ 49,761	$ 51,458
Investment properties operating expenses	**(16,162)**	(17,953)	(18,351)	(16,854)	(16,186)	(16,423)	(15,846)	(17,573)
Net rental income	**32,414**	33,301	33,658	34,872	32,839	33,375	33,915	33,885
Other income								
Interest and other income (expense)	**1,230**	2,312	1,767	2,136	3,211	2,547	480	1,014
Share of net income from investment in joint ventures	**2,791**	12,213	10,305	5,502	4,992	2,626	17,126	10,931
	4,021	14,525	12,072	7,638	8,203	5,173	17,606	11,945
Other expenses								
Portfolio management	**(1,379)**	(1,474)	(1,602)	(1,576)	(1,412)	(1,521)	(1,247)	(1,450)
General and administrative	**(5,013)**	(5,265)	(5,046)	(4,928)	(4,335)	(3,520)	(3,997)	(4,049)
Amortization and depreciation	**(21)**	(24)	(26)	(40)	(31)	(27)	(30)	(30)
Interest expense	**(7,791)**	(10,262)	(11,213)	(11,544)	(10,148)	(9,813)	(9,562)	(9,834)
	(14,204)	(17,025)	(17,887)	(18,088)	(15,926)	(14,881)	(14,836)	(15,363)
Fair value adjustments, loss on sale of investment properties and other activities								
Fair value gain (loss) to investment properties	**20,740**	3,727	52,743	3,105	24,295	(5,185)	41,586	7,740
Fair value gain (loss) to financial instruments	**10,553**	(11,302)	8,358	7,581	(568)	(17,550)	(604)	7,688
Internal direct leasing costs	**(716)**	(815)	(786)	(864)	(556)	(697)	(676)	(542)
Debt settlement costs	**(3,253)**	(18,141)	(153)	(93)	(5,541)	—	—	—
Gain (loss) on sale of investment properties	**(2,547)**	(1,020)	(1,291)	(624)	(108)	(1,728)	(2,033)	976
Contract termination fees	**—**	—	—	—	—	—	—	—
	24,777	(27,551)	58,871	9,105	17,522	(25,160)	38,273	15,862
Income (loss) before taxes	**47,008**	3,250	86,714	33,527	42,638	(1,493)	74,958	46,329
Current income taxes recovery (expense)	**(156)**	14	12	(345)	(586)	(284)	63	(185)
Deferred income taxes recovery (expense)	**(16,137)**	(1,591)	(9,963)	(999)	(4,474)	(863)	(7,503)	(2,774)
Recovery of (provision for) income taxes	**(16,293)**	(1,577)	(9,951)	(1,344)	(5,060)	(1,147)	(7,440)	(2,959)
Net income (loss)	**$ 30,715**	$ 1,673	$ 76,763	$ 32,183	$ 37,578	$ (2,640)	$ 67,518	$ 43,370
Total income (loss) for the period attributable to:								
Unitholders of the Trust	**$ 29,870**	$ 1,590	$ 76,293	$ 31,980	$ 37,188	$ (2,776)	$ 67,101	$ 43,234
Shareholders of the subsidiaries	**845**	83	470	203	390	136	417	136
Net income (loss)	**$ 30,715**	$ 1,673	$ 76,763	$ 32,183	$ 37,578	$ (2,640)	$ 67,518	$ 43,370
Add (deduct):								
Income allocated to non-controlling interest	**(845)**	(83)	(470)	(203)	(390)	(136)	(417)	(136)
Net FFO impact attributable to non-controlling interest	**636**	(128)	265	(7)	199	(37)	254	(56)
Amortization of lease incentives	**949**	841	718	702	631	617	580	533
Internal direct leasing costs	**716**	815	786	864	556	697	676	542
Debt settlement costs	**3,253**	19,796	153	93	6,074	—	—	—
(Gain) loss on sale of investment properties	**2,547**	1,020	1,291	624	108	1,728	2,033	(976)
Tax on gains on sale of investment properties	**—**	—	—	—	—	—	—	—
Deferred income tax expense (recovery)	**15,968**	4,318	11,334	1,597	3,332	1,015	14,765	2,774
Term debt swap settlement	**—**	—	—	—	(1,218)	(1,825)	(1,663)	(1,662)
Gain (loss) on settlement of Forex contracts	**1,300**	857	918	(946)	(513)	(222)	686	492
Fair value gain (loss) to investment properties	**(19,223)**	(16,206)	(60,397)	(4,659)	(25,587)	5,252	(62,957)	(15,949)
Fair value gain (loss) to financial instruments	**(10,553)**	11,302	(8,358)	(7,581)	568	17,550	604	(7,688)
FFO	**$ 25,463**	$ 24,205	$ 23,003	$ 22,667	$ 21,338	$ 21,999	$ 22,079	$ 21,244
FFO per unit – basic	**$ 0.20**	$ 0.20	$ 0.20	$ 0.20	$ 0.19	$ 0.20	$ 0.20	$ 0.19
FFO per unit – diluted	**0.20**	0.20	0.20	0.20	0.19	0.20	0.20	0.19
Funds from operations	**$ 25,463**	$ 24,205	$ 23,003	$ 22,667	$ 21,338	$ 21,999	$ 22,079	$ 21,244
Add (deduct):								
Amortization of financing costs	**1,200**	1,287	1,698	1,688	1,050	950	833	863
Accretion of debenture conversion feature	**—**	267	315	311	306	298	292	287
Amortization of fair value adjustment of debt	**—**	—	—	—	—	—	—	(30)
Contract termination fees incurred on sale to the POBA joint venture	**—**	—	—	—	—	—	—	—
Deferred compensation expense	**668**	393	557	533	516	500	507	449
Deferred asset management expense	**261**	367	524	461	460	467	462	481
Straight-line rent	**(1,670)**	(378)	(222)	(206)	(107)	(448)	(676)	(369)
	25,922	26,141	25,875	25,454	23,563	23,766	23,497	22,925
Deduct:								
Normalized initial direct leasing costs and lease incentives	**(1,745)**	(1,784)	(1,800)	(1,869)	(1,696)	(1,715)	(1,744)	(1,723)
Normalized non-recoverable recurring capital expenditures	**(1,357)**	(1,388)	(1,400)	(1,454)	(1,319)	(1,334)	(1,356)	(1,340)
AFFO	**$ 22,820**	$ 22,969	$ 22,675	$ 22,131	$ 20,548	$ 20,717	$ 20,397	$ 19,862
AFFO per unit – basic	**$ 0.18**	$ 0.19	$ 0.20	$ 0.20	$ 0.18	$ 0.18	$ 0.18	$ 0.18
Weighted average number of Units:								
Basic	**125,482,713**	120,958,186	113,847,191	113,401,973	112,939,520	112,541,940	112,174,846	111,760,819
Diluted	**128,135,174**	133,786,314	128,736,432	128,153,728	127,561,321	127,047,118	126,540,665	125,953,069
Quarterly average exchange rate ($:€1)	**1.438**	1.456	1.455	1.516	1.461	1.457	1.360	1.397

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

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. As it is not defined by IFRS, it does not have a standardized 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", 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

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. As it is not defined by IFRS, it does not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

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", 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 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. NOI has been reconciled to net rental income in the table below:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Net rental income (per consolidated financial statements)	**$ 32,414**	$ 32,839	**$ 134,245**	$ 134,014
Add: Share of net rental income from investments in joint ventures	**6,355**	4,853	**25,701**	18,841
NOI	**$ 38,769**	$ 37,692	**$ 159,946**	$ 152,855

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, 2016 are noted in the table below. Diluted FFO includes interest and amortization adjustments related to the Debentures of $nil and $7.9 million for the three months and year ended December 31, 2016, respectively.

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Weighted average Units outstanding for basic per unit amounts	**125,482,713**	112,939,520	**118,450,945**	112,358,025
Weighted average Units outstanding for diluted per unit amounts	**128,135,174**	127,561,321	**129,709,388**	126,781,027

Investment in joint ventures

The Trust’s proportionate share of the financial position and results of operations 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 IFRS. These non-GAAP measures are referred to as the REIT’s Owned Share throughout this MD&A. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, 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, 2016			December 31, 2015		
	Amounts per consolidated financial statements	**Share from investment in joint ventures and associates**	**Total**	Amounts per consolidated financial statements	Share from investment in joint ventures	Total
Assets						
NON-CURRENT ASSETS						
Investment properties	**$ 2,481,586**	**$ 510,321**	**$ 2,991,907**	$ 2,394,739	$ 518,349	$ 2,913,088
Investment in joint ventures and associates	**265,255**	**(234,734)**	**30,521**	272,720	(242,982)	29,738
Notes receivable	**6,250**	**—**	**6,250**	6,621	—	6,621
Derivative financial instruments	**10,414**	**—**	**10,414**	4,377	—	4,377
Deferred income tax assets	**4,680**	**—**	**4,680**	3,788	—	3,788
Other non-current assets	**169**	**3**	**172**	265	—	265
	2,768,354	**275,590**	**3,043,944**	2,682,510	275,367	2,957,877
CURRENT ASSETS						
Amounts receivable	**16,391**	**1,100**	**17,491**	15,706	1,561	17,267
Prepaid expenses	**4,219**	**40**	**4,259**	4,430	48	4,478
Derivative financial instruments	**2,392**	**—**	**2,392**	—	—	—
Cash	**50,283**	**3,402**	**53,685**	28,700	4,603	33,303
	73,285	**4,542**	**77,827**	48,836	6,212	55,048
Assets held for sale	**45,722**	**—**	**45,722**	32,855	—	32,855
Total assets	**$ 2,887,361**	**$ 280,132**	**$ 3,167,493**	$ 2,764,201	$ 281,579	$ 3,045,780
Liabilities						
NON-CURRENT LIABILITIES						
Debt	**$ 1,241,110**	**$ 259,800**	**$ 1,500,910**	$ 1,324,889	$ 263,732	$ 1,588,621
Deposits	**3,466**	**249**	**3,715**	2,395	196	2,591
Derivative financial instruments	**—**	**—**	**—**	6,295	—	6,295
Deferred Unit Incentive Plan	**20,490**	**—**	**20,490**	14,150	—	14,150
Deferred income tax liabilities	**49,507**	**10,858**	**60,365**	20,644	6,877	27,521
	1,314,573	**270,907**	**1,585,480**	1,368,373	270,805	1,639,178
CURRENT LIABILITIES						
Debt	**158,352**	**3,123**	**161,475**	56,003	3,343	59,346
Amounts payable and accrued liabilities	**46,515**	**6,115**	**52,630**	35,613	7,442	43,055
Income tax payable (receivable)	**910**	**(13)**	**897**	1,976	(11)	1,965
Derivative financial instruments	**—**	**—**	**—**	5,022	—	5,022
Distributions payable	**8,364**	**—**	**8,364**	7,535	—	7,535
	214,141	**9,225**	**223,366**	106,149	10,774	116,923
Liabilities related to assets held for sale	**923**	**—**	**923**	521	—	521
Total liabilities	**$ 1,529,637**	**$ 280,132**	**$ 1,809,769**	$ 1,475,043	$ 281,579	$ 1,756,622

Statement of net income and comprehensive income (loss) reconciliation to consolidated financial statements

	Three months ended December 31,					
			2016			2015
	Amounts per consolidated financial statements	**Share of income from investments in joint ventures and associates**	**Total**	Amounts per consolidated financial statements	Share of income from investments in joint ventures	Total
Investment properties revenue	**$ 48,576**	**$ 7,674**	**$ 56,250**	$ 49,025	$ 6,056	$ 55,081
Investment properties operating expenses	**(16,162)**	**(1,319)**	**(17,481)**	(16,186)	(1,203)	(17,389)
Net rental income	**32,414**	**6,355**	**38,769**	32,839	4,853	37,692
Other income						
Interest and other income	**1,230**	**186**	**1,416**	3,211	289	3,500
Share of net income from investment in joint ventures and associates	**2,786**	**(2,786)**	**—**	4,988	(4,988)	—
Share of net income from investment in other joint ventures	**5**	**—**	**5**	4	—	4
	4,021	**(2,600)**	**1,421**	8,203	(4,699)	3,504
Other expenses						
Portfolio management	**(1,379)**	**—**	**(1,379)**	(1,412)	—	(1,412)
General and administrative	**(5,013)**	**(950)**	**(5,963)**	(4,335)	(728)	(5,063)
Depreciation and amortization	**(21)**	**—**	**(21)**	(31)	—	(31)
Interest expense	**(7,791)**	**(1,456)**	**(9,247)**	(10,148)	(1,286)	(11,434)
	(14,204)	**(2,406)**	**(16,610)**	(15,926)	(2,014)	(17,940)
Fair value adjustments, loss on sale of investment properties and other activities						
Fair value gain (loss) to investment properties	**20,740**	**(1,517)**	**19,223**	24,295	1,292	25,587
Fair value gain (loss) to financial instruments	**10,553**	**—**	**10,553**	(568)	—	(568)
Internal direct leasing costs	**(716)**	**—**	**(716)**	(556)	—	(556)
Debt settlement costs	**(3,253)**	**—**	**(3,253)**	(5,541)	(533)	(6,074)
Loss on sale of investment properties	**(2,547)**	**—**	**(2,547)**	(108)	—	(108)
	24,777	**(1,517)**	**23,260**	17,522	759	18,281
Income (loss) before income taxes	**47,008**	**(168)**	**46,840**	42,638	(1,101)	41,537
Current income tax expense	**(156)**	**(1)**	**(157)**	(586)	(41)	(627)
Deferred income tax recovery (expense)	**(16,137)**	**169**	**(15,968)**	(4,474)	1,142	(3,332)
Provision for income taxes	**(16,293)**	**168**	**(16,125)**	(5,060)	1,101	(3,959)
Net income	**$ 30,715**	**$ —**	**$ 30,715**	$ 37,578	$ —	$ 37,578
Total net income for the period attributable to:						
Unitholders of the Trust	**$ 29,870**	**$ —**	**$ 29,870**	$ 37,188	$ —	$ 37,188
Shareholders of subsidiaries	**845**	**—**	**845**	390	—	390
Net income	**30,715**	**—**	**30,715**	37,578	—	37,578
Foreign currency translation adjustments for the period attributable to:						
Other operations	**(44,386)**	**—**	**(44,386)**	7,726	—	7,726
Investment in joint ventures	**(9,954)**	**—**	**(9,954)**	1,481	—	1,481
Unitholders of the Trust	**(54,340)**	**—**	**(54,340)**	9,207	—	9,207
Shareholders of subsidiaries	**(430)**	**—**	**(430)**	115	—	115
	(54,770)	**—**	**(54,770)**	9,322	—	9,322
Comprehensive income (loss) for the period attributable to:						
Unitholders of the Trust	**(24,470)**	**—**	**(24,470)**	46,395	—	46,395
Shareholders of subsidiaries	**415**	**—**	**415**	505	—	505
	$ (24,055)	**$ —**	**$ (24,055)**	$ 46,900	$ —	$ 46,900

						Year ended December 31,
			2016			2015
	Amounts per consolidated financial statements	**Share of income from investments in joint ventures and associates**	**Total**	Amounts per consolidated financial statements	Share of income from investments in joint ventures	Total
Investment properties revenue	**$ 203,565**	**$ 31,747**	**$ 235,312**	$ 200,042	$ 23,127	$ 223,169
Investment properties operating expenses	**(69,320)**	**(6,046)**	**(75,366)**	(66,028)	(4,286)	(70,314)
Net rental income	**134,245**	**25,701**	**159,946**	134,014	18,841	152,855
Other income						
Interest and other income	**7,445**	**894**	**8,339**	7,252	433	7,685
Share of net income from investment in joint ventures and associates	**30,792**	**(30,792)**	**—**	35,655	(35,655)	—
Share of net income from investment in other joint ventures	**19**	**—**	**19**	20	—	20
	38,256	**(29,898)**	**8,358**	42,927	(35,222)	7,705
Other expenses						
Portfolio management	**(6,031)**	**—**	**(6,031)**	(5,630)	—	(5,630)
General and administrative	**(20,252)**	**(3,614)**	**(23,866)**	(15,901)	(2,715)	(18,616)
Depreciation and amortization	**(111)**	**—**	**(111)**	(118)	—	(118)
Interest expense	**(40,810)**	**(6,178)**	**(46,988)**	(39,357)	(4,898)	(44,255)
	(67,204)	**(9,792)**	**(76,996)**	(61,006)	(7,613)	(68,619)
Fair value adjustments, loss on sale of investment properties and other activities						
Fair value gain to investment properties	**80,315**	**20,171**	**100,486**	68,436	30,805	99,241
Fair value gain (loss) to financial instruments	**15,190**	**—**	**15,190**	(11,034)	—	(11,034)
Internal direct leasing costs	**(3,181)**	**—**	**(3,181)**	(2,471)	—	(2,471)
Debt settlement costs	**(21,640)**	**(1,655)**	**(23,295)**	(5,541)	(533)	(6,074)
Loss on sale of investment properties	**(5,482)**	**—**	**(5,482)**	(2,893)	—	(2,893)
	65,202	**18,516**	**83,718**	46,497	30,272	76,769
Income before income taxes	**170,499**	**4,527**	**175,026**	162,432	6,278	168,710
Current income taxes expense	**(475)**	**—**	**(475)**	(992)	(7)	(999)
Deferred income taxes expense	**(28,690)**	**(4,527)**	**(33,217)**	(15,614)	(6,271)	(21,885)
Provision for income taxes	**(29,165)**	**(4,527)**	**(33,692)**	(16,606)	(6,278)	(22,884)
Net income	**$ 141,334**	**$ —**	**$ 141,334**	$ 145,826	$ —	$ 145,826
Total net income for the year attributable to:						
Unitholders of the Trust	**$ 139,733**	**$ —**	**$ 139,733**	$ 144,747	$ —	$ 144,747
Shareholders of subsidiaries	**1,601**	**—**	**1,601**	1,079	—	1,079
Net income	**141,334**	**—**	**141,334**	145,826	—	145,826
Foreign currency translation adjustments for the year attributable to:						
Other operations	**(67,354)**	**—**	**(67,354)**	84,519	—	84,519
Investment in joint ventures	**(15,644)**	**—**	**(15,644)**	12,775	—	12,775
Unitholders of the Trust	**(82,998)**	**—**	**(82,998)**	97,294	—	97,294
Shareholders of subsidiaries	**(650)**	**—**	**(650)**	670	—	670
	(83,648)	**—**	**(83,648)**	97,964	—	97,964
Comprehensive income for the year attributable to:						
Unitholders of the Trust	**56,735**	**—**	**56,735**	242,041	—	242,041
Shareholders of subsidiaries	**951**	**—**	**951**	1,749	—	1,749
	$ 57,686	**$ —**	**$ 57,686**	$ 243,790	$ —	$ 243,790

Cash generated from operating activities to AFFO reconciliation

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

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Cash generated from operating activities	**$ 17,238**	$ 23,050	**$ 59,533**	$ 53,024
Add (deduct):				
Change in non-cash working capital	**(415)**	(5,787)	**8,461**	15,184
Share of net income from investment in joint ventures and associates	**2,786**	4,988	**30,792**	35,655
Internal direct leasing costs	**716**	556	**3,181**	2,471
Non-cash impact of income attributable to non-controlling interest	**(629)**	(183)	**(625)**	(980)
Depreciation and amortization	**(21)**	(31)	**(111)**	(118)
Unrealized loss on settlement of foreign exchange contracts	**1,243**	964	**4,644**	4,068
Investment in lease incentives and initial direct leasing costs	**3,575**	1,872	**11,246**	8,332
Adjustments for investment in joint ventures:				
Fair value adjustments to investment properties	**1,517**	(1,292)	**(20,170)**	(30,805)
Amortization of lease incentives	**81**	35	**259**	116
Debt settlement costs	**—**	533	**1,655**	533
Deferred income tax expense attributable to joint ventures	**(169)**	(1,142)	**4,527**	6,271
Normalized initial direct leasing costs and lease incentives	**(1,745)**	(1,696)	**(7,198)**	(6,878)
Normalized non-recoverable recurring capital expenditures	**(1,357)**	(1,319)	**(5,599)**	(5,349)
AFFO	**$ 22,820**	$ 20,548	**$ 90,595**	$ 81,524

Net income, cash generated from (utilized in) operating activities and distributions declared

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the table below outlines the differences between net income and total distributions declared, in accordance with the guidelines.

For the three months ended December 31, 2016, net income exceeded total distributions by $5.6 million (surplus of $14.9 million for the comparative quarter in 2015). For the year ended December 31, 2016, net income exceeded total distributions by $46.1 million (surplus of $55.5 million for 2015).

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Net income for the period	**$ 30,715**	$ 37,578	**$ 141,334**	$ 145,826
Total declared distributions	**25,153**	22,666	**95,197**	90,341
Surplus of net income over total distributions	**$ 5,562**	$ 14,912	**$ 46,137**	$ 55,485

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. These non-cash items do not impact cash flows and accordingly, the Trust does not use net income as a proxy for distributions to determine its distribution policy.

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

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Cash generated from operating activities (per consolidated financial statements)	**$ 17,238**	$ 23,050	**$ 59,533**	$ 53,024
Total declared distributions	**25,153**	22,666	**95,197**	90,341
Surplus (shortfall) of cash flow from operating activities (per consolidated financial statements) over total distributions	**$ (7,915)**	$ 384	**$ (35,664)**	$ (37,317)

For the three months and year ended December 31, 2016, the Trust recorded a shortfall of cash generated from operating activities (per consolidated financial statements) over total declared distributions of $7.9 million and $35.7 million, respectively. In comparison, a surplus of $0.4 million and a shortfall of $37.3 million was recorded for the three months and year ended December 31, 2015, respectively.

The Trust believes cash generated from (utilized in) operating activities (per consolidated financial statements) does not take into consideration certain relevant factors and, accordingly, does not reflect its ability to pay distributions, particularly cash distributions. The Trust believes its distributions are not an economic return of capital, but a distribution of sustainable adjusted cash generated from (utilized in) operating activities (including investment in joint ventures), a non-GAAP measure. In making this determination, the Trust has considered, among other things, the following three key factors in addition to cash generated from (utilized in) operating activities (per consolidated financial statements):

- Investment in joint ventures' cash flows from operating activities. Investment in joint ventures' cash flows from operating activities is not included in the Trust's cash generated from (utilized in) operating activities (per consolidated financial statements) because those investments are equity accounted, even though this cash is effectively from the Trust's operating activities. The Trust believes it is appropriate to add this as a source of cash available to fund distributions.
- Lease incentives and initial direct leasing costs. These costs fluctuate with lease maturities, renewal terms and the type of asset being leased and are not considered by the Trust in determining our distribution policy. We evaluate the impact of leasing activity based on averages for our portfolio over a two- to three-year time frame. The Trust believes it is appropriate to exclude these costs in determining the sources of cash available to fund distributions.
- Changes in non-cash working capital. These changes fluctuate from period to period and are not considered by the Trust in determining our distribution policy. The Trust believes it is appropriate to exclude these changes in determining the sources of cash available to fund distributions.

The Trust has also considered that non-cash distributions are a component of the shortfall and continues to assess the sustainability of cash and non-cash distributions in each financial reporting period.

Management believes adjusted cash generated from (utilized in) operating activities (including investment in joint ventures) is an important measure that better reflects our ability to pay cash distributions. Adjusted cash generated from operating activities (including investment in joint ventures) is a non-GAAP measure. It does not represent cash generated from (utilized in) operating activities, as defined by IFRS and as such, does not have a standardized meaning and may not be comparable with similar measures presented by other income trusts. The following table outlines the differences between adjusted cash generated from (utilized in) operating activities (including investment in joint ventures) and declared distributions, after the three adjustments noted above are taken into account.

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Cash generated from operating activities (per consolidated financial statements)	**$ 17,238**	$ 23,050	**$ 59,533**	$ 53,024
Add:				
Investment in joint ventures' cash flows from operating activities	**7,452**	5,898	**17,886**	10,478
Cash generated from operating activities (including investment in joint ventures)	**24,690**	28,948	**77,419**	63,502
Add (deduct):				
Lease incentives and initial direct leasing costs	**3,514**	2,046	**11,949**	8,612
Change in non-cash working capital	**(3,772)**	(20,239)	**5,781**	4,973
Adjusted cash generated from operating activities (including investment in joint ventures)	**24,432**	10,755	**95,149**	77,087
Total declared distributions	**25,153**	22,666	**95,197**	90,341
Shortfall of adjusted cash generated from (utilized in) operating activities over total distributions	**$ (721)**	$ (11,911)	**$ (48)**	$ (13,254)

Once the investment in joint ventures' cash flows from operating activities has been included, and the fluctuations in lease incentives and initial direct leasing costs and changes in our non-cash working capital have been excluded, total declared distributions exceeded the adjusted cash generated from (utilized in) operating activities (including investment in joint ventures), a non-GAAP measure, by $0.7 million and $nil for the three months and year ended December 31, 2016, respectively (shortfall of $11.9 million and $13.3 million for the comparative periods in 2015). We anticipate the impact of completed acquisitions net of dispositions, strong leasing, CPI rent increases from our Deutsche Post leases, lower effective interest costs resulting from the mortgage refinancing during the year, the term loan facility refinancing in December 2015, the redemption of the Debentures in Q3, and additional asset management fees from our joint ventures will lead to an increase in the adjusted cash flow generated from (utilized in) operating activities (including investment in joint ventures).

Furthermore, a portion of our declared distributions are paid through our DRIP program, which does not require cash payment. After taking into consideration the DRIP, as outlined in the table below, the surplus of adjusted cash generated from (utilized in) operating activities (including investment in joint ventures) over cash distributions was $2.6 million and $12.8 million, respectively, for the three months and year ended December 31, 2016. 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,	
	2016	2015	**2016**	2015
Adjusted cash generated from operating activities (including investment in joint ventures)	**$ 24,432**	$ 10,755	**$ 95,149**	$ 77,087
Declared distributions paid in cash	**21,865**	19,363	**82,364**	76,775
Surplus (shortfall) of adjusted cash generated from (utilized in) operating activities over distributions paid in cash	**$ 2,567**	$ (8,608)	**$ 12,785**	$ 312

To the extent that there are shortfalls in the adjusted cash generated from (utilized in) operating activities (including investment in joint ventures) and cash distributions, the Trust uses its existing revolving credit facilities as a source of funding. The use of the Trust's revolving credit facilities may involve risks as compared with using cash or cash equivalents on hand as a source of funding, such as the risk of additional interest payable on amounts borrowed, the risk that interest rates may rise in the future, which may make it more expensive for the Trust to borrow under its revolving credit facilities, and the risk of increasing the overall indebtedness of the Trust.

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

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

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

			December 31, 2016
	Amounts per consolidated financial statements	**Share of amounts from investment in joint ventures**	**Total**
Non-current debt[1]	**$ 1,241,110**	**$ 259,800**	**$ 1,500,910**
Current debt	**158,352**	**3,123**	**161,475**
Total debt	**1,399,462**	**262,923**	**1,662,385**
Less cash	**50,283**	**3,402**	**53,685**
Total adjusted debt, net of cash	**1,349,179**	**259,521**	**1,608,700**
Total assets	**2,887,361**	**280,132**	**3,167,493**
Adjustments: Investment in joint ventures	**(265,255)**	**265,255**	**—**
	2,622,106	**545,387**	**3,167,493**
Less cash	**50,283**	**3,402**	**53,685**
Total assets, net of cash	**$ 2,571,823**	**$ 541,985**	**$ 3,113,808**
Debt-to-gross book value			**52%**
Debt-to-gross book value, net of cash			**52%**
Average level of debt, net of cash			**53%**

			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	2,764,201	281,579	3,045,780
Adjustments: Investment in joint ventures	(272,720)	272,720	—
	2,491,481	554,299	3,045,780
Less cash	28,700	4,603	33,303
Total assets, net of cash	$ 2,462,781	$ 549,696	$ 3,012,477
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 Debentures			48%

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

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", the table below calculates the interest coverage ratio.

	For the year ended December 31, 2016		
	Amounts per consolidated financial statements	**Share of amounts from investment in joint ventures**	**Total**
Net rental income	**$ 134,245**	**$ 25,701**	**$ 159,946**
Add: Interest and other income	**7,445**	**894**	**8,339**
Less: General and administrative expenses	**20,252**	**3,614**	**23,866**
Less: Portfolio management expenses	**6,031**	**—**	**6,031**
	115,407	**22,981**	**138,388**
Interest expense	**$ 40,810**	**$ 6,178**	**$ 46,988**
Interest coverage ratio			**2.95**

	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.

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

For the December 31, 2016 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 Certified Public Accountants (CPA) Canada, 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, 2016.

There were no changes in Dream Global REIT's internal control over financial reporting during the financial year ended December 31, 2016 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, 2016, Deutsche Post's GRI was approximately 18.9% 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 CONSIDERATIONS

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

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

In November 2013, the two chambers of the German Parliament had completed the revised "Investment Tax Act" applicable to all Alternative Investment Funds under the Alternative Investment Fund Managers Directive of the European Commission, which has become effective as of December 24, 2013. The new law does still not contain specific rules or clarifying guidance regarding the taxation of foreign investment funds, such as the Luxembourg entities through which we hold our real property investment in Germany (our *fonds communs de placement* – the "Dundee FCPs") used in our Lorac holding structure for German non-resident taxation purposes with regard to German assets directly held. In our view, the Dundee FCPs should be transparent from a German corporate income tax perspective under the current law, thus all income should be attributable to the unitholders of the Dundee FCPs (the "Dundee FCP Unitholders"). However, the tax authorities are aiming to tax income at the level of the Dundee FCPs. Under the Tax Amendments, which were passed by the German federal government in the regular legislation process on February 24, 2016 and will become effective as of January 1, 2018, foreign funds investing into German assets through *fonds communs de placement* will generally be treated as quasi-corporate tax payers. We intend to manage our tax affairs with a view to minimizing, to the extent possible, the amount of taxable income from operations in Germany. In light of the above-mentioned new tax law, it is uncertain whether the Dundee FCPs or the Dundee FCP Unitholders, respectively, will be subject to tax with respect to all taxation periods or only future periods.

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. There are several rules in German tax laws restricting 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 Dundee FCP Unitholders, the Dundee FCPs nor the corporate entities which acquired additional properties have permanent establishments in Germany, which is relevant for determining whether they would also be liable to municipal trade tax, unless they qualify for an exemption from such 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 tax legislation, administrative practice or case law could have adverse tax consequences for us. Despite a general principle prohibiting retroactive changes, amendments to applicable laws, orders and regulations can be issued or altered with retroactive effect. Additionally, divergent interpretations of tax laws by the tax authorities or the tax courts are possible. These interpretations may be changed at any time with adverse effects on our taxation. A number of our Subsidiaries are subject to taxation in Luxembourg, Germany and Austria. Longstanding international norms that determine each country's jurisdiction to tax cross-border activities are evolving. For example, the Base Erosion and Profit Shifting project ("BEPS") currently being undertaken by the G20 and the Organization for Economic Cooperation and Development reflects concern about what is considered to be the inappropriate shifting of profits from high tax jurisdictions to low tax jurisdictions. Further, partly in response to the BEPS initiative, the European Union ("EU") Commission early in 2016 issued a seven-part Anti-Tax Avoidance Package ("ATAP"). Part of the ATAP includes an Anti-Tax Avoidance Directive, which received political agreement from the EU Member States in June 2016. Further, as part of the ATAP, Member States are required to introduce, among other measures, a general anti-avoidance rule. Luxembourg introduced such a rule in 2016. Tax changes arising from BEPS and/or the ATAP could adversely affect our tax position. Given the uncertainty around any possible changes and their potential interdependency, it is difficult at this point to assess the overall negative impact that these changes may have on our cash flow.

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 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. 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, 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. 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 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 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.

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 audited consolidated financial statements of the Trust for the year ended December 31, 2016.

CHANGES IN ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Dream Global REIT's future accounting policy changes are described in the audited consolidated financial statements available on Dream Global REIT's website.

Additional information relating to Dream Global REIT, including our Annual Information Form dated March 28, 2016, 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

Tamara Lawson
Chief Financial Officer

Toronto, Ontario, February 22, 2017

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, 2016 and December 31, 2015 and the consolidated statements of net income and comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and December 31, 2015 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, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

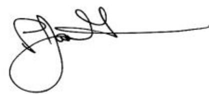
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario, February 22, 2017

Consolidated balance sheets

(in thousands of Canadian dollars)	Note	December 31, 2016	December 31, 2015
Assets			
NON-CURRENT ASSETS			
Investment properties	6	**$ 2,481,586**	$ 2,394,739
Investment in joint ventures and associates	7	**265,255**	272,720
Notes receivable	19	**6,250**	6,621
Derivative financial instruments	10	**10,414**	4,377
Deferred income tax assets	18	**4,680**	3,788
Other non-current assets		**169**	265
		2,768,354	2,682,510
CURRENT ASSETS			
Amounts receivable	8, 19	**16,391**	15,706
Prepaid expenses		**4,219**	4,430
Derivative financial instruments	10	**2,392**	—
Cash		**50,283**	28,700
		73,285	48,836
Assets held for sale	15	**45,722**	32,855
Total assets		**$ 2,887,361**	$ 2,764,201
Liabilities			
NON-CURRENT LIABILITIES			
Debt	9	**$ 1,241,110**	$ 1,324,889
Deposits		**3,466**	2,395
Derivative financial instruments	10	**—**	6,295
Deferred Unit Incentive Plan	11	**20,490**	14,150
Deferred income tax	18	**49,507**	20,644
		1,314,573	1,368,373
CURRENT LIABILITIES			
Debt	9	**158,352**	56,003
Amounts payable and accrued liabilities	12, 19	**46,515**	35,613
Income tax payable		**910**	1,976
Derivative financial instruments	10	**—**	5,022
Distributions payable	13	**8,364**	7,535
		214,141	106,149
Liabilities related to assets held for sale	15	**923**	521
Total liabilities		**1,529,637**	1,475,043
Equity			
Unitholders' equity		**1,211,588**	1,105,485
Retained earnings		**90,049**	45,555
Accumulated other comprehensive income		**45,812**	128,810
Total unitholders' equity		**1,347,449**	1,279,850
Non-controlling interest	19	**10,275**	9,308
Total equity	14	**1,357,724**	1,289,158
Total liabilities and equity		**$ 2,887,361**	$ 2,764,201

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, 2016	2015
Investment properties revenue		**$ 203,565**	$ 200,042
Investment properties operating expenses		**(69,320)**	(66,028)
Net rental income		**134,245**	134,014
Other income			
Interest and other income		**7,445**	7,252
Share of net income from investment in joint ventures and associates	7	**30,811**	35,675
		38,256	42,927
Other expenses			
Portfolio management		**(6,031)**	(5,630)
General and administrative	19	**(20,252)**	(15,901)
Depreciation and amortization		**(111)**	(118)
Interest expense	16	**(40,810)**	(39,357)
		(67,204)	(61,006)
Fair value adjustments, loss on sale of investment properties and other activities			
Fair value adjustments to investment properties	6, 15	**80,315**	68,436
Fair value adjustments to financial instruments	17	**15,190**	(11,034)
Internal direct leasing costs		**(3,181)**	(2,471)
Debt settlement costs, net	9	**(21,640)**	(5,541)
Loss on sale of investment properties	6	**(5,482)**	(2,893)
		65,202	46,497
Income before income taxes		**170,499**	162,432
Current income tax expense		**(475)**	(992)
Deferred income tax expense		**(28,690)**	(15,614)
Provision for income taxes	18	**(29,165)**	(16,606)
Net income		**$ 141,334**	$ 145,826
Total net income for the year attributable to:			
Unitholders of the Trust		**$ 139,733**	$ 144,747
Shareholders of subsidiaries	19	**1,601**	1,079
Net income		**141,334**	145,826
Foreign currency translation adjustments for the year attributable to:			
(subsequently reclassified to Consolidated statement of net income)			
Other operations		**(67,354)**	84,519
Investment in joint ventures		**(15,644)**	12,775
Unitholders of the Trust		**(82,998)**	97,294
Shareholders of subsidiaries		**(650)**	670
		(83,648)	97,964
Comprehensive income for the year attributable to:			
Unitholders of the Trust		**56,735**	242,041
Shareholders of subsidiaries		**951**	1,749
		$ 57,686	$ 243,790

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, 2016		**113,024,465 $**	**1,105,485 $**	**45,555 $**	**128,810 $**	**1,279,850 $**	**9,308 $**	**1,289,158**
Net income for the year		**—**	**—**	**139,733**	**—**	**139,733**	**1,601**	**141,334**
Distributions paid	13	**—**	**—**	**(86,875)**	**—**	**(86,875)**	**—**	**(86,875)**
Distributions payable	13	**—**	**—**	**(8,364)**	**—**	**(8,364)**	**—**	**(8,364)**
Contribution from non-controlling interest		**—**	**—**	**—**	**—**	**—**	**16**	**16**
Distribution Reinvestment Plan	14	**1,452,789**	**12,793**	**—**	**—**	**12,793**	**—**	**12,793**
Unit Purchase Plan	14	**2,122**	**19**	**—**	**—**	**19**	**—**	**19**
Deferred Unit Incentive Plan	14	**107,400**	**918**	**—**	**—**	**918**	**—**	**918**
Public offering of Units	14	**10,867,500**	**97,808**	**—**	**—**	**97,808**	**—**	**97,808**
Conversion of debentures		**1,923**	**18**	**—**	**—**	**18**	**—**	**18**
Unit issue costs		**—**	**(5,453)**	**—**	**—**	**(5,453)**	**—**	**(5,453)**
Foreign currency translation adjustment		**—**	**—**	**—**	**(82,998)**	**(82,998)**	**(650)**	**(83,648)**
Balance at December 31, 2016		**125,456,199 $**	**1,211,588 $**	**90,049 $**	**45,812 $**	**1,347,449 $**	**10,275 $**	**1,357,724**

(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	13	—	—	(82,849)	—	(82,849)	—	(82,849)
Distributions payable	13	—	—	(7,535)	—	(7,535)	—	(7,535)
Contribution from non-controlling interest		—	—	—	—	—	1,364	1,364
Distribution Reinvestment Plan	14	1,493,617	13,745	—	—	13,745	—	13,745
Unit Purchase Plan	14	2,231	20	—	—	20	—	20
Deferred Unit Incentive Plan	14	61,920	576	—	—	576	—	576
Unit 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

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)	Note	Year ended December 31, 2016	2015
Generated from (utilized in) operating activities			
Net income		**$ 141,334**	$ 145,826
Non-cash items:			
Share of net income from investment in joint ventures and associates	7	**(30,811)**	(35,675)
Deferred income tax expense		**28,690**	15,614
Amortization of lease incentives	6	**2,951**	2,245
Amortization of financing costs		**5,299**	3,305
Amortization of fair value adjustment on acquired debt		**—**	(30)
Amortization of initial discount on convertible debentures		**893**	1,184
Loss on sale of investment properties		**5,482**	2,893
Depreciation and amortization		**111**	118
Deferred unit compensation expense and asset management fees	11	**3,765**	3,842
Straight-line rent adjustment		**(2,093)**	(928)
Fair value adjustments to financial instruments	17	**(15,190)**	11,034
Fair value adjustments to investment properties		**(80,315)**	(68,436)
Debt settlement costs		**21,640**	5,541
Cash settlement on foreign exchange contracts	10	**(2,516)**	(3,625)
Cash settlement on interest rate swap		**—**	(6,368)
Lease incentives and initial direct leasing costs	6, 15	**(11,246)**	(8,332)
Change in non-cash working capital	20	**(8,461)**	(15,184)
		59,533	53,024
Generated from (utilized in) investing activities			
Investment in building improvements	6, 15	**(24,432)**	(14,425)
Acquisition of investment properties	6	**(228,802)**	(236,401)
Net proceeds from sale of interest to POBA		**—**	16,006
Cash assumed on property entity acquisition		**—**	872
Investment in joint ventures		**(879)**	(67,078)
Notes receivable		**—**	(1,274)
Cash sold to the POBA joint venture		**—**	(5,186)
Net proceeds from disposal of investment properties	6	**97,486**	104,838
Distributions from investment in joint ventures	7	**28,398**	17,326
		(128,229)	(185,322)
Generated from (utilized in) financing activities			
Purchase of interest rate caps		**—**	(5,228)
Debt cancellation charge		**(702)**	—
Mortgage proceeds		**540,721**	161,558
Financing costs on debts placed		**(6,150)**	(15,268)
Mortgage principal repayments		**(12,819)**	(33,380)
Term loan repayment on property dispositions and amortization	9	**(48,720)**	(83,009)
Lump sum repayment on mortgage refinancings	9	**(291,334)**	(316,352)
Drawdown on revolving credit facility		**95,868**	101,587
Revolving credit facility repayments		**(35,026)**	(72,132)
Repayment of convertible debentures, net of costs	9	**(160,975)**	—
Proceeds of term debt		**—**	369,543
Units issued for cash	14	**97,827**	20
Unit issue costs		**(5,453)**	(173)
Distributions paid on Units	13	**(81,617)**	(76,535)
		91,620	30,631
Increase (decrease) in cash		**22,924**	(101,667)
Effect of exchange rate changes on cash		**(1,341)**	8,428
Cash, beginning of year		**28,700**	121,939
Cash, end of year		**$ 50,283**	$ 28,700

See accompanying notes to the consolidated financial statements.

See supplementary cash flow information (Note 20).

Notes to the consolidated financial statements

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

Note 1

ORGANIZATION

Dream Global Real Estate Investment Trust (the "REIT" or the "Trust") 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 and Austria.

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 dual listed on the Toronto Stock Exchange under the symbol DRG.UN and on the Frankfurt Stock Exchange under the symbol DRG. The Trust's consolidated financial statements for the year ended December 31, 2016 were authorized for issue by the Board of Trustees on February 22, 2017, 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 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 and associates

Associates 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 associates 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 ventures and associates 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. The Trust reports its interests in joint ventures using the equity method of accounting as described under "Equity accounted investments and associates" above. 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. 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 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 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. Liabilities that are to be assumed by the buyer on disposition of the asset are also classified as held for sale, separately on the consolidated balance sheets. 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 and Austria. 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 18.9% of the gross rental income generated by the Trust's properties as at the year ended December 31, 2016 (December 31, 2015 – 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 of the REIT 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 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 a decrease in retained earnings.

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. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Unit-based compensation plan

The Trust has a Deferred Unit Incentive Plan ("DUIP"), as described in Note 14, 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 when incurred 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
Revolving credit facility	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.

Certain comparative balances have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2016 consolidated financial statements.

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:

- 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.

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 twelve 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 does not expect the amendments to have a material impact on the financial statements.

Income taxes

IAS 12, "Deferred Tax" ("IAS 12"), clarifies the recognition of deferred tax assets for unrealized losses. It was amended to specify (i) the requirements for recognizing deferred tax assets on unrealized losses; (ii) deferred tax where an asset is measured at a fair value below the asset's tax base, and (iii) certain other aspects of accounting for deferred tax assets. The amendments to IAS 12 are effective for years beginning on or after January 1, 2017. The Trust does not expect the amendments to have a material impact on the financial statements.

Note 6

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, acquired on August 3, 2011, consist of national and regional administration offices, mixed use retail and distribution properties and regional logistics headquarters of Deutsche Post. The properties 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, acquired since the Trust's Initial Public Offering in 2011, consist of high-quality office buildings located in Germany's largest office markets. The REIT participates in two joint venture partnerships which hold a 50% interest in a total of nine Acquisition Properties. During 2015, the REIT sold a 50% interest in an Acquisition Property to a South Korean pension fund. There were no comparable transactions in 2016. Refer to Note 7 for the details regarding the jointly owned properties.

	Note	Total	Initial Properties	Acquisition Properties
Balance as at January 1, 2016		**$ 2,394,739**	**$ 761,479**	**$ 1,633,260**
Additions:				
Acquisition of investment properties		**229,942**	**—**	**229,942**
Building improvements		**27,094**	**10,536**	**16,558**
Lease incentives and initial direct leasing costs		**11,244**	**2,141**	**9,103**
Disposals of investment properties		**(2,141)**	**(2,141)**	**—**
Transfers to disposal groups classified as assets held for sale	15	**(121,335)**	**(121,335)**	**—**
Fair value adjustments to investment properties		**80,315**	**(24,076)**	**104,391**
Change in straight-line rents		**1,883**	**337**	**1,546**
Amortization of lease incentives		**(2,951)**	**(2,085)**	**(866)**
Foreign currency translation loss		**(137,204)**	**(36,183)**	**(101,021)**
Balance as at December 31, 2016		**$ 2,481,586**	**$ 588,673**	**$ 1,892,913**

	Note	Total	Initial Properties	Acquisition Properties
Balance as at January 1, 2015		$ 2,081,100	$ 796,160	$ 1,284,940
Additions:				
Acquisition of investment properties		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
Disposals of investment properties		(252)	(252)	—
Transfers to disposal groups classified as assets held for sale – POBA joint venture assets[1]	15	(69,368)	—	(69,368)
Transfers to disposal groups classified as assets held for sale	15	(96,411)	(96,411)	—
Fair value adjustments to investment properties		68,436	(1,223)	69,659
Change in straight-line rents		1,029	(75)	1,104
Amortization of lease incentives		(2,245)	(1,931)	(314)
Foreign currency translation loss		152,724	49,962	102,762
Balance as at December 31, 2015		$ 2,394,739	$ 761,479	$ 1,633,260

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

During the year ended December 31, 2016, the REIT acquired four office properties for a total of $229,942 (€158,135) including transaction costs (December 31, 2015 – three properties for a total of $237,019 [€164,777]). The acquisitions were partially financed by new mortgages totalling $137,658 (€94,685).

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Investment properties[1]	**$ 229,942**	$ 237,019
Net working capital assumed	**—**	(246)
Accrued transaction costs	**1,140**	(468)
Contributions from non-controlling interest	**—**	1,332
Total cash consideration	**$ 231,082**	$ 237,637

(1) Includes transaction costs.

Investment properties includes $4,341 (December 31, 2015 — $2,458) related to straight-line rent receivables.

During the year ended December 31, 2016, the REIT disposed of 39 investment properties that were acquired in 2011 as part of the Initial Properties, 11 of which were reclassified as assets held for sale as at December 31, 2015. Net proceeds of $97,486 (December 31, 2015 – $104,838) were received on these sales and a loss on sale of $5,482 (December 31, 2015 – $6,079) related to the transaction costs incurred was recorded. As at December 31, 2016, the REIT had entered into binding purchase and sale agreements to sell 11 properties totalling $45,461. These properties have been reclassified as assets held for sale. In total, the REIT also recorded a fair value loss of $12,884 on these properties. (Refer to Note 15 for details on the assets held for sale.)

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

	December 31, 2016
Less than 1 year	$ 176,186
1–5 years	461,587
Longer than 5 years	247,155
Total[1]	$ 884,928

(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, 2016	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	$ 588,673	$ —	$ —	$ 588,673
Acquisition Properties	1,892,913	—	—	1,892,913
Total	$ 2,481,586	$ —	$ —	$ 2,481,586
Non-recurring measurements				
Properties reclassified to assets held for sale	$ 45,461	$ —	$ 45,461	$ —

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, 2016, investment properties valued at $45,461 were transferred out of Level 3 fair value measurements to Level 2 fair value measurements as these properties were under contract for sales as at the balance sheet date.

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. The REIT's management is responsible for determining fair value measurements included in the consolidated financial statements. 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.

In applying the direct income capitalization 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 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, as applicable.

Generally, an increase in stabilized NOI will result in an increase in the fair value of an investment property. The fair value of an investment property has an inverse relationship with capitalization rates: an increase in the capitalization rate will result in a decrease in the fair value, and vice versa. The capitalization rate magnifies the effect of a change in stabilized NOI, and a lower capitalization rate results in a greater impact to fair value than a higher capitalization rate.

In applying the discounted cash flow ("DCF") method, a ten-year hold is assumed, and the projected income and expenditures of a specific property plus the forecasted net proceeds from the sale of the property at the end of the hold period are discounted using a rate which reflects the risk profile of the specific property. The significant assumptions incorporated into the DCF include exit capitalization rates and discount rates:

Discount rate — reflects the internal rate of return of a specific property. The discount rate is determined by analyzing sales of similar properties and yields of alternative investments. Consideration is given to ten-year bond yields and yields of high-quality corporate bonds to which an upward adjustment is made to reflect the increased risk associated with real estate investments and the specific risk associated with each asset.

Exit capitalization rate — based on the initial rate of return applicable to a property adjusted slightly upward to reflect the risk in negotiating new leases, older building age and the risk associated with a future sale.

Growth rate — generally based on the average increase in the consumer price index for Germany over the past three years, the average growth rate used is 2%.

Valuation processes

Initial Properties

During the year ended December 31, 2016, the REIT obtained external valuations for approximately 68%, or $406,074 (€286,593), of the Initial Properties. For the balance of properties, the REIT performed internal valuations. During 2015, 100%, or $761,479 (€506,673), of the Initial Properties portfolio was externally valued. 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, 2016
Valuation method	**Input**	**Range**	**Weighted average**
Discounted cash flow	**Discount rate**	**5.25%–19.50%**	**7.5%**
	Exit capitalization rate	**4.25%–18.50%**	**6.4%**

			December 31, 2015
Valuation method	Input	Range	Weighted average
Discounted cash flow	Discount rate	5.0%–20.5%	7.3%
	Exit capitalization rate	4.0%–19.5%	6.1%

If both the discount rate and exit capitalization rate were to increase by 25 basis points, the value of Initial Properties would decrease by $18,975. If both the discount rate and exit capitalization rate were to decrease by 25 basis points, the value of the Initial Properties would increase by $13,680.

Acquisition Properties

During the year ended December 31, 2016, the REIT obtained external valuations for 100%, or $1,892,912 (€1,335,954), of the Acquisition Properties. During 2015, approximately 40%, or $657,143 (€437,250), was valued externally. For the balance of properties, the REIT performed internal valuations. 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, 2016
Valuation method	**Input**	**Range**	**Weighted average**
Direct income capitalization	**Capitalization rate**	**4.10%–6.56%**	**5.55%**

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

If the capitalization rate were to increase by 25 basis points, the value of Acquisition Properties would decrease by $90,891. If the capitalization rate were to decrease by 25 basis points, the value of Acquisition Properties would increase by $108,732

Note 7

JOINT ARRANGEMENTS AND ASSOCIATES

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

As at December 31, 2016, the REIT has a total of eight Acquisition Properties under a co-ownership arrangement with POBA (POBA joint venture) and one Acquisition Property under a similar co-ownership arrangement with an Asian sovereign wealth fund (Rivergate joint venture). Pursuant to these arrangements, the REIT does not have control of these property subsidiaries and, as such, has classified its 50% interest in the entities as investment in joint ventures 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.

Name	Location	Ownership interest (%) December 31, 2016	December 31, 2015
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**	50
Rivergate joint venture	Vienna, Austria	**50**	50
Lorac Investment Management S.à r.l.	Luxembourg, Luxembourg	**50**	50
Dream Technology Ventures LP	Toronto, Canada	**10**	n/a

Name	Net assets at % ownership interest December 31, 2016	December 31, 2015
Löwenkontor	**$ 23,654**	$ 23,343
Vordernbergstrasse 6/Heilbronner Strasse 35 (Z-UP)	**11,582**	13,973
Speicherstrasse 55 (Werfthaus)	**21,408**	26,106
Derendorfer Allee 4–4a (doubleU)	**19,014**	19,104
Neue Mainzer Strasse 28 (K26)	**29,126**	30,171
ABC-Strasse 19 (ABC Bogen)	**34,748**	39,707
Marsstrasse 20–22	**33,562**	30,405
Liebknechtstr. 33/35, Heßbrühlstr. 7 (Officium)	**23,312**	23,106
Investment in POBA joint venture	**196,406**	205,915
Rivergate joint venture	**68,638**	66,613
Lorac Investment Management S.à r.l.	**199**	192
Dream Technology Ventures LP	**12**	—
Total investment in joint ventures and associates	**$ 265,255**	$ 272,720

Name	Share of net income (loss) at % ownership interest for year ended December 31, 2016	2015
Löwenkontor	**$ 2,750**	$ 6,139
Vordernbergstrasse 6/Heilbronner Strasse 35 (Z-UP)	**2,007**	2,233
Speicherstrasse 55 (Werfthaus)	**1,162**	5,661
Derendorfer Allee 4–4a (doubleU)	**1,830**	3,395
Neue Mainzer Strasse 28 (K26)	**1,032**	350
ABC-Strasse 19 (ABC Bogen)	**4,041**	5,975
Marsstrasse 20–22	**5,560**	5,688
Liebknechtstr. 33/35, Heßbrühlstr. 7 (Officium)	**2,607**	6,383
Share of net income from POBA joint venture	**20,989**	35,824
Rivergate joint venture	**9,970**	(169)
Lorac Investment Management S.à r.l.	**19**	20
Dream Technology Ventures LP	**(167)**	—
Share of net income from investment in joint ventures and associates	**$ 30,811**	$ 35,675

In selling a 50% interest in an Acquisition Property in 2015, the REIT and POBA entered into a co-ownership arrangement regarding the asset. IFRS required the REIT to derecognize the asset and record the gain prior to selling control on 100% of the asset sold. As a result, the REIT recorded a gain of $3,186, including $397 of deferred tax loss.

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 eight properties. As at December 31, 2016, the loan amounted to $378 (December 31, 2015 – $740). During the year ended December 31, 2016, the REIT recorded fee income relating to the POBA and Rivergate joint ventures of $5,226 (year ended December 31, 2015 – $3,150), which is included in interest and other income.

The following amounts represent 100% as well as the Trust's respective share of 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, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Non-current assets				
Investment properties	**$ 739,040**	$ 752,650	**$ 369,520**	$ 376,325
	739,040	752,650	**369,520**	376,325
Current assets				
Amounts receivable	**1,070**	1,830	**535**	915
Prepaid expenses	**80**	96	**40**	48
Cash	**4,916**	5,514	**2,458**	2,757
	6,066	7,440	**3,033**	3,720
Total assets	**745,106**	760,090	**372,553**	380,045
Non-current liabilities				
Debt	**374,024**	373,494	**187,012**	186,747
Deposits	**498**	392	**249**	196
Deferred income tax payable	**17,484**	13,716	**8,742**	6,858
	392,006	387,602	**196,003**	193,801
Current liabilities				
Debt	**6,246**	6,686	**3,123**	3,343
Amounts payable and accrued liabilities	**9,404**	9,330	**4,702**	4,665
Income tax receivable	**(26)**	(22)	**(13)**	(11)
	15,624	15,994	**7,812**	7,997
Total liabilities	**407,630**	403,596	**203,815**	201,798
Net assets	**$ 337,476**	$ 356,494	**$ 168,738**	$ 178,247
Fair value remeasurement on the retained interest			**27,668**	27,668
Investment in POBA joint venture			**$ 196,406**	$ 205,915

	POBA joint venture at 100%		POBA joint venture at 50%	
	Year ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Investment properties revenue	**$ 46,330**	$ 45,568	**$ 23,165**	$ 22,784
Investment properties operating expenses	**(9,348)**	(8,470)	**(4,674)**	(4,235)
Net rental income	**36,982**	37,098	**18,491**	18,549
Other income				
Interest income and other income	**1,804**	866	**902**	433
	1,804	866	**902**	433
Other expenses				
General and administrative	**(5,708)**	(5,374)	**(2,854)**	(2,687)
Interest expense	**(9,452)**	(9,662)	**(4,726)**	(4,831)
	(15,160)	(15,036)	**(7,580)**	(7,518)
Fair value adjustments to investment properties and other activities				
Fair value adjustments to investment properties	**26,356**	62,304	**13,178**	31,152
Debt settlement costs	**(3,310)**	(1,066)	**(1,655)**	(533)
	23,046	61,238	**11,523**	30,619
Income before income taxes	**46,672**	84,166	**23,336**	42,083
Current income tax expense	**2**	(14)	**1**	(7)
Deferred income tax expense	**(4,696)**	(12,504)	**(2,348)**	(6,252)
Net income for the year	**$ 41,978**	$ 71,648	**$ 20,989**	$ 35,824
Foreign currency translation adjustments for the year	**(23,168)**	26,122	**(11,584)**	13,061
Comprehensive income for the year	**$ 18,810**	$ 97,770	**$ 9,405**	$ 48,885

	POBA joint venture at 100%		POBA joint venture at 50%	
	Year ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Cash flow generated from (utilized in):				
Operating activities	**$ 28,484**	$ 19,282	**$ 14,242**	$ 9,641
Investing activities	**(2,756)**	4,566	**(1,378)**	2,283
Financing activities (excluding owners' distributions)	**21,276**	10,074	**10,638**	5,037
Cash flow before owners' distributions	**47,004**	33,922	**23,502**	16,961
Joint ventures' distributions to owners	**(47,600)**	(34,652)	**(23,800)**	(17,326)
Increase (decrease) in cash	**$ (596)**	$ (730)	**$ (298)**	$ (365)

	Rivergate joint venture at 100%				Rivergate joint venture at 50%			
		December 31, 2016		December 31, 2015		**December 31, 2016**		December 31, 2015
Non-current assets								
Investment properties	**$**	**281,602**	$	284,048	**$**	**140,801**	$	142,024
		281,602		284,048		**140,801**		142,024
Current assets								
Amounts receivable		**1,162**		1,292		**581**		646
Cash		**1,784**		3,692		**892**		1,846
		2,946		4,984		**1,473**		2,492
Total assets		**284,548**		289,032		**142,274**		144,516
Non-current liabilities								
Debt		**145,576**		153,970		**72,788**		76,985
Deferred income tax payable		**4,232**		38		**2,116**		19
		149,808		154,008		**74,904**		77,004
Current liabilities								
Amounts payable and accrued liabilities		**2,772**		5,554		**1,386**		2,777
		2,772		5,554		**1,386**		2,777
Total liabilities		**152,580**		159,562		**76,290**		79,781
Net assets	**$**	**131,968**	$	129,470	**$**	**65,984**	$	64,735
Carrying costs attributable to joint venture						**2,654**		1,878
Investment in Rivergate joint venture					**$**	**68,638**	$	66,613

	Rivergate joint venture at 100%				Rivergate joint venture at 50%			
	Year ended December 31,				Year ended December 31,			
		2016		2015		**2016**		2015
Investment properties revenue	**$**	**17,164**	$	686	**$**	**8,582**	$	343
Investment properties operating expenses		**(2,744)**		(102)		**(1,372)**		(51)
Net rental income		**14,420**		584		**7,210**		292
Other income								
Interest income and other income		**(16)**		—		**(8)**		—
		(16)		—		**(8)**		—
Other expenses								
General and administrative		**(1,186)**		(56)		**(593)**		(28)
Interest expense		**(2,904)**		(134)		**(1,452)**		(67)
		(4,090)		(190)		**(2,045)**		(95)
Fair value adjustments to investment properties								
Fair value adjustments to investment properties		**13,986**		(694)		**6,993**		(347)
		13,986		(694)		**6,993**		(347)
Income before income taxes		**24,300**		(300)		**12,150**		(150)
Current income tax expense		**(2)**		—		**(1)**		—
Deferred income tax expense		**(4,358)**		(38)		**(2,179)**		(19)
Net income (loss) for the year	**$**	**19,940**	$	(338)	**$**	**9,970**	$	(169)
Foreign currency translation adjustments for the year		**(8,096)**		(598)		**(4,048)**		(299)
Comprehensive income (loss) for the year	**$**	**11,844**	$	(936)	**$**	**5,922**	$	(468)

	Rivergate joint venture at 100%				Rivergate joint venture at 50%			
	Year ended December 31,				Year ended December 31,			
		2016		2015		**2016**		2015
Cash flow generated from:								
Operating activities	**$**	**7,288**	$	1,674	**$**	**3,644**	$	837
Investing activities		**—**		2,018		**—**		1,009
Financing activities (excluding owners' distributions)		**—**		27,168		**—**		13,584
Cash flow before owners' distributions		**7,288**		30,860		**3,644**		15,430
Joint ventures' distributions to owners		**(9,196)**		(27,168)		**(4,598)**		(13,584)
Increase (decrease) in cash	**$**	**(1,908)**	$	3,692	**$**	**(954)**	$	1,846

Note 8
AMOUNTS RECEIVABLE

		December 31, 2016		December 31, 2015
Trade receivables	$	**5,895**	$	9,966
Less: Provision for impairment of trade receivables		**(1,095)**		(2,127)
Trade receivables, net		**4,800**		7,839
Other amounts receivable		**11,591**		7,867
Total	$	**16,391**	$	15,706

The movement in the provision for impairment of trade receivables for the year ended December 31, 2016 was as follows:

	Year ended December 31,			
		2016		2015
As at January 1	$	**2,127**	$	1,165
Provision for impairment of trade receivables		**165**		1,001
		2,292		2,166
Receivables written off during the year as uncollectible		**(1,197)**		(39)
Total	$	**1,095**	$	2,127

As at December 31, 2016, other amounts receivable include unbilled amounts from tenants in relation to operating cost recoveries of $3,544 (December 31, 2015 – $3,623).

As at December 31, 2016, trade receivables relates primarily to billed amounts to tenants for operating cost recoveries of approximately $4,800, all of which (December 31, 2015 – $4,419) were past due. 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. The carrying amount of amounts receivable approximates fair value due to their current nature.

Note 9
DEBT

		December 31, 2016		December 31, 2015
Mortgage debt	$	**1,023,130**	$	841,101
Convertible debentures		**—**		154,558
Revolving credit facility		**87,139**		29,908
Term loan credit facility(1)		**289,193**		355,325
Total		**1,399,462**		1,380,892
Less: Current portion(1)		**158,352**		56,003
Non-current debt	$	**1,241,110**	$	1,324,889

(1) The current portion of debt includes $26,806 (2015 – $11,209) of the term loan credit facility associated with the assets sold or held for sale. This balance will be paid from the proceeds from disposition when the respective asset sales close as required under terms of the credit facility agreement.

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

Mortgage debt

On February 3, 2016, the Trust drew on a mortgage with a principal balance of $24,884 (€16,260) at a fixed rate of 1.62% per annum, maturing on January 31, 2026, in connection with the acquisition of Friedrichstraße 45, 47, in Essen. The mortgage requires quarterly repayments with a principal amortization of 1.50% per annum of the initial loan amount.

On February 29, 2016, the Trust drew on a mortgage with a principal balance of $14,108 (€9,600) at a fixed rate of 1.07% per annum, maturing on February 28, 2023, in connection with the acquisition of Werner-Eckert-Str. 14, 16, 18, in Munich. The mortgage requires quarterly repayments with a principal amortization of 1.25% per annum of the initial loan amount.

On August 17, 2016, the Trust increased the loan of an existing mortgage by $16,252 (€11,200) at a fixed rate of 1.40% per annum, maturing on December 7, 2022, in connection with Greifswalder Str. 154–156, in Berlin. The mortgage requires quarterly repayments with a principal amortization of 3.25% per annum of the initial loan amount.

On August 25, 2016, the Trust increased the loan of an existing mortgage on Reichskanzler-Müller-Str. 21–2, in Mannheim, by $3,364 (€2,307), while reducing the overall face rate of the entire mortgage from 3.32% to 3.07%.

On October 31, 2016, the Trust drew on a mortgage with a principal balance of $51,165 (€34,825) at a fixed rate of 1.20% per annum, maturing on September 30, 2024, in connection with the acquisition of Gleiwitzer Str. 555, an office property located in Nuremberg, Germany. The mortgage requires quarterly repayments with a principal amortization of 3.25% per annum of the initial loan amount.

On December 21, 2016, the Trust drew on a mortgage with a principal balance of $47,501 (€34,000) at a fixed rate of 1.36% per annum, maturing on December 21, 2023, in connection with the acquisition of Flughafenallee 13–17, an office property located in Bremen, Germany. The mortgage requires no principal amortization over the term of the loan.

In addition, the REIT has completed the following twelve refinancings in the period from August 26, 2016 to December 27, 2016:

Property name	Financing date	New maturity date	New loan amount	Deferred financing costs incurred	New face rate	New principal amortization rate per annum	Cancellation charge	Unamortized deferred financing costs written off	Total debt settlement costs
Oasis III, Stuttgart	August 26, 2016	August 4, 2025	€ 26,200	€ 140	1.37%	2.00%	€ 490	€ 156	€ 646
Schlossstrasse 8, Hamburg	August 26, 2016	August 4, 2025	25,500	127	1.33%	2.00%	237	85	322
Am Sandtorkai 37, Hamburg	August 26, 2016	August 4, 2024	19,500	108	1.38%	2.00%	167	100	267
Bertoldstrasse 48/ Sedanstrasse 7, Frankfurt	September 1, 2016	August 31, 2026	22,000	131	1.31%	1.50%	1,486	134	1,620
Werner-Eckert-Straße, Munich	September 1, 2016	February 28, 2023	9,900	73	0.79%	1.25%	285	96	381
Lörracher Strasse 16/16a, Frankfurt	September 1, 2016	August 31, 2026	6,000	48	1.31%	1.50%	419	38	457
Am Stadtpark 2 (Parcside), Nuremberg	September 1, 2016	August 31, 2026	16,100	100	1.31%	1.50%	1,209	111	1,320
Westendstrasse 160–162/ Barthstrasse, Munich	September 1, 2016	August 31, 2026	18,300	112	1.31%	1.50%	1,201	106	1,307
Feldmühleplatz 1, Düsseldorf	September 27, 2016	September 22, 2023	54,000	353	1.24%	nil%	1,385	287	1,672
Leopoldstrasse 252, Munich	December 9, 2016	November 30, 2024	23,000	179	1.46%	1.50%	592	85	677
Dillwächterstrasse 5/ Tübinger Strasse 11, Munich	December 9, 2016	November 30, 2024	14,000	118	1.50%	1.50%	549	76	625
Hammer Strasse 30–34, Hamburg	December 27, 2016	December 27, 2024	30,000	304	1.11%	nil%	297	117	414
			€ 264,500	€ 1,793	1.29%	1.15%	€ 8,317	€ 1,391	€ 9,708
			$ 383,446	$ 2,589	1.29%	1.15%	$ 12,126	$ 2,022	$ 14,147

In total, the REIT repaid $291,334 (€200,694) with new mortgages of $383,446 (€264,500), at a blended fixed rate of 1.29% per annum. The mortgages require quarterly repayments with a blended principal amortization of 1.15% per annum of the initial loan amount. The refinancings carried total cancellation charges of $12,125 (€8,317). Except for Hammer Strasse 30–34, Hamburg, for which the cancellation charge was paid in cash, the cancellation charge for the others amounting to $11,707 (€8,020) were recorded as amounts payable and accrued liabilities. They are to be paid along with the regular mortgage repayments over the term of the loans. Together with the unamortized deferred financing costs of the old mortgages of $2,022 (€1,391), the REIT incurred debt settlement costs of $14,147 (€9,708).

Convertible debentures

On August 3, 2011, the Trust issued a $140,000 principal amount of the 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. 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.

On September 15, 2016, the Trust redeemed $160,975, being all of the principal outstanding of the Debentures as at that date and paid the accrued interest of $1,092, totalling $162,067 in cash. Prior to the redemption, $25 Debentures were converted into 1,923 REIT Units on exercise of a debenture holder's right to convert. As a result of the redemption, the REIT incurred a debt settlement cost of $6,114, comprising $2,164 of unamortized deferred financing costs, $2,634 of unamortized initial discount on convertible debentures, $1,322 loss on redemption of conversion feature of the convertible debentures, offset by a gain of $6 on an earlier redemption. As at December 31, 2016, the outstanding principal amount was $nil (December 31, 2015 – $161,000).

Term loan credit facility

On December 14, 2015, the Trust fully refinanced the then term loan credit facility in the amount of $316,352 (€208,965) by a new term loan credit facility (the "New Facility") for gross proceeds of $369,543 (€244,100). 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 $12,680 (€8,376).

The New Facility includes covenants requiring the Trust to maintain certain loan-to-value and debt service coverage ratios, each of which is 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, 2016, 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 three, a prepayment fee of 2.0% is payable, which subsequently drops to 1.5% in year four, and no prepayment fee is payable in the final year of the New Facility. As of December 31, 2016, the Trust is in compliance with the terms of the New Facility.

During the year ended December 31, 2016, the REIT repaid $48,720 (€34,121) in connection with the disposition of 39 properties in accordance with the terms of the New Facility. At the same time, the REIT also wrote off the unamortized deferred financing costs associated with the debt and recorded them as debt settlement costs. For the year ended December 31, 2016, the amount charged was $1,379.

Revolving credit facility

On November 20, 2015, the REIT increased its revolving credit facility to €100,000, 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 $1,277 as at December 31, 2016. 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, 2016, the outstanding balance of the credit facility was $87,139 (€61,500) and the Trust was in compliance with the covenants of the revolving credit facility. As at December 31, 2016, the Trust had an undrawn letter of credit in the amount of $1,700 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, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015	Maturity dates	**December 31, 2016**	December 31, 2015
Fixed rate							
Mortgage debt	**1.64%**	2.17%	**1.82%**	2.47%	2017–2026	**$ 986,512**	$ 801,834
Convertible debentures	**—**	5.50%	**—**	7.31%	2018	**—**	154,558
Total fixed rate debt	**1.64%**	2.71%	**1.82%**	3.25%		**986,512**	956,392
Variable rate							
Mortgage debt(1)	**0.95%**	0.95%	**1.17%**	1.17%	2022	**36,618**	39,267
Revolving credit facility	**3.00%**	3.00%	**3.00%**	3.00%	2016	**87,139**	29,908
Term loan credit facility(1)	**2.25%**	2.25%	**3.16%**	3.01%	2020	**289,193**	355,325
Total variable rate debt	**2.29%**	2.18%	**2.95%**	2.84%		**412,950**	424,500
Total debt	**1.83%**	2.55%	**2.15%**	3.13%		**$ 1,399,462**	$ 1,380,892

(1) Subject to interest rate cap.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term loan	Revolving credit facility	Total
2017	$ 44,407	$ 26,806	$ 87,139	$ 158,352
2018	12,719	—	—	12,719
2019	14,007	—	—	14,007
2020	103,151	270,713	—	373,864
2021	12,436	—	—	12,436
2022 and thereafter	847,100	—	—	847,100
	$ 1,033,820	$ 297,519	$ 87,139	1,418,478
Transaction costs				(19,016)
				$ 1,399,462

Note 10

DERIVATIVE FINANCIAL INSTRUMENTS

	Note	**December 31, 2016**	December 31, 2015
Interest rate caps	23	**$ 1,453**	$ 4,377
Foreign exchange forward contracts	23	**11,353**	(11,284)
Conversion feature on the convertible debentures	23	**—**	(33)
Total		**$ 12,806**	$ (6,940)

	December 31, 2016	December 31, 2015
Current assets		
Foreign exchange forward contracts	**$ 2,392**	$ —
	2,392	—
Non-current assets		
Interest rate cap	**1,453**	4,377
Foreign exchange forward contracts	**8,961**	—
	10,414	4,377
Total derivative assets	**12,806**	4,377
Current liabilities		
Foreign exchange forward contracts	**—**	(5,022)
	—	(5,022)
Non-current liabilities		
Foreign exchange forward contracts	**—**	(6,262)
Conversion feature on the convertible debentures	**—**	(33)
	—	(6,295)
Total derivative liabilities	**—**	(11,317)
Total derivative financial instruments	**$ 12,806**	$ (6,940)

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

	For the year ended December 31, 2016
Balance at beginning of year	$ (33)
Remeasurement of conversion feature on redemption date	1,355
Redemption of conversion feature	(1,322)
Balance at end of year	$ —

The movement in the interest rate caps was as follows:

	For the year ended December 31, 2016
Balance at beginning of year	$ 4,377
Fair value change	(2,793)
Foreign currency translation	(131)
Balance at end of year	$ 1,453

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 €185,752 from January 2017 to December 2019 at an average exchange rate of $1.513 per euro.

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

	For the year ended December 31, 2016
Balance at beginning of year	$ (11,284)
Loss on settlement	2,516
Fair value change	20,121
Balance at end of year	$ 11,353

Note 11

DEFERRED UNIT INCENTIVE PLAN

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

As at January 1, 2015	$	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
Compensation during the year		2,152
Asset management fees during the year		1,613
Issue of deferred units		(918)
Remeasurements of carrying value		3,493
As at December 31, 2016	$	20,490

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. As of August 2016, DAM started receiving cash for base asset management fees payable on the Initial Properties, instead of deferred trust units.

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 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, 2016	For the year ended December 31, 2015
Risk-free rate	**0.82%–1.44%**	0.56%–1.10%
Expected volatility	**18%–21%**	17%–36%

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, 2016
Units at December 31, 2016, closing price of $9.45 per unit	**$**	**20,169**
Discount rate of 17% per unit for units issued in 2011		**(190)**
Discount rate of 20% per unit for units issued in 2012		**(646)**
Discount rate of 22% per unit for units issued in 2013		**(794)**
Discount rate of 26% per unit for units issued in 2014		**(1,078)**
Discount rate of 28% per unit for units issued in 2015		**(1,108)**
Discount rate of 38% per unit for units issued in 2016		**(1,037)**
	$	**15,316**

		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

During the year ended December 31, 2016, $1,613 of asset management fees were recorded (December 31, 2015 – $1,870) 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 341,945 deferred trust units during the period (December 31, 2015 – 403,819). No deferred trust units were granted on January 1, 2017 (January 1, 2016 – 23,866) as DAM started receiving cash for base asset management fees for the Initial Properties in August 2016. As at January 1, 2017, 2,134,289 unvested deferred trust units and income deferred units (January 1, 2016 – 1,792,344) were outstanding with respect to the asset management fee. Compensation expense of $2,152 for the year (December 31, 2015 – $1,972) was also included in general and administrative expenses.

In 2016, 178,366 deferred trust units were granted to senior management and trustees. The grant date value for the deferred trust units ranged from $7.97 to $9.40.

Note 12
AMOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2016		December 31, 2015
Trade payables	**$**	**8,999**	$	4,199
Accrued liabilities and other payables		**36,500**		26,568
Accrued interest		**1,016**		4,846
Total	**$**	**46,515**	$	35,613

Accrued liabilities and other payables include $10,990 (2015 – $nil) of mortgage cancellation charges. These charges will be paid along with regular mortgage payments over the term of the loans.

Note 13
DISTRIBUTIONS

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

		2016		2015
Paid in cash	**$**	**81,617**	$	76,535
Paid by way of reinvestment in Units		**12,793**		13,745
Less: Payable at January 1		**(7,535)**		(7,431)
Plus: Payable at December 31		**8,364**		7,535
Total	**$**	**95,239**	$	90,384

The distribution for the month of December 2016 in the amount of 6.67 cents per unit, declared on December 19, 2016 and payable on January 15, 2017, amounted to $8,364. The amount payable as at December 31, 2016 was satisfied on January 15, 2017 by $7,286 cash and $1,078 through the issuance of 118,761 Units. The distribution for the month of January was declared in the amount of 6.67 cents per unit. It was paid on February 15, 2017. The February 2017 distribution was declared in the amount of 6.67 cents per unit on February 16, 2017, payable on March 15, 2017.

The Trust declared distributions of 6.67 cents per unit per month for the months of January 2016 to December 2016.

Note 14
EQUITY

	December 31, 2016		December 31, 2015	
	Number of Units	**Amount**	Number of Units	Amount
Total	**125,456,199**	**$ 1,357,724**	113,024,465	$ 1,289,158

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.

Public offering of REIT Units
On August 6, 2016, the REIT completed a public offering of 10,867,500 Units, including an overallotment option, at a price of $9.00 per unit. The Trust received gross proceeds of $97,808. Costs related to the offering totalled $4,763 and were charged directly to unitholders' equity.

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, 2016, 1,452,789 Units were issued pursuant to the DRIP for $12,793 (December 31, 2015 – 1,493,617 Units for $13,745).

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, 2016, 2,122 Units were issued under the Unit Purchase Plan for $19 (December 31, 2015 – 2,231 Units for $20).

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, 2016, 3,170,920 deferred trust units were granted.

For the year ended December 31, 2016, 107,400 Units were issued to trustees, officers and employees pursuant to the DUIP for $918 (December 31, 2015 – 61,920 Units for $576).

Note 15

ASSETS HELD FOR SALE

As at December 31, 2016, the Trust classified 11 properties as held for sale. Management has committed to a plan of sale, and therefore the properties have been reclassified as assets held for sale.

		December 31, 2016		December 31, 2015
Investment properties	**$**	**45,461**	$	32,549
Prepaid expenses and other assets		**261**		306
Assets held for sale		**45,722**		32,855
Amounts payable and accrued liabilities		**(923)**		(521)
Liabilities related to assets held for sale		**(923)**		(521)
Net assets	**$**	**44,799**	$	32,334

Investment properties held for sale

		For the year ended December 31, 2016		For the year ended December 31, 2015
Balance at beginning of year	**$**	**32,549**	$	42,898
Building improvements		**32**		50
Lease incentives and initial direct leasing costs		**2**		—
Investment properties reclassified as held for sale		**121,335**		96,411
Investment properties reclassified as held for sale – POBA joint venture assets		**—**		69,368
Change in straight-line rents		**(1)**		5
Dispositions		**(100,826)**		(110,665)
Dispositions – POBA joint venture assets		**—**		(69,368)
Foreign currency translation		**(7,630)**		3,850
Balance at end of year	**$**	**45,461**	$	32,549

Note 16

INTEREST EXPENSE

Interest on debt

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

	Year ended December 31,			
		2016		2015
Interest on term loan credit facility	**$**	**8,065**	$	8,259
Interest on convertible debentures		**6,223**		8,862
Interest on mortgage debt		**17,639**		16,773
Interest and stand-by fees on revolving credit facility		**2,630**		898
Amortization of financing costs, discounts and fair value adjustments on acquired debt		**6,192**		4,459
Interest other		**61**		106
Interest expense	**$**	**40,810**	$	39,357

Note 17

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

		Year ended December 31,			
	Note		**2016**		2015
Fair value gain (loss) on interest rate swaps and caps	10	**$**	**(2,793)**	$	3,778
Fair value gain on conversion feature of convertible debentures	10		**1,355**		125
Fair value loss on Deferred Unit Incentive Plan	11		**(3,493)**		(1,520)
Fair value gain (loss) on foreign exchange forward contracts	10		**20,121**		(13,417)
Fair value gain (loss) adjustment to financial instruments		**$**	**15,190**	$	(11,034)

Note 18

INCOME TAXES

Reconciliation of tax expense

	Year ended December 31,	
	2016	2015
Income before income taxes	**$ 170,499**	$ 162,432
Income attributable to shareholders of subsidiaries	**(1,601)**	(1,079)
Income before income taxes attributable to Unitholders of the Trust	**168,898**	161,353
Tax calculated at the German corporate tax rate of 15.825%	**26,728**	25,534
Increase (decrease) resulting from:		
Income related to equity accounted investments	**(3,747)**	(5,099)
Effect of different tax rates in countries in which the group operates	**(488)**	(487)
Income distributed and taxable to unitholders	**(9,412)**	(4,750)
Tax benefits (costs) not previously recognized	**(30)**	396
Impact from sale of assets	**—**	(348)
Taxes not based on profit – minimum taxes	**199**	256
Change in unrecognized deferred tax asset	**15,511**	—
Foreign exchange adjustment and other items	**404**	1,104
Provision for income taxes	**$ 29,165**	$ 16,606

German deferred income tax assets (liabilities) consist of the following:

	December 31, 2016	December 31, 2015
Deferred tax liability related to difference in tax and book basis of investment properties	**$ (65,350)**	$ (42,158)
Deferred tax asset (liability) related to difference in tax and book basis of financial instruments	**307**	(45)
Deferred tax asset related to tax loss carry-forwards	**16,357**	22,713
Deferred tax liability related to differences in tax and book basis of financing costs	**(778)**	(1,108)
Deferred tax liability related to investment in joint venture	**(43)**	(46)
Total deferred income tax liabilities	**$ (49,507)**	$ (20,644)

Austrian and Luxembourg deferred income tax assets consist of the following:

	December 31, 2016	December 31, 2015
Deferred tax asset related to tax loss carry-forwards for Austria	**$ 4**	$ 61
Deferred tax asset related to tax loss carry-forwards for Luxembourg	**4,676**	3,727
Total deferred income tax assets	**$ 4,680**	$ 3,788

As at December 31, 2016, there were unused tax losses of $98,015, for which no deferred tax asset is recognized (December 31, 2015 – $nil).

Note 19

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 93 cents 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 had 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. As of August 2016, DAM started receiving cash for base asset management fees payable on the Initial Properties, instead of 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,	
	2016	2015
Incurred under the Asset Management Agreement:		
Asset management fees in deferred units (included in general and administrative expenses)	**$ 1,613**	$ 1,870
Asset management fees in cash (included in general and administrative expenses)	**8,647**	6,385
Asset acquisition fees (capitalized as acquisition costs, and then written off on remeasurement of investment properties)	**1,705**	2,588
Financing fees (included in debt/unitholders' equity)	**490**	553
Reimbursement for out-of-pocket and incidental costs (included in general and administrative expenses)	**1,002**	918
Total incurred under the Asset Management Agreement	**$ 13,457**	$ 12,314

As at December 31, 2016, the Trust has recorded $3,195 (December 31, 2015 – $3,794) in amounts payable and $1,472 (December 31, 2015 – $117) 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. As of January 1, 2016, the shared services agreements were amended such that future funding costs incurred in respect of technology personnel and technology-related platforms cease subsequent to December 31, 2015. There were no other material changes to the agreement.

Effective January 1, 2016, a limited partnership (Dream Technology Ventures LP or "DTV LP") was established by a wholly owned subsidiary of DAM acting as general partner and DAM, Dream Office REIT, Dream Industrial REIT, Dream Global REIT, and Dream Alternatives as Limited Partners. Each of the Limited Partners, including Dream Global REIT, will fund DTV LP for costs incurred relating to technology personnel and technology-related platforms and will license the technology through DTV LP. The REIT accounted for this investment in an associate using the equity method and it is included in investment in joint venture and associates.

	Year ended December 31,	
	2016	2015
Incurred under the Shared Services and Cost Sharing Agreement:		
Branding, process improvements and technology transformations (included in general and administrative)	**$ 491**	$ 347
Total incurred under the Shared Services and Cost Sharing Agreement	**$ 491**	$ 347

The Trust's future commitment under the Shared Services and Cost Sharing Agreement over the remaining term to 2017 is $nil.

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, 2016, the non-controlling interest and net income attributable to DAM amounted to $10,275 (December 31, 2015 – $9,308) and $1,601 (December 31, 2015 – $1,079), respectively. As part of the co-investing transactions, the Trust provided interest bearing loans to DAM for financing its equity interests, bearing interest at 8.5% per annum for a ten-year term. As at December 31, 2016, the notes receivable outstanding and interest accrued amounted to $6,250 (December 31, 2015 – $6,621) and $1,139 (December 31, 2015 – $636), respectively.

Note 20

SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended December 31,	
Cash provided by (used in)	**2016**	2015
Amounts receivable	**$ (314)**	$ 1,317
Prepaid expenses and other assets	**168**	(889)
Amounts payable and accrued liabilities	**(9,386)**	(10,704)
Tenant deposits	**1,071**	633
Change in non-cash operating working capital	**$ (8,461)**	$ (9,643)

The following amounts were paid on account of interest:

	Year ended December 31,	
	2016	2015
Debt	**$ 38,450**	$ 33,871

Note 21

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, 2016, the REIT's future minimum commitments under operating leases are as follows:

		Operating lease payments
No longer than 1 year	$	918
1–5 years		612
Longer than 5 years		—
Total	$	1,530

During the year ended December 31, 2016, the Trust paid $1,026 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 $15,370.

Note 22

CAPITAL MANAGEMENT

At December 31, 2016, 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 80 cents 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 23

RISK MANAGEMENT

Interest rate risk

The Trust has exposure to interest rate risk as a result of its term loan credit facility, revolving credit facility and mortgage debt that is subject to 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 caps to mitigate the impact of interest rate increases on the variable rate debt.

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

		Interest rate risk			
	Carrying	-1 %		+1 %	
	amount	Income	Equity	Income	Equity
Financial assets					
Cash[1]	$ 50,283	$ (503)	$ (503)	$ 503	$ 503
Financial liabilities					
Mortgage debt	36,618	366	366	(366)	(366)
Revolving credit facility	87,139	871	871	(871)	(871)
Term loan credit facility[2]	$ 289,193	$ 2,892	$ 2,892	$ (2,892)	$ (2,892)

(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.

Interest rate derivatives

The following table provides details on the interest rate derivatives outstanding as at December 31, 2016:

Hedging item	Notional	Rate	Maturity	Carrying value
Interest rate cap	$365,596	1.03%	2020–2022	$1,453
Total	**$365,596**			**$1,453**

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, the Trust has entered into various foreign exchange forward contracts, and currently holds contracts to sell €185,752 from January 2017 to December 2019 at an average exchange rate of $1.513 per euro.

Foreign currency derivatives

The following table provides details on foreign currency forward contracts outstanding as at December 31, 2016 and December 31, 2015:

				For the year ended December 31, 2016	
Hedging currency	**Notional**	**Blended exchange rate**	**Forward contracts start date**	**Forward contracts end date**	**Carrying value**
Euro	**€ 185,752**	**1.513**	**January 17, 2017**	**December 16, 2019**	**$ 11,353**

				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)

The Trust does not use derivatives for speculative purposes.

Credit risk

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.

Liquidity risk

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.

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 (except as described in Note 7 – "Investment properties"), 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, 2016	Fair value as at December 31, 2016		
		Level 1	**Level 2**	**Level 3**
Recurring measurements				
Financial assets				
Interest rate caps	**$ 1,453**	**$ —**	**$ 1,453**	**$ —**
Foreign exchange forward contracts	**11,353**	**—**	**11,353**	**—**
Fair values disclosed				
Mortgage debt	**(1,023,130)**	**—**	**—**	**(1,021,206)**

	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 swaps	$ 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)

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, except for certain investment properties. There were no transfers in or out of Level 3 fair value measurements during the year.

The Trust uses the following techniques to determine the fair value measurements disclosed above:

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 the 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	
	+5%	-5%	+1%	-1%
Increase (decrease) in fair value as at December 31, 2016	$ 140	$ (136)	$ 3,765	$ (428)

Foreign currency derivatives

The fair value of foreign currency derivatives was determined using forward exchange market rates ranging from $1.417 to $1.488 to €1 at the measurement date, with the resulting value discounted back to present value using the risk-free Canadian bond rate of 0.73%, plus a credit spread of 300 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	
	+5%	-5%
Increase (decrease) in fair value as at December 31, 2016	$ 12,778	$ (12,778)

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, 2016 has been calculated by discounting the expected cash flows of each debt using discount rates ranging from 0.98% to 1.99%. 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.

Appendix

Address	City	Ownership	Owned GLA (sq. ft.)	Occupancy (%)
Acquisition Properties:				
Gleiwitzer Straße 555 (Siemens Campus)	Nürnberg	100%	579,777	100.0%
Millerntorplatz 1	Hamburg	100%	387,017	82.2%
Airbus-Allee 3-5 (Europa Center)	Bremen	100%	358,906	85.6%
Im Mediapark 8 (Cologne Tower)	Köln	95%	296,735	96.7%
1200 Wien, Handelskai 92 (Rivergate)	Vienna	50%	287,144	93.7%
Karl-Martell-Straße 60 (Ergo Direkt Building)	Nürnberg	100%	268,931	100.0%
Feldmuhleplatz 1+15	Düsseldorf	95%	246,376	100.0%
Greifswalder Str. 154-156 (Goldpunkt Haus)	Berlin	100%	242,823	98.3%
Straßenbahnring 15, 17-19/Hoheluftchausee 18-20/Lehmweg 8, 8a, 7 (My Falkenried)	Hamburg	100%	226,932	99.8%
Moskauer Str. 25-27 (M25)	Düsseldorf	100%	217,282	96.2%
Robert-Bosch-Str. 9-11 (Europahaus)	Darmstadt	100%	214,794	99.0%
Podbielskistraße 158-168 (Grammophon Office Park)	Hannover	100%	213,205	96.2%
Cäcilienkloster 2, 6, 8, 10 (Cäcilium)	Köln	100%	200,915	99.2%
Heilbronner Strasse/Leitzstrasse 45 (Oasis III)	Stuttgart	100%	172,692	87.1%
Hammer Str. 30-34	Hamburg	100%	172,306	100.0%
Zimmerstrasse 56/Schützenstrasse 15-17 (Zimmer 56)	Berlin	95%	169,424	99.5%
Schlossstr. 8	Hamburg	100%	165,801	94.5%
Leopoldstr. 252	München	100%	155,180	97.4%
Am Fernmeldeamt, Friedrichstr. 45-47/Am Europa Center 8-10	Essen	100%	147,184	93.5%
Liebknechtstraße 33/35, Heßbrühlstraße 7 (Officivm)	Stuttgart	50%	134,736	95.8%
Anger 81, Krämpferstraße 2, 4, 6	Erfurt	100%	131,056	93.2%
Beuthstraße 6-8/Seydelstraße 2-5 (Löwenkontor)	Berlin	50%	129,179	98.5%
Westendstr. 160-162/Barthstr. 24-26	München	100%	124,932	81.9%
Bertoldstr. 48/Sedanstr. 7	Freiburg	100%	121,553	100.0%
Marsstraße 20-22	München	50%	115,400	99.5%
Am Sandtorkai 37 (Humboldt-Haus)	Hamburg	100%	113,391	78.5%
Reichskanzler-Müller-Str. 21-25	Mannheim	100%	100,613	97.7%
Am Stadtpark 2	Nürnberg	100%	94,649	95.3%
Dillwächterstr. 5/Tübinger Str. 11	München	100%	81,714	99.2%
ABC-Str. 19 (ABC Bogen)	Hamburg	50%	79,244	99.7%
Speicherstr. 55 (Werfthaus)	Frankfurt	50%	75,914	97.2%
Werner-Eckert-Straße 14, 16, 18	München	100%	71,469	96.6%
Derendorfer Allee 4 (douleU)	Düsseldorf	50%	71,114	84.0%
Werner-Eckert-Straße 8-12	München	100%	64,772	89.8%
Neue Mainzer Str. 28 (K26)	Frankfurt	50%	61,765	91.8%
Lörracher Str. 16/16a	Freiburg	100%	57,606	98.9%
Vordernbergstr. 6/Heilbronner Str. 35 (Z-Up)	Stuttgart	50%	44,266	100.0%
Total Acquisition Properties			**6,396,796**	**96.3%**
Initial Properties:				
Grüne Str. 6-8/Kurfürstenstr. 2	Dortmund	100%	299,567	100.0%
Am Hauptbahnhof 16-18	Saarbrücken	100%	293,737	36.6%
Kurfürstenallee 130	Bremen	100%	203,949	87.8%
Poststr. 4-6, Göbelstr. 30, Bismarckstr.	Darmstadt	100%	197,428	79.5%
Karlstal 1-21/Werftstr. 201	Kiel	100%	180,794	95.7%
Franz-Zebisch-Str. 15	Weiden	100%	166,601	100.0%
E.-Kamieth-Str. 2 b	Halle	100%	161,105	55.8%
Bahnhofstr. 82-86	Gießen	100%	149,499	55.7%
Czernyring 15	Heidelberg	100%	131,776	76.4%
Marienstr. 80	Offenbach am Main	100%	114,114	96.1%
Rüppurrer Str. 81, 87, 89/Ettlinger 67	Karlsruhe	100%	111,778	97.0%
Gerokstr. 14-20	Dresden	100%	110,755	86.9%
Hindenburgstr. 9/Heeserstr. 5	Siegen	100%	102,410	83.7%
Friedrich-Karl-Str. 1-7	Oberhausen	100%	97,606	93.7%
Blücherstr. 12	Koblenz	100%	94,569	67.6%
Pausaer Str. 1-3	Plauen	100%	87,164	76.6%
Klubgartenstr. 10	Goslar	100%	86,572	55.5%

Address	City	Ownership	Owned GLA (sq. ft.)	Occupancy (%)
Am Hauptbahnhof 2	Mülheim	100%	84,303	81.1%
Husemannstr. 1	Gelsenkirchen	100%	80,591	94.0%
Kapellenstr. 44	Einbeck	100%	80,500	68.3%
Kommandantenstr. 43-51	Duisburg	100%	80,122	100.0%
Stresemannstr. 15	Wuppertal	100%	79,478	78.0%
Bahnhofsring 2	Leer	100%	78,627	81.6%
Kaiser-Karl-Ring 59-63/Dorotheenstr.	Bonn	100%	75,815	99.8%
Bürgerreuther Str. 1	Bayreuth	100%	75,534	100.0%
Bahnhofplatz 10	Fürth	100%	73,818	74.5%
77er Str. 54	Celle	100%	73,391	52.0%
Wiener Str. 43	Stuttgart	100%	72,192	91.8%
Kaiserstr. 24	Gütersloh	100%	69,935	83.1%
Bahnhofsplatz 2, 3, 4, Pepperworth 7	Hildesheim	100%	68,117	66.4%
Rathausplatz 2	Wilhelmshaven	100%	64,970	97.2%
Joachim-Campe-Str. 1.3/5/7, Posthof	Salzgitter	100%	62,041	74.6%
Am Bahnhof 5	Zwickau	100%	60,738	66.9%
Ostbahnstr. 5	Landau	100%	53,645	97.1%
Poststr. 5-7	Heide	100%	53,363	91.9%
Bahnhofsplatz 9	Emden	100%	53,327	97.9%
Friedrich-Ebert-Str. 75-79	Bremerhaven	100%	52,165	80.4%
Baarstr. 5	Iserlohn	100%	51,027	92.8%
Rathausplatz 4	Lüdenscheid	100%	49,529	26.7%
Schützenstr. 17, 19	Peine	100%	46,532	48.8%
Willy-Brandt-Str. 6	Auerbach	100%	46,512	56.3%
Stembergstr. 27-29	Arnsberg	100%	45,820	98.8%
Poststr. 14	Rastatt	100%	45,659	92.4%
Bahnhofplatz 3, 5	Heidenheim	100%	45,656	86.0%
Poststr. 2	Gummersbach	100%	45,558	97.6%
Lippertor 6	Lippstadt	100%	44,341	93.4%
Südbrede 1-5	Ahlen	100%	44,130	79.5%
Bahnhofstr. 169	Bietigheim-Bissingen	100%	43,620	98.3%
Vegesacker Heerstr. 111	Bremen	100%	43,484	84.6%
Koblenzer Str. 67	Bonn	100%	43,157	100.0%
Kardinal-Galen-Ring 84/86	Rheine	100%	42,191	97.5%
Martinistr. 19	Recklinghausen	100%	41,847	97.3%
Kalkumer Str. 70	Düsseldorf	100%	41,781	55.4%
Falkenbergstr. 17-23	Norderstedt	100%	41,249	98.1%
Balhornstr. 15, 17/B. Köthenbürger-Str.	Paderborn	100%	40,927	92.7%
August-Bebel-Str. 6	Torgau	100%	40,745	86.5%
Cavaillonstr. 2	Weinheim	100%	40,648	88.2%
Hauptstr. 279/Hommelstr. 2	Idar-Oberstein	100%	39,192	57.2%
Bismarckstr. 21-23	Bünde	100%	38,761	95.6%
Hindenburgstr. 8/Hohenstauf 9, 17, 19	Bocholt	100%	37,925	98.8%
Steinerother Str. 1 U 1a	Betzdorf	100%	37,679	94.9%
Heinrich-von-Stephan-Platz 6	Naumburg	100%	37,612	91.0%
Mühlenstr. 5-7	Delmenhorst	100%	37,266	85.7%
Apostelweg 4-6	Hamburg	100%	36,273	97.3%
Brückenstr. 21	Neunkirchen	100%	35,971	100.0%
Kurt-Schumacher-Str. 5	Lünen	100%	35,290	100.0%
Lilienstr. 3	Leipzig	100%	35,234	97.3%
Stadtring 3-5	Nordhorn	100%	35,189	80.5%
Gerstenstr. 5	Neubrandenburg	100%	34,347	100.0%
Ölmühlweg 12	Königstein	100%	33,716	100.0%
Worthingtonstr. 15	Crailsheim	100%	33,136	100.0%
Palleskestr. 38	Frankfurt am Main	100%	33,119	83.6%
Hellersdorfer Str. 78	Berlin	100%	33,013	76.0%
Markendorfer Str. 10	Frankfurt an der Oder	100%	32,330	97.5%
Bahnhofstr. 6/Luisenstr. 4-5	Villingen-Schwenningen	100%	32,191	96.5%
Bahnhofsplatz 2	Herborn	100%	29,746	90.6%
Poststr. 24-26	Ratingen	100%	29,445	100.0%
Bahnhofstr. 29	Meppen	100%	29,056	89.7%

Address	City	Ownership	Owned GLA (sq. ft.)	Occupancy (%)
Poststr. 12	Lehrte	100%	28,764	97.6%
Dr.-Friedrich-Uhde-Str. 18	Einbeck	100%	27,793	64.8%
Poststr. 1-3	Korbach	100%	27,577	99.8%
Poststr. 48	St Ingbert	100%	27,051	86.6%
Bahnhofstr. 2	Gifhorn	100%	26,922	92.2%
Ruthenstr. 19/21	Hameln	100%	26,895	92.9%
Wilhelmstr. 11/Kamperdickstr. 29	Kamp-Lintfort	100%	26,159	93.9%
Kaiserstr. 140	Radevormwald	100%	25,643	73.8%
In der Trift 10/12	Olpe	100%	24,894	93.5%
Bahnhofstr. 6	Quakenbrück	100%	24,446	97.1%
Alleestr. 6	Neustadt	100%	23,495	100.0%
Uferstr. 2	Höxter	100%	23,248	79.3%
Poststr. 19-23	Hilden	100%	22,454	86.7%
Brückenstr. 26	Miltenberg	100%	22,017	88.9%
Lindenstr. 15	Landstuhl	100%	21,726	99.2%
Innungsstr. 57-59	Berlin	100%	21,187	100.0%
Wilhelmstr. 5	Ibbenbüren	100%	21,031	100.0%
Geistmarkt 17	Emmerich	100%	20,942	100.0%
Steinstr. 6	Pulheim	100%	20,670	100.0%
Am Markt 4-5	Norden	100%	20,668	80.9%
Saarbrücker Str. 292-294	Saarbrücken	100%	20,433	92.0%
Speckweg 24-26	Mannheim	100%	20,128	89.8%
Lübecker Str./Wedringer Str. o. Nr.	Magdeburg	100%	19,454	100.0%
Ooser Karlstr. 21/23/25	Baden-Baden	100%	19,444	92.9%
Güterstr. 2-4	Bitburg	100%	19,340	99.3%
Lagerstr. 1	Meschede	100%	18,683	100.0%
Friedrichstr. 2	Monheim	100%	18,156	100.0%
Königstr. 20	Brilon	100%	17,733	100.0%
Kornmarkt 15	Osterode	100%	17,690	45.5%
Marktstr. 51	Essen	100%	17,661	100.0%
Übacher Weg 4	Alsdorf	100%	16,991	100.0%
Niederwall 3	Lübbecke	100%	16,563	100.0%
Hochstr. 31/Postgasse 5	Bochum	100%	16,359	100.0%
Robert-Koch-Str. 3	Laatzen	100%	16,126	100.0%
Kaiserstr. 35	Minden	100%	16,043	98.7%
Bahnhofstr. 8-10	Borken	100%	15,893	98.2%
Bahnhofstr. 41	Eberbach	100%	15,634	100.0%
Hauptstr. 141	Rheda-Wiedenbrück	100%	15,178	100.0%
Herrlichkeit 7	Syke	100%	14,560	94.3%
Mercedesstr. 5	Hannover	100%	14,504	100.0%
Münchner Str. 50	Fürstenfeldbruck	100%	13,326	100.0%
Schönbornstr. 1	Geisenheim	100%	13,117	90.2%
Langener Landstr. 237-239	Bremerhaven	100%	12,803	100.0%
Löbauer Str. 63	Bautzen	100%	12,686	100.0%
Albert-Steiner-Str. 10	Herzogenrath	100%	12,667	79.3%
Fritz-Brandt-Str. 25	Zerbst	100%	12,654	95.8%
Dahmestr. 17	Mittenwalde	100%	12,631	100.0%
Bünder Str. 36	Löhne	100%	12,625	100.0%
Gorsemannstr. 22	Bremen	100%	12,379	100.0%
Bahnhofstr. 11	Alpirsbach	100%	12,112	76.0%
Gutachstr. 56	Titisee-Neustadt	100%	10,813	100.0%
Unterstr. 14	Bochum	100%	10,732	100.0%
Am Markt 4	St. Georgen	100%	10,324	100.0%
Hauptstr. 40	Porta Westfalica	100%	10,315	100.0%
Sandstr. 4	Germersheim	100%	10,132	100.0%
De-Lenoncourt-Str. 2	Dillingen	100%	8,995	100.0%
Rosenstr. 1/Fünfhausenstr. 19/21	Springe	100%	8,881	100.0%
Melcherstätte 8	Stuhr	100%	8,196	100.0%
Total Initial Properties			**6,628,550**	**83.9%**
Total Portfolio			**13,025,346**	**90.0%**

Address	City	Owned GLA (sq. ft.)	Occupancy (%)
Properties held for sale			
Zimmermannstr. 2/Eisenstr.	Marburg	99,751	97.9%
Langfuhren 9	Bad Säckingen	9,717	99.0%
Am Neumarkt 40/Luetkensallee 49	Hamburg	160,397	86.9%
Tunnelweg 1	Husum	31,116	88.7%
Poststr. 1	Erftstadt	12,498	100.0%
Kasseler Str. 1–7	Warburg	19,985	84.6%
Bahnhofstr. 2	Cham	46,129	61.5%
Bahnhofstr. 43	Riesa	18,275	89.8%
Lönsstr. 20–22	Castrop-Rauxel	36,289	93.0%
Bahnhofsplatz 1	Schweinfurt	34,839	85.8%
Goethestr. 2–6	Duisburg	67,503	87.0%
Total properties held for sale		**536,499**	**87.7%**

Trustees

Dr. R. Sacha Bhatia[Ind.,3]
Toronto, Ontario
Director of the Institute for Health System Solutions and Virtual Care ("WIHV") at Women's College Hospital

Detlef Bierbaum[Ind.,1,2,3,4]
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Dream Unlimited Corp.

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Corporate Director

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

John Sullivan[Ind.,1]
Toronto, Ontario
President and Chief Executive Officer
Cadillac Fairview Corporation Limited

Ind. Independent

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

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STOCK EXCHANGE LISTING
The Toronto Stock Exchange
Listing Symbol: DRG.UN

The Frankfurt Stock Exchange
Listing Symbol: DRG

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. 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.

Cash purchase: Unitholders may invest in additional units by making cash purchases. To enroll, contact: Computershare Trust Company of Canada, 100 University Avenue, 8th Floor Toronto, Ontario M5J 2Y1

Attention: Dividend Reinvestment Services or call their Customer Contact Centre at 1-800-564-6253 (toll free) or (514) 982-7555

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