



## Dream Global REIT

Dream Global REIT invests in exceptional properties in attractive markets in Europe through an established European platform with a track record of value creation.

**dream**   
global REIT

# Letter to Unitholders

Through our growth initiatives in 2017, we increased the scale and depth of our European operating platform, providing more opportunities than ever to add value in the future. With an asset base of over \$4 billion and a market capitalization of more than \$2 billion, Dream Global's increased size is attracting a wider range of global investors.

2017 was a very productive year for Dream Global, resulting in the addition of \$1.3 billion of high quality real estate in Germany, Belgium and the Netherlands. The scale of this transformation was larger than in any prior year, surpassing the size of Dream Global's IPO portfolio, and supporting our continued growth and expansion into strong and improving markets at an opportune time.

The Trust's fourth quarter results were the first quarterly results which included the full impact of Dream Global's \$963 million expansion into the Netherlands and highlighted the transaction's contribution. On a per unit basis, fully diluted funds from operations ("FFO") increased to 25 cents in Q4 2017, an increase of 5 cents, or 25%, compared to Q4 2016, and by 15 cents, or 19%, for the full year in 2017 compared to 2016. The Trust's comparative portfolio also performed well, supported by strong market fundamentals, proactive asset management and lower interest rates. Comparative properties net operating income increased by 3.1% in 2017 compared to 2016.

The market fundamentals in the Trust's key markets continued to be strong in 2017 with consistent economic growth and unemployment levels remaining low. Vacancy rates in the Big 7 German office markets reached a record low of 4.7%. The Dutch office market continued its positive trend of declining vacancy rates, which reached a 10-year low at the end of 2017. In each of these markets, new office supply remains moderate.

We continue to find opportunities in our portfolio to enhance asset value and have been reviewing development opportunities in our Initial

Properties. Many of these assets are well located near central train stations or prime retail areas and have excess density and potential for conversion to residential, office or mixed use properties. At the end of 2017, we commenced the development of a 100-room hotel project, scheduled to be completed at the end of 2018 on our site in Hildesheim.

Finding new ways to manage and operate our assets in order to drive value remains a focal point for Dream Global. The addition of our platform in the Netherlands has enhanced the team's depth and innovation, creating efficiencies and enhancing customer service in order to drive the Trust's performance across all markets in the years to come.

We ended 2017 with our company in the best shape it has ever been in. We demonstrated our ability to execute on our strategy and increased the scale and depth of our platform. Not surprising, our unit price responded as we significantly outperformed the REIT index. With market fundamentals expected to remain strong in 2018, we are excited about the future of Dream Global REIT.

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 and Chief Executive Officer

February 21, 2018



**P. Jane Gavan**

Chief Executive Officer,  
Dream Global REIT

“Through our growth initiatives in 2017, we significantly increased the scale and depth of our operating platform, providing more opportunities than ever to add value.”



# Portfolio at-a-Glance\*

Polaris, Hoofddorp, Netherlands

**\$4.7 Billion**

GROSS ASSET VALUE

**19%**

INCREASE IN FULLY DILUTED  
FFO/UNIT IN 2017

**4.1 Million**

SQUARE FEET OF  
LEASING IN 2017

**\$12.10**

TOTAL EQUITY PER UNIT

**€8.04**



Bollwerk, Stuttgart, Germany



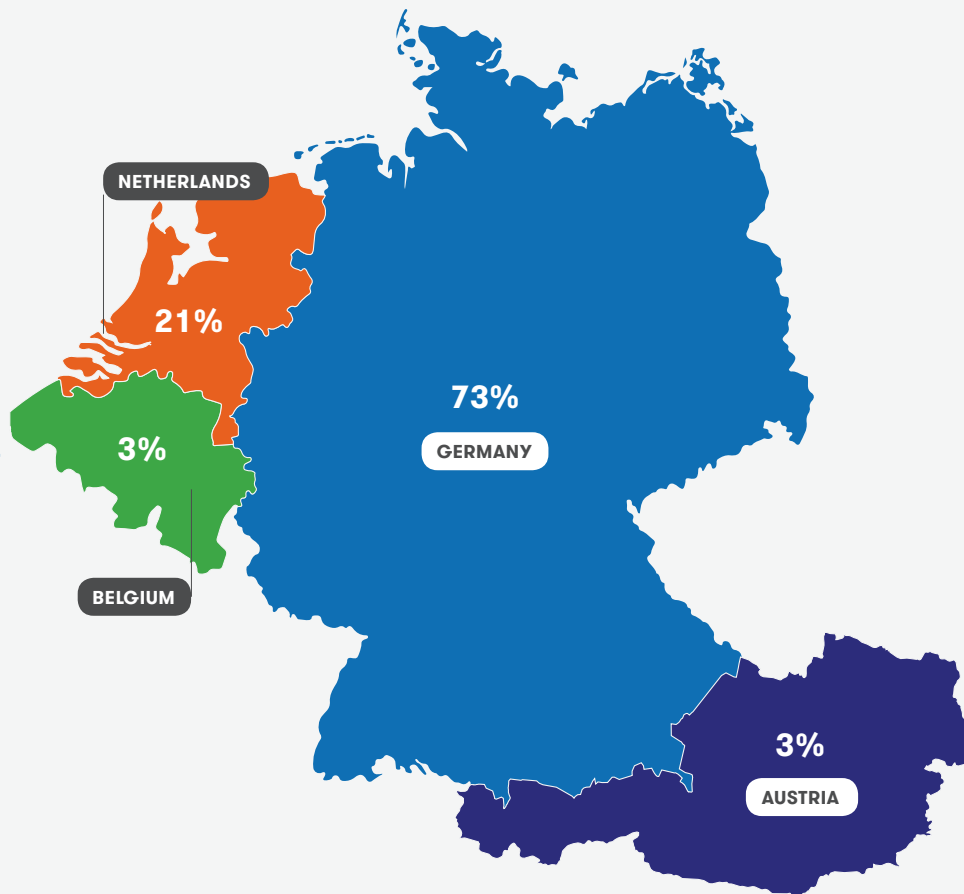
Apollo, Amsterdam, Netherlands

\*Our portfolio refers to the properties that we have invested in indirectly by way of equity and/or debt.  
Portfolio information in the at-a-Glance section includes the Trust's proportionate share of properties held through joint ventures and associates

## Geographic Diversification

% of fair market value in key markets

Dream Global REIT is the owner and operator of over 20 million square feet of office, industrial and mixed-use space in Germany, Netherlands, Belgium and Austria. It provides a wide range of investors the opportunity to invest in real estate exclusively outside of Canada.

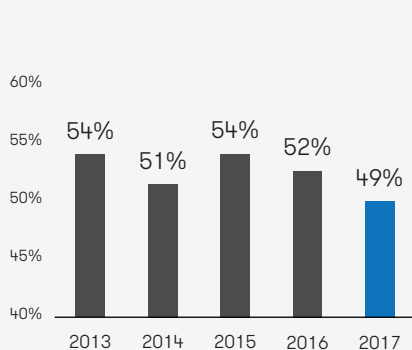


## Diversified High-Quality Tenants

TENANT COMPOSITION	TOTAL ANNUALIZED GROSS RENTAL INCOME [%]	CREDIT RATING
Deutsche Post Immobilien GmbH	9.0	BBB+
Siemens Aktiengesellschaft	2.4	A+
Freshfields Bruckhaus Deringer	2.0	n/a
City of Hamburg	1.8	AAA
ERGO Group AG	1.8	AA-
BNP Paribas SA/NV	1.3	A+
Deutsche Rentenversicherung Knappchaft Bahn-See	1.3	n/a
LBBW Immobilien Management GmbH	1.1	A-
Deutsche Postbank AG	0.9	A-
Google Germany GmbH	0.9	AA+
Other third-party tenants	77.6	n/a
<b>Total</b>	<b>100.0</b>	

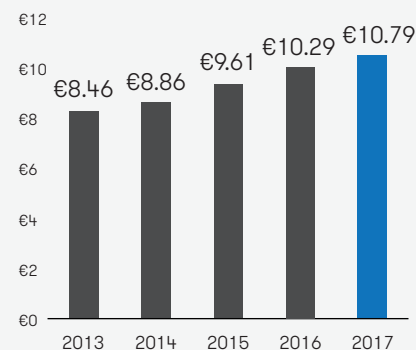
## Level of Debt

(% of net debt-to-gross book value, net of cash)



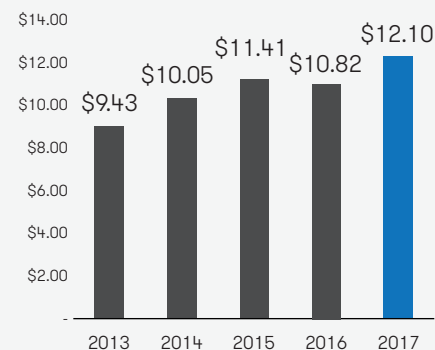
## In-place Rent

(per square foot per year)



## Total Equity per Unit

(per units outstanding at Dec. 31, 2017)



# Sustainability:

Environmental, Social & Governance

## Our Values

Integrity

Teamwork

Dealing with stakeholders

Social responsibility

Opportunities

Fun

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

## Embedding Sustainability

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

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



Airport Plaza, Brussels, Belgium



DoubleU, Dusseldorf, Germany



## Focus on sustainability

Our sustainability strategy guides us in how we run our business and how we manage our environmental and social obligations, including managing our brand, business risks and operations. We strive to integrate sustainability at both the corporate and property levels, focusing on internal and external initiatives to benefit all stakeholders. We believe that a long-term sustainable approach is imperative to create value.

From our ongoing dialogue with stakeholders, we know that they care about our sustainability platform, best practices and results. Our unitholders want to be confident that they are investing in a corporate entity which uses land and resources responsibly, minimizes carbon emissions and is in good standing with its employees and communities.

As property owners and operators, we are well positioned to implement meaningful changes within each of our companies through a progressive approach and collaboration. Tenants generally are becoming more curious about the energy performance, cost and footprint of the specific building they are leasing. Building and maintaining high-quality, resilient buildings allows us to protect our asset value and sustain high occupancy rates – an environmentally sound building is a desirable building. These are just a

few examples of how business and sustainability go hand in hand.

As a company, we are internalizing sustainable business practices. We are densifying our office space, which in turn makes energy efficiency, waste diversion and sustainable procurement easier. In addition, we are continuing to invest in the development of our employees, which contributes to the strong execution of our business strategies. We are committed to sound and effective corporate governance practices.

Finally, it is increasingly important to employees that they feel good about the company for which they work. Many employees ask about best practices for energy, water and carbon management, waste recycling rates, our community commitments and what they can do to contribute.

Whatever we do, we always keep in mind the impact we have not only on our customers and tenants, but on anyone who comes into our buildings or neighbourhoods.

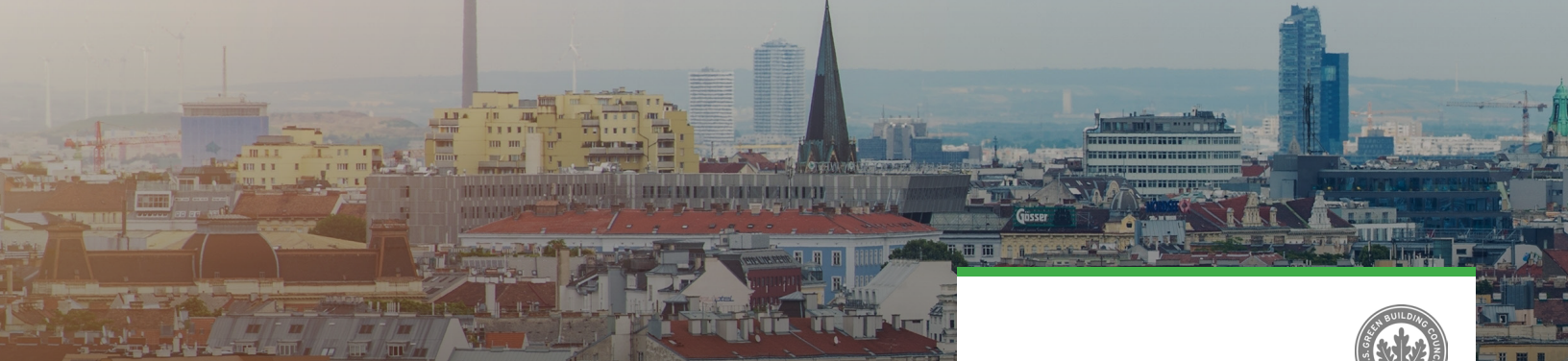
Our continued focus on sustainability is fostering a culture of innovation and collaboration with internal employees, external business partners and the community at large. We continue to implement strategies to manage our sustainability initiatives.

## Netherlands Portfolio

Dream Global's Netherlands portfolio (Merin) is one of the largest commercial real estate platforms in the Netherlands, comprising more than 100 office and industrial assets located around the country. We focus on creating a high-quality, sustainable and modern working environment in each of our buildings. Our goal is to be the most customer-friendly provider of office and industrial space in the Netherlands.

Currently, we are considering installing solar panels on seven buildings that will generate 9 MW of power. In addition to solar, we are also focused on other energy savings initiatives. For example, when a tenant is moving in, we fit their space with LED lighting and motion detection as a way to conserve energy. We also look to strategically replace HVAC systems (chillers and boilers) to improve the building's operational efficiency.





## RIVERGATE Vienna Case Study

## Integrating sustainability into our buildings

According to the German Sustainable Building Council (DGNB), green-certified buildings with lower operating costs and superior indoor environmental quality are more attractive to a growing group of customers. High-performing buildings are becoming a material factor when tenants and buyers make leasing and buying decisions.

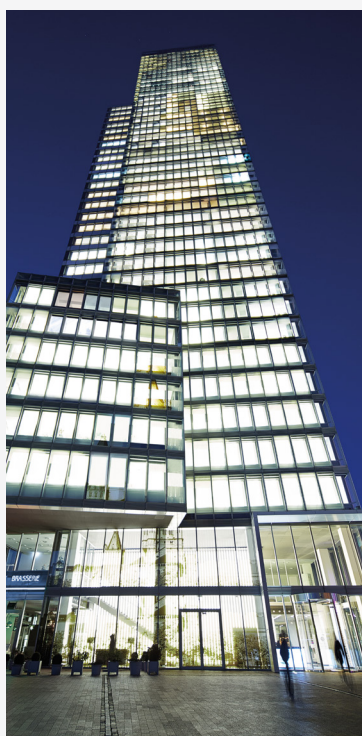
In Germany, three of our properties in the Dream Global portfolio are DGNB certified. DGNB is a prestigious international certification system that covers key aspects of sustainability in a building: environmental, economic, socio-cultural and functional aspects; technology; processes; and site. The assessments are based on a building life-cycle.

Improving energy efficiency is an important part of our operational strategy for our buildings. It reduces costs and decreases our contribution to carbon emissions and climate change. We enable energy efficiency and conservation through capital improvements, process changes and modifying behaviours.

Our continued focus on sustainability is fostering a culture of innovation and collaboration with external business partners and the community at large. We continue to implement strategies to manage our impacts and measure our performance in attaining targets, and we look forward to continued engagement with our stakeholders in our sustainability initiatives.

Situated on the Danube waterfront in Vienna, Rivergate was the first property in Austria to be certified LEED Platinum. The property has state-of-the-art conference facilities, restaurants, meeting areas, and bicycle storage, with change rooms and showers for tenants. Additionally, it has excellent transport links from the major public transportation hubs.

The entire building system makes use of geothermal heat and groundwater as natural energy sources and additional economic district heating. Heating and cooling is carried out via thermal activation of building components, with heat pumps being provided for the purpose of basic supply.



## COLOGNE TOWER Germany Case Study



Cologne Tower is a landmark property in its namesake city in Germany that was certified LEED Gold in 2013. The certification emphasizes that older buildings can also be excellent environmental choices.

To support its LEED EB:OM certification, Cologne Tower implemented a variety of sustainability best practices in both the physical building and its operations.





# Sustainability Highlights

## Environmental\*



**Airport Plaza, Brussels**  
certified BREEAM Gold



**Double U, Düsseldorf**  
certified DGNB Gold through our proactive solutions we reduced the energy consumption by over 30%



**Rivergate, Vienna**  
Austria's first LEED Platinum building



**Millerntorplatz, Hamburg**  
obtained LEED Gold certification following upgrade of the building



**Cologne Tower**  
certified LEED Gold



**9 MW**  
of renewable power generation is currently under development in the Netherlands portfolio

## Governance



**Embedded** elements of sustainability in Board mandates



Dream Global is **one of the few** companies on the TSX with a female CEO and CFO



**71%** of Dream Global Board members are independent

## Social\*\*



**\$800,000** donated to charities by Dream employees; and, **30+** community projects have been supported through the volunteer work of Dream Global employees in Europe over the last year



**~150 employees** participated in health and wellness initiatives or participated on Dream employee sports teams



**\$300K** in tuition and professional development fees reimbursed



Awarded **Employer of the Year** in 2017 by Community Living Toronto in recognition of outstanding practices in furthering employment opportunities for people with an intellectual disability



**1,500 shoeboxes** were donated to the Shoebox Project for Women's Shelter by Dream; and, over **150 gifts** were donated annually to children at Christmas by Dream Global employees in Europe



**Major Sponsor** of the Invictus Games; and Dream employees attended the sporting events in support of the athletes

\* Environmental highlights are based on 2016

\*\* Social highlights are based on all Dream entities combined

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**Trustees** IBC

**Corporate Information** IBC



# 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, 2017	September 30, 2017	December 31, 2016
<b>Portfolio</b>			
Number of properties (excluding properties held for sale and properties held through joint ventures and associates)	265	273	164
Number of properties held through joint ventures and associates	9	9	9
Gross leasable area ("GLA") (in square feet) <sup>(1)</sup>	20,080,644	20,369,253	13,025,346
Occupancy rate – including committed (period-end) <sup>(1)</sup>	88.0%	87.5%	90.0%
Occupancy rate – in-place (period-end) <sup>(1)</sup>	87.5%	87.1%	88.6%
Average in-place net rent per square foot (period-end) <sup>(1)</sup>	€ 10.78	€ 10.71	€ 10.29
Market rents above in-place net rents <sup>(1)</sup>	2.9%	2.3%	3.3%

(1) Includes the REIT's proportionate share of properties held through joint ventures and associates, but excludes assets held for sale.

	Three months ended			Year ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Operating results (IFRS) – in €</b>					
Investment properties revenue <sup>(1)</sup>	€ 56,224	€ 50,910	€ 33,728	€ 179,430	€ 138,821
Net rental income	39,269	36,011	22,505	125,345	91,511
<b>Operating results (IFRS) – in \$</b>					
Investment properties revenue <sup>(1)</sup>	\$ 84,303	\$ 74,981	\$ 48,576	\$ 263,728	\$ 203,565
Net rental income	58,789	53,040	32,414	184,210	134,245
Cash from operating activities	44,024	27,795	17,238	101,495	59,533
Net income	119,438	121,572	30,715	295,676	141,334
<b>Operating results including share from investment in joint ventures and associates – in €</b>					
Investment properties revenue <sup>(1)(2)</sup>	€ 61,561	€ 56,143	€ 39,064	€ 200,588	€ 160,466
Net operating income <sup>(2)</sup>	43,709	40,257	26,925	142,738	109,032
<b>Operating results including share from investment in joint ventures and associates – in \$</b>					
Investment properties revenue <sup>(1)(2)</sup>	\$ 92,298	\$ 82,683	\$ 56,250	\$ 294,715	\$ 235,312
Net operating income <sup>(2)</sup>	65,440	59,288	38,769	209,684	159,946
Average exchange rate (Canadian dollars to one euro)	1.498	1.472	1.438	1.465	1.466
Funds from operations ("FFO") <sup>(2)</sup>	\$ 45,139	\$ 42,722	\$ 25,463	\$ 146,996	\$ 95,338
Adjusted funds from operations ("AFFO") <sup>(2)</sup>	43,215	40,785	22,820	140,362	90,595
<b>Distributions</b>					
Declared distributions	\$ 35,263	\$ 35,123	\$ 25,068	\$ 124,061	\$ 94,745
Distribution Reinvestment and Unit Purchase Plan ("DRIP") participation ratio (for the period)	19%	16%	13%	17%	13%
<b>Per unit amounts<sup>(3)</sup></b>					
Distribution	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.80	\$ 0.80
<b>Basic:</b>					
FFO	0.26	0.26	0.20	0.97	0.80
AFFO	0.24	0.25	0.18	0.92	0.76
<b>Diluted:</b>					
FFO	0.25	0.25	0.20	0.95	0.80

(1) Investment properties revenue includes gross rental income ("GRI") as well as the recovery of operating costs and property taxes from tenants (as applicable).

(2) Non-GAAP measures. A description of the non-GAAP measures referred to above, including investment properties revenue, net operating income, FFO and AFFO, and reconciliation to the consolidated financial statements, can be found in the section "Our Financial Results" under the headings "Net operating income", "Funds from operations" and "Adjusted funds from operations" and "Non-GAAP Measures and Other Disclosures".

(3) 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".

	December 31, 2017	September 30, 2017	December 31, 2016
<b>Financing excluding the Trust's proportionate share of properties held through joint ventures and associates</b>			
Weighted average face rate of interest on debt (period-end)	1.64%	1.64%	1.83%
Weighted average effective interest rate	1.98%	1.99%	2.15%
Interest coverage ratio <sup>(1)</sup>	4.52 times	4.40 times	2.83 times
Level of debt (net debt-to-gross book value, net of cash) at period-end <sup>(1)</sup>	46%	48%	48%
Average level of debt, net of cash <sup>(1)</sup>	46%	46%	49%
Debt – average term to maturity (years)	5.6	5.8	6.5
<b>Financing including the Trust's proportionate share of properties held through joint ventures and associates</b>			
Level of debt (net debt-to-gross book value, net of cash) at period-end <sup>(1)</sup>	49%	51%	52%
Average level of debt, net of cash <sup>(1)</sup>	50%	50%	53%
Unencumbered assets, percentage of fair value	20%	22%	n/a
Unsecured debt	556,583	544,674	—

(1) A description of the non-GAAP measures referred to above, including the calculations of interest coverage ratio, average level of debt, net of cash, and level of debt (net debt-to-gross book value, net of cash) 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)".

## FINANCIAL OVERVIEW

**Funds from operations ("FFO") and adjusted funds from operations ("AFFO")** for the quarter ended December 31, 2017 increased to \$45.1 million and \$43.2 million, respectively, compared to \$25.5 million and \$22.8 million in the prior year comparative period. FFO for the year was \$147.0 million compared to \$95.3 million in 2016. AFFO increased to \$140.4 million during 2017 from \$90.6 million in the prior year. Increases in FFO and AFFO were largely driven by investments in the Netherlands, Belgium and Germany, and strong operating performance.

**Diluted FFO per unit** increased by 19% year-over-year to 95 cents for the year ended December 31, 2017, from 80 cents in 2016. Per unit diluted FFO for Q4 2017 was 25 cents, a 25% increase from 20 cents in Q4 2016.

**Comparative properties NOI** increased by 2.8% in Q4 2017 compared to Q4 2016. Including the foreign exchange impact, comparative properties NOI increased by 7.0%. For the year ended December 31, 2017, comparative properties NOI increased by \$4.4 million, or 3.1%, compared to the year ended December 31, 2016. The year-over-year increase was a result of strong leasing activity and higher rents.

**Average in-place rents increased** to €10.78 per square foot at December 31, 2017 from €10.29 per square foot at the end of 2016. This 4.8% increase is largely due to higher average rental rates for properties acquired in 2017, rental rate increases on lease renewals and the Trust's active capital recycling program. Excluding the impact of the Dutch Properties, average in-place rents in our Initial Properties and Acquisition Properties increased by 8.6% year-over-year to €11.18 per square foot at the end of 2017.

**The Trust's portfolio was further diversified** by its recent investments in Brussels, Berlin, Stuttgart and the Netherlands, adding approximately \$1.3 billion of assets. These transactions diversified the asset classes it directly or indirectly invests in, increasing the industrial composition to over 5% of the total portfolio, and mixed use to almost 10%.

**Financing initiatives** and a favourable lending environment in Europe enabled the Trust to reduce the weighted average face interest rate of debt to 1.64% at the end of 2017 from 1.83% at the end of 2016, excluding properties held through joint ventures and associates. The Trust completed an inaugural European debt offering of senior unsecured notes ("Senior Notes") to finance the investment in the Dutch Properties. The Senior Notes were issued by a finance subsidiary of the Trust at a discount price of €99.575 from the principal amount of €100.0. Through its debt offering, the Trust created its first pool of unencumbered assets. At the end of 2017, the Trust's level of debt was 46%, down from 48% at the end of 2016. Including our share of debt on properties held through joint ventures and associates, the level of debt was 49%, down from 52% at the end of 2016.

## OUTLOOK

The economic outlook in our key markets in Europe remains promising for 2018. Forecasts for economic growth in Germany, our largest market, indicate that GDP growth rates are expected to be at or slightly above the multi-year high of 2017, with business confidence remaining at an all-time high. Growth rates in the Netherlands, our second largest market, are also expected to remain robust and are estimated to reach levels just slightly below the growth rate of 3.1% in 2017.

Vacancy rates in the German and Dutch office sector have reached a record low of 4.7% in the Big 7 German office markets and a 10-year low of 11.7% in the Dutch office market, respectively, and are expected to further decline in 2018.

As we continue our integration of the Dutch platform into Dream Global's overall business, we will leverage the team's extensive background and skill in terms of asset management, creating efficiencies and enhancing customer service in order to drive the Trust's performance across all platforms.

We continue to find opportunities in our portfolio to surface value and have been reviewing development opportunities. Many of the assets are strategically well-located near central train stations or main retail areas and have excess density and the potential for conversion to residential, office or mixed use properties.

With the increased scale of our business, solid economic conditions and strong real estate fundamentals in our target markets, we are well-positioned to further grow and improve our business.

## 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, 2017 and December 31, 2016, respectively.

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

The REIT complies with IFRS 11, "Joint Arrangements", and accounts for investments in joint ventures and associates in its consolidated financial statements using the equity method of accounting. As at December 31, 2017, the Trust held nine properties through joint ventures, which we sometimes refer to as "joint venture properties". This management's discussion and analysis ("MD&A"), refers to certain non-GAAP financial measures reflecting 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 and associates have been proportionately consolidated. For a reconciliation of the Trust's results of operations and statement of financial position, please see "Our Financial Results" and "Non-GAAP Measures and Other Disclosures", respectively, in this MD&A. The Trust has significant influence over its joint ventures and associates, which are accounted for using the equity method, and the Trust's proportionate share of the financial position and results of operations of its investments in joint ventures and associates, where presented and discussed in this MD&A using proportionate consolidation, does not necessarily represent the Trust's legal claim to such items. Proportional consolidation refers to the accounting for joint ventures, including items of income, expense, assets and liabilities, in proportion to the Trust's percentage of participation in the venture, which in the case of the Trust's two joint ventures, is a 50% interest.

In addition, certain information in this MD&A with respect to our portfolio, including information with respect to tenants, occupancy, vacancies, in-place rental rates, WALT and leasing and tenant profile, includes the Trust's proportionate share of properties held through joint ventures and associates. These metrics are important measures used by the Trust to evaluate property operating performance of all the assets in its portfolio, whether invested in directly or indirectly, and whether controlled or under significant influence.

As part of the Ontario Securities Commission's review of Dream Global REIT's continuous disclosure documents, we have revised our approach with respect to our disclosure of certain non-GAAP financial measures in order to give greater prominence to GAAP financial measures and to clearly identify the nature of the financial measure being reported. As part of this revised approach, we have made revisions to certain metrics and the presentation of certain disclosures, including discussion and analysis of our resources and financial condition, our capital, and our financial results.

This MD&A is dated as at February 21, 2018. For simplicity, throughout this discussion, we may make reference to the following:

- "Acquisition Properties", meaning the income-producing properties acquired subsequent to the Trust's initial public offering on August 3, 2011, and excluding the Dutch Properties;
- "Debentures", meaning the 5.5% convertible unsecured subordinated debentures of the Trust, which were redeemed on September 15, 2016;

- “Dutch Properties”, meaning the income-producing properties located in the Netherlands in which the Trust indirectly invested on July 27, 2017;
- “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;
- “POBA”, meaning Public Officials Benefit Association, a South Korean pension fund;
- “Senior Notes”, meaning the 1.375% senior unsecured notes issued by a finance subsidiary of the REIT, maturing on December 21, 2021;
- “Transaction Agreement”, meaning the sale and purchase agreement between the REIT’s subsidiaries and the vendors of the Dutch Properties dated July 17, 2017; and
- “Units”, meaning the Units of the Trust.

Certain information has been obtained from BNP Paribas, CBRE, Cushman & Wakefield and Jones Lang LaSalle (“JLL”), commercial firms that provide information relating to the German, Austrian, Belgian and Dutch real estate markets, as well as the European Commission’s economic forecast, Statistics Netherlands and Destatis. 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.

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 disclosures incorporated by reference into this report include 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, and our disposition and leasing strategies), which are in each case not historical fact. 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. Among other sections, forward-looking information is disclosed in this MD&A under the sections “Outlook” and “Our Strategy” and some of the specific forward-looking statements included in this MD&A include, but are not limited to, statements with respect to the effect of the Dutch Properties on our balance sheet, capital structure, payout ratio, expectations of management to revise FFO and AFFO in 2018, expectations regarding the REIT’s ability to meet ongoing obligations through current cash and cash equivalents or cash generated from operations, draws on credit facilities, debt refinancings and new equity or debt issues, and expected office development locations in Germany. 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 21, 2018, except where otherwise noted. Dream Global REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by law. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators. These filings are also available on our website at [www.dreamglobalreit.ca](http://www.dreamglobalreit.ca).

## BACKGROUND

Dream Global REIT is an unincorporated, open-ended real estate investment trust that was formed to provide investors with the opportunity to invest in real estate exclusively outside of Canada. Dream Global REIT was founded by Dream Asset Management Corporation ("DAM"), a subsidiary of Dream Unlimited Corp. (TSX: DRM), which is 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 long as we comply at all times with our investment guidelines which, among other things, permit us to invest only 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 STRATEGY

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.

### 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 established management teams in Europe with deep market knowledge and established relationships with other market participants. Leasing, capital expenditure and construction initiatives are either internally managed or overseen by us.

Until the end of 2017, property management services, including general maintenance, rent collection and administration of operating expenses and tenant leases, were carried out by a number of third-party service providers under the oversight of our internal team. Commencing in January 2018, property management of the Trust's assets located in Germany is now performed by a newly formed joint venture between Dream Global and Vivanium, an established German property management company. Property management services for our Dutch Properties will continue to be performed by our team in the Netherlands.

We will also pursue value enhancement opportunities in our portfolio through redevelopment, intensification or conversion to alternative uses of suitable properties.



### **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 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 three asset categories:

### **Initial Properties**

As at December 31, 2017, this category included 110 properties (excluding two 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 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, 2017, this category included 40 office properties, which were acquired since our initial public offering in 2011. Of this total, 38 properties are located in cities across Germany, including eight properties owned through a joint venture with POBA, a South Korean pension fund. In addition, the Trust owns two properties outside of Germany. One of the Trust's properties, owned through a joint venture with an Asian sovereign wealth fund, is located in Vienna, Austria. The second property is located in Brussels, Belgium. In comparison to the Initial Properties, the Acquisition Properties are generally larger, newer or recently refurbished, multi-tenant buildings. See "Basis of Presentation" for information about how we report our joint venture properties.

### **Dutch Properties**

As at December 31, 2017, this category included 124 properties (excluding three assets held for sale). The assets include 102 office properties of which over two-thirds are located in the Randstad, which constitutes the Netherlands' largest urban regions and primary office markets, including Amsterdam, Rotterdam, the Hague and Utrecht. In addition, the portfolio consists of 22 light industrial properties that are primarily located in the Netherlands' five largest industrial hubs.

The majority of our portfolio is concentrated in large office markets:

Geographic composition of portfolio	Total GLA (square feet)	Total GLA (%)	Total GRI (%)
Berlin	674,564	3	4
Cologne	797,990	4	6
Düsseldorf	1,480,356	7	8
Frankfurt	777,300	4	3
Hamburg	1,101,946	5	8
Hannover	451,392	2	2
Munich	512,671	3	4
Nuremberg	1,017,174	5	5
Stuttgart	650,356	3	4
Other, including Brussels	4,237,750	22	15
<b>Total Germany and other markets</b>	<b>11,701,499</b>	<b>58</b>	<b>59</b>
Amsterdam	1,438,931	7	7
Utrecht	516,885	3	3
Rotterdam	653,387	3	2
Eindhoven	395,435	2	1
Other Randstad	2,240,546	11	11
Other	2,135,108	11	7
<b>Total Netherlands</b>	<b>7,380,292</b>	<b>37</b>	<b>31</b>
<b>Portfolio excluding joint venture properties</b>	<b>19,081,791</b>	<b>95</b>	<b>90</b>
Add: Properties held through joint ventures and associates	998,853	5	10
<b>Total portfolio</b>	<b>20,080,644</b>	<b>100</b>	<b>100</b>

## TENANTS

Through our active acquisitions, dispositions and leasing program, we continue to focus on the diversification of our tenant base. At December 31, 2017, Deutsche Post's total annualized GRI was approximately 9.0% of the Trust's overall occupied and committed GRI, down from 18.9% at the end of 2016.

Tenant composition	Industry	Total annualized GRI (%) <sup>(1)</sup>	Credit rating <sup>(2)(3)</sup>
Deutsche Post	Postal services and global logistics	9.0	BBB+
Siemens AG	Engineering and technology	2.4	A+
Freshfields Bruckhaus Deringer	Legal services	2.0	n/a
City of Hamburg	Municipality	1.8	AAA
ERGO Group AG	Insurance	1.8	AA-
BNP Paribas Fortis SA/NV	Financial services	1.3	A+
Deutsche Rentenversicherung Knappschaft Bahn-Ssee	Pension fund	1.2	n/a
LBBW Immobilien Management GmbH	Real estate	1.1	A-
Deutsche Postbank AG	Financial services	0.9	A-
Google Germany GmbH	Technology	0.9	AA+
Other third-party tenants	Mixed	77.6	n/a
<b>Total</b>		<b>100.0</b>	

(1) Includes the REIT's proportionate share of properties held through joint ventures and associates.

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

(3) n/a means they are not rated by a credit rating agency.

## MARKET OVERVIEW

### Germany

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. Germany's GDP grew by 2.2%<sup>(1)</sup> in 2017, which was the highest growth rate since 2011 when the economy was recovering from the global financial crisis. This growth was driven by fixed capital investment and household consumption and was supported by low interest rates. Government spending and net exports also played a role in the GDP growth.

The growth in the economy was accompanied by a 1.5%<sup>(1)</sup> increase in the number of people employed in December 2017 compared to December 2016, resulting in an unemployment rate of 3.5%<sup>(1)</sup>, unchanged from December 2016 and Q3 2017 and ranking among the lowest in the European Union.

Business confidence continues to be very strong. In January 2018, Germany's Ifo Business Climate Index, which surveys 7,000 companies for its monthly index, returned to its all-time high of 117.6 points first reached in November 2017.

### The German real estate sector

Germany remains a highly sought-after real estate investment market, benefiting from strong local and international investor demand. In 2017, the total volume for commercial real estate transactions reached €56.8 billion<sup>(2)</sup>, a 7% increase compared to 2016 and €1.7 billion<sup>(2)</sup> higher than the record achieved in 2015. A total of €31.1 billion<sup>(2)</sup> of these transactions took place in the Big 7 office markets, representing a 5% increase compared to 2016. Germany continues to be perceived as a safe harbour, resulting in significant foreign investor demand. Nearly half of the commercial real estate investments in 2017 were completed by foreign investors. Office properties remained the top choice for investors with approximately 44%<sup>(2)</sup> of all transactions taking place in this segment during 2017.

Increasing employment in Germany had a positive impact on the office leasing markets with the office vacancy rate decreasing to 4.7%<sup>(3)</sup> at the end of 2017, a decline of 80 basis points year-over-year and the lowest level in 15 years.

New office completions fell in all the Big 7 office markets except for Düsseldorf and declined overall by 22%<sup>(3)</sup> in 2017. In 2018, it is expected that 40%<sup>(3)</sup> of all the new office development will be concentrated in Berlin and Munich. Strong demand and limited availability led to rising rental rates with prime rents increasing in 2017 in all the Big 7 office markets except Cologne. The biggest increases in rental rates took place in Berlin, Stuttgart, Munich and Hamburg.

### Austria

The Austrian economy is closely linked to Germany and features a skilled labour force and a high standard of living. It has a high degree of financial stability, a reliable protection of property rights and a transparent legal system. The Austrian economy grew by an estimated 3.1%<sup>(4)</sup> in 2017, compared to 1.5%<sup>(4)</sup> in 2016, the country's strongest economic growth in ten years. Similar to Germany, the strength of the economy is evidenced by record consumer confidence, a strong labour market, good financing conditions and strong external demand.

### The real estate sector in Vienna

The underlying fundamentals in the office sector in Vienna remain strong. The average vacancy rate in the Viennese market declined to 4.9%<sup>(5)</sup> at the end of 2017, a 40 basis point decline compared to the end of 2016. While new office supply increased in 2017, strong demand for office space as a result of economic growth was the key factor for the decline in office vacancy.

### Belgium

Belgium is centrally located in Europe, bordered by Germany, the Netherlands, Luxembourg and France, and is a corporate gateway serving as the European and regional headquarters for many international companies. Belgium has a robust and highly developed transportation network, with extensive connections to neighbouring countries, including Germany.

### The real estate sector in Brussels

Brussels, Belgium's capital, is a top six European office market, a preferred location for international organizations and among the largest global centres for international cooperation, serving as the headquarters for both NATO and the European Union. With an office inventory totalling 143 million square feet, Brussels is comparable in size to Hamburg or Frankfurt in Germany. The fundamentals in the office sector in Brussels are strong with the average vacancy rate declining to 8.3%<sup>(6)</sup> in Q4 2017, a 70 basis point decrease compared to Q4 2016. After years of stable prime rents, rents have been rising in 2017.

## Netherlands

The Netherlands is located in northwestern Europe, bordered by Germany, Belgium and the North Sea. It is the second largest exporter in the eurozone, with a robust infrastructure network and one of the highest population densities of any European country. The Dutch economy, which is closely linked to the German economy, is estimated to have grown by 3.1%<sup>(7)</sup> in 2017. The Netherlands' unemployment rate has experienced significant improvement over the last few years, having declined from over 7.0% in 2014 to 4.4%<sup>(8)</sup> in December 2017.

### The real estate sector in the Netherlands

The underlying fundamentals in the office sector in the Netherlands are strong, resulting in declining yields and average rental rate growth. In 2017, €6.7 billion were invested in the Dutch office sector, an increase of 11% compared to 2016. Overall office vacancy rates declined to 11.7%<sup>(9)</sup> at the end of 2017, the lowest level since 2007.

The industrial sector has also performed well with a 13%<sup>(10)</sup> increase in take-up in 2017 compared to the same period in 2016, driven by strong growth in the manufacturing industry and transport sector. Investor demand for industrial space remained high in 2017 with 81% of all transactions carried out by foreign investors.

- (1) Destatis – Germany's Federal Statistical Office
- (2) JLL Investment Market Overview Q4 2017
- (3) JLL Office Market Overview Q4 2017
- (4) European Commission – Economic forecast
- (5) CBRE Marketview, H2 2017
- (6) BNP Paribas Research, Q4 2017
- (7) Statistics Netherlands
- (8) Trading Economics
- (9) Cushman & Wakefield Office Market Snapshot
- (10) Cushman & Wakefield Industrial Market Snapshot

## SECTION II – EXECUTING THE STRATEGY

### OUR OPERATIONS

In this MD&A, properties that are under contract for sale but that have not closed as at December 31, 2017 are classified under "Assets held for sale" in our financial statements and have been removed from the property level metrics disclosed under "Our Operations", including occupancy and vacancy rates, lease maturities, weighted average remaining lease term ("WALT") and rental rates.

The Trust's investment in the Dutch Properties, a 135-property portfolio in the Netherlands, and the acquisitions completed since 2016 grew the Trust's asset base significantly. Some of the metrics disclosed below are therefore not directly comparable to prior periods.

### Occupancy

The occupied and committed occupancy of our total portfolio was 88.0% at December 31, 2017, representing a decrease of 200 basis points since the end of 2016, due to the inclusion of the Dutch Properties. On a comparative portfolio basis, occupancy increased by 50 basis points to 90.7% at December 31, 2017 from 90.2% at December 31, 2016. The comparative portfolio comprises properties owned by the Trust at December 31, 2017 and December 31, 2016, and excludes properties that were acquired, sold or held for sale in 2017.

The Acquisition Properties' occupied and committed occupancy increased by 50 basis points to 96.8% as a result of property acquisitions with a high average occupancy level of 99% in 2017. The Dutch Properties had an increase in committed occupancy of 70 basis points since September 30, 2017, resulting from leasing activity and dispositions.

The table below details the percentage of occupied and committed space for the total portfolio as well as the comparative portfolio.

Portfolio (%)	Total portfolio		Comparative portfolio	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Initial Properties	83.9	83.9	83.9	83.2
Acquisition Properties <sup>(1)</sup>	96.8	96.3	96.7	96.3
Subtotal portfolio	91.2	90.0	90.7	90.2
Dutch Properties	82.7	n/a	n/a	n/a
<b>Total portfolio</b>	<b>88.0</b>	<b>90.0</b>	<b>90.7</b>	<b>90.2</b>

(1) Includes the REIT's proportional share of properties held through joint ventures and associates.

## Vacancy schedule

The tables below highlight our leasing activity for the three months and year ended December 31, 2017. During Q4 2017, our overall space available for lease decreased by 137,419 square feet due to strong leasing activity and dispositions in the quarter.

(in square feet)	For the three months ended December 31, 2017			
	Initial Properties	Acquisition Properties <sup>(1)</sup>	Dutch Properties	Total <sup>(1)</sup>
Available for lease – October 1, 2017	908,824	256,365	1,375,093	2,540,282
Change in vacancy due to acquisitions	—	—	—	—
Change in vacancy due to dispositions	(4,815)	—	(85,408)	(90,223)
Remeasurements	(6,638)	248	34,520	28,130
Subtotal – available for lease	897,371	256,613	1,324,205	2,478,189
Expiries	34,314	150,148	488,923	673,385
Early termination and bankruptcies	—	—	40,006	40,006
New leases	(23,485)	(5,726)	(229,721)	(258,932)
Renewals	(1,544)	(83,954)	(328,217)	(413,715)
Future leases committed in the period	(11,066)	(88,332)	(16,672)	(116,070)
<b>Available for lease – December 31, 2017</b>	<b>895,590</b>	<b>228,749</b>	<b>1,278,524</b>	<b>2,402,863</b>

(1) Includes the REIT's proportionate share of properties held through joint ventures and associates.

(in square feet)	For the year ended December 31, 2017			
	Initial Properties	Acquisition Properties <sup>(1)</sup>	Dutch Properties <sup>(2)</sup>	Total <sup>(1)</sup>
Available for lease – January 1, 2017	1,066,636	234,059	n/a	1,300,695
Change in vacancy due to acquisitions	—	9,655	1,477,154	1,486,809
Change in vacancy due to dispositions	(134,525)	—	(106,473)	(240,998)
Remeasurements	(35,653)	1,269	35,494	1,110
Subtotal – available for lease	896,458	244,983	1,406,175	2,547,616
Expiries <sup>(3)</sup>	2,417,533	718,119	712,380	3,848,032
Early termination and bankruptcies	17,581	16,531	49,747	83,859
New leases	(64,495)	(37,820)	(300,046)	(402,361)
Renewals	(102,823)	(494,778)	(505,090)	(1,102,691)
Future leases committed in the period <sup>(3)</sup>	(2,268,664)	(218,286)	(84,642)	(2,571,592)
<b>Available for lease – December 31, 2017</b>	<b>895,590</b>	<b>228,749</b>	<b>1,278,524</b>	<b>2,402,863</b>

(1) Includes the REIT's proportionate share of properties held through joint ventures and associates.

(2) Reflects leasing activity since the Trust's consolidation on July 27, 2017.

(3) Includes the renewal of 2,212,974 square feet of space pertaining to Deutsche Post's 2018 lease expiry.

## In-place rental rates

Average in-place rents increased to €10.79 per square foot/year at December 31, 2017, from €10.29 per square foot/year at December 31, 2016, reflecting strong leasing market conditions, dispositions of assets in our Initial Properties portfolio with below average in-place rents, and acquisitions of high-quality assets with above average in-place rents. This was offset by below average in-place rents in our Dutch Properties portfolio due to the nature of this portfolio, which includes industrial properties that operate in a market with generally lower rents than the rents in the Trust's German portfolio. Average market rents remain above in-place rents as at December 31, 2017, with an overall spread of 3.0%.

The table below provides a comparison between in-place rents and estimated market rents as at December 31, 2017.

(per square foot/year)	In \$		In €		% of market rents above (below) in-place rents
	(as at December 31, 2017)		(as at December 31, 2017)		
	In-place rent	Market rent	In-place rent	Market rent	
Initial Properties <sup>(1)</sup>	\$ 8.84	\$ 9.93	€ 5.88	€ 6.60	12.2
Acquisition Properties <sup>(2)</sup>	22.17	22.75	14.73	15.11	2.6
Dutch Properties <sup>(1)</sup>	15.13	15.04	10.05	9.99	(0.6)
<b>Overall</b>	<b>\$ 16.23</b>	<b>\$ 16.71</b>	<b>€ 10.78</b>	<b>€ 11.10</b>	<b>3.0</b>

(1) Excludes properties held for sale.

(2) Includes the REIT's proportionate share of properties held through joint ventures and associates.

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 calculation of market rents is based 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, 2017, the WALT of all leases was approximately 4.8 years.

(years) <sup>(1)</sup>	WALT at December 31, 2017	WALT at December 31, 2016
Initial Properties <sup>(2)</sup>	4.8	3.1
Acquisition Properties <sup>(3)</sup>	5.5	5.7
Dutch Properties <sup>(2)</sup>	4.1	n/a
<b>Overall</b>	<b>4.8</b>	<b>4.5</b>

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

(2) Excludes properties held for sale.

(3) Includes the REIT's proportionate share of properties held through joint ventures and associates.

## Leasing and tenant profile

### Lease rollover profile

The following table outlines our lease maturity profile by asset type as at December 31, 2017.

(in square feet)	Current vacancy	Month-to-month	2018	2019	2020	2021	2022+	Total
Initial Properties	895,590	117,645	374,670	860,271	542,925	306,585	2,453,811	5,551,497
Acquisition Properties <sup>(1)</sup>	228,749	58,780	256,693	519,574	683,166	999,242	4,402,651	7,148,855
Dutch Properties	1,278,524	71,461	776,023	914,813	971,145	1,244,996	2,123,330	7,380,292
<b>Total GLA<sup>(1)</sup></b>	<b>2,402,863</b>	<b>247,886</b>	<b>1,407,386</b>	<b>2,294,658</b>	<b>2,197,236</b>	<b>2,550,823</b>	<b>8,979,792</b>	<b>20,080,644</b>
<b>Total GLA (%)</b>	<b>12.0%</b>	<b>1.2%</b>	<b>6.9%</b>	<b>11.4%</b>	<b>11.0%</b>	<b>12.7%</b>	<b>44.8%</b>	<b>100.0%</b>
<b>Total GRI (\$) <sup>(1)(2)</sup></b>		<b>5,000,399</b>	<b>21,877,472</b>	<b>38,111,614</b>	<b>31,479,922</b>	<b>45,546,356</b>	<b>156,671,466</b>	<b>298,687,229</b>
<b>Total GRI (%)</b>		<b>1.7%</b>	<b>7.3%</b>	<b>12.8%</b>	<b>10.5%</b>	<b>15.2%</b>	<b>52.5%</b>	<b>100.0%</b>

(1) Includes the REIT's proportionate share of properties held through joint ventures and associates.

(2) Annualized in-place and committed GRI pertaining to lease agreements as at December 31, 2017.

Our lease maturity profile, including committed occupancy, is staggered. Lease expiries, as a percentage of total GLA, between 2017 and 2021 range from approximately 7% to 13%. During the year, the Trust and Deutsche Post finalized negotiations with respect to the DPI 2018 lease expiries, comprising 2.8 million square feet. The renewal of those leases reduced 2018 lease expiries, as a percentage of GLA, from 19% as at December 31, 2016 to 7% at the end of 2017.

## 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 all of the Acquisition Properties and Initial Properties as at December 31, 2017. The Dutch properties were externally appraised during the year as part of the Dutch Properties transaction.

Changes in the value of our investment properties for the year ended December 31, 2017 and for the year ended December 31, 2016 are summarized in the table below as follows:

	December 31, 2017			December 31, 2016		
	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 and associates	Total
<b>Balance at January 1</b>	<b>\$ 2,481,586</b>	<b>\$ 510,321</b>	<b>\$ 2,991,907</b>	<b>\$ 2,394,739</b>	<b>\$ 518,349</b>	<b>\$ 2,913,088</b>
Additions						
Acquisitions	332,528	—	332,528	229,942	—	229,942
Dutch Properties	963,348	—	963,348	—	—	—
Building improvements	41,668	1,713	43,381	27,094	1,378	28,472
Lease incentives and initial direct leasing costs	6,994	1,523	8,517	11,244	703	11,947
Change in straight-line rents	(362)	(162)	(524)	1,883	309	2,192
Amortization of lease incentives	(3,690)	(418)	(4,108)	(2,951)	(259)	(3,210)
Disposition of vacant land	—	—	—	(2,141)	—	(2,141)
Reclassified to assets held for sale	(117,470)	—	(117,470)	(121,335)	—	(121,335)
Fair value adjustments	185,389	53,195	238,584	94,669	20,171	114,840
Transaction and other costs related to acquisition	(14,266)	—	(14,266)	(14,354)	—	(14,354)
Foreign currency translation	185,352	32,445	217,797	(137,204)	(30,330)	(167,534)
<b>Balance at December 31</b>	<b>\$ 4,061,077</b>	<b>\$ 598,617</b>	<b>\$ 4,659,694</b>	<b>\$ 2,481,586</b>	<b>\$ 510,321</b>	<b>\$ 2,991,907</b>

As at December 31, 2017, the REIT's portfolio consisted of 274 properties, excluding five assets held for sale. The portfolio comprises 31 Acquisition Properties, nine Acquisition Properties held through joint ventures and associates, 110 Initial Properties, and 124 Dutch Properties, for a combined fair value of \$4.7 billion (€3.1 billion).

Excluding joint venture properties, the portfolio grew by \$1.6 billion to \$4.1 billion as at December 31, 2017 primarily as a result of the additions of \$963.3 million of Dutch Properties and \$332.5 million of acquisitions, \$185.4 million in fair value adjustments, and a \$185.4 million increase due to foreign currency translation; partially offset by approximately \$117.5 million of assets reclassified to assets held for sale.

## Investment properties held for sale

As at December 31, 2017, the REIT had committed to sell two Initial Properties and three Dutch Properties valued at \$16.8 million, representing the assets' approximate fair value. These properties are classified as assets held for sale on the balance sheet and excluded from investment properties.

	2017	2016
<b>Balance at January 1</b>	<b>\$ 45,461</b>	<b>\$ 32,549</b>
Building improvements	89	32
Lease incentives and initial direct leasing costs	1	2
Investment properties reclassified as held for sale	117,470	121,335
Change in straight-line rents	(50)	(1)
Dispositions	(151,872)	(100,826)
Foreign currency translation	5,726	(7,630)
<b>Balance at December 31</b>	<b>\$ 16,825</b>	<b>\$ 45,461</b>

## Dutch Properties

On July 27, 2017, the REIT completed an indirect investment in 135 assets located in the Netherlands. The portfolio, which is complementary to our existing platform, is well diversified by asset type, geography and size. On the closing date of the transaction, the Dutch Properties portfolio consisted of 101 office properties, comprising approximately 4.8 million square feet of GLA, and 34 industrial properties, comprising approximately 2.9 million square feet of GLA.

The following is a summary of key metrics as of July 27, 2017:

	Number of tenants	GLA (square feet)	Occupancy at transaction date (%)	Total fair value	Transaction date
Dutch Properties	734	7,704,259	82.0%	\$ 963,348	July 27, 2017

According to the business combination requirements, transaction costs relating to the Dutch Properties were expensed through net income rather than capitalized to the respective properties. The REIT also assumed certain assets and liabilities, which were recognized at their respective fair values.

## Acquisitions

In addition to the Dutch Properties, during the year ended December 31, 2017, we completed the following acquisitions:

	Acquired GLA (square feet)	Occupancy at acquisition (%)	Purchase price	Financed by mortgage	Date acquired
Airport Plaza, Brussels, Belgium	387,479	97%	\$ 143,161	\$ 79,456	May 15, 2017
Siemens Land, Nuremberg, Germany	n/a	n/a	10,104	7,178	June 15, 2017
Bollwerk, Stuttgart, Germany	306,211	100%	133,751	80,451	July 17, 2017
M22, Berlin, Germany	55,521	100%	31,609	17,385	December 29, 2017
			\$ 318,625	\$ 184,470	
Transaction costs			13,903		
<b>Total</b>			<b>\$ 332,528</b>		

## Dispositions

During the three months ended December 31, 2017, the REIT disposed of four Initial Properties and six Dutch Properties, for an aggregate gross sales price of \$44.9 million (€29.7 million), increasing total sales during 2017 to 43 investment properties, for approximately \$151.9 million (€102.9 million), reflecting the properties' fair value at the last reporting period prior to their sale. A portion of the net sales proceeds of \$146.6 million was used to reduce our term loan credit facility.

## Building improvements

Building improvements represent investments made in our existing properties to ensure our buildings are operating at an optimal level, as well as development capital used for expansion or redevelopment projects. During the three months and year ended December 31, 2017, we spent \$21.0 million and \$41.7 million, respectively, on building improvements (including joint venture properties – \$21.7 million and \$43.4 million, respectively). The increase in building improvements is primarily driven by value-enhancing redevelopment projects in 2017, including Millerntorplatz 1, Saarbrücken as well as development in our Dutch Properties. In general, building improvements are non-recoverable from the tenants unless specifically provided for in the lease agreement.



The table below summarizes the building improvements incurred for the years ended December 31, 2017 and December 31, 2016.

	December 31, 2017	December 31, 2016
Building improvements		
Recoverable	\$ 1,134	\$ 1,225
Non-recoverable	7,755	7,047
Value-enhancing redevelopment projects <sup>(1)</sup>	33,939	19,612
<b>Total comparative portfolio<sup>(2)</sup></b>	<b>\$ 42,828</b>	<b>\$ 27,884</b>
Annual building improvements on assets classified as held for sale and sold properties	553	588
Total portfolio	43,381	28,472
Less: Building improvements on properties held through joint ventures	1,713	1,378
<b>Total building improvements included per financial statements</b>	<b>\$ 41,668</b>	<b>\$ 27,094</b>

(1) Value-add redevelopment projects are defined as those which result in additional gross leasable area, and include projects commissioned for the purpose of repositioning the assets.

(2) Excludes sold properties and properties held for sale and includes the REIT's proportionate share of properties held through joint ventures and associates.

### Initial direct leasing costs and lease incentives

Initial direct leasing costs include external leasing fees, 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.

During the three months and year ended December 31, 2017, we incurred \$3.7 million and \$7.0 million, respectively, of lease incentives and initial direct leasing costs (including the joint venture properties – \$4.1 million and \$8.5 million, respectively). As at December 31, 2017, we had outstanding initial direct leasing cost commitments of \$10.2 million, and \$2.8 million on the REIT's share of joint venture properties.

### Investment in joint ventures and associates

As at December 31, 2017, the REIT had a total of eight Acquisition Properties held through a joint venture with POBA ("POBA joint venture") and one Acquisition Property held through a similar joint venture with an Asian sovereign wealth fund ("Rivergate joint venture"). Pursuant to these arrangements, the REIT has joint control of these joint ventures and, as such, has classified its 50% interest in the joint ventures as investment in joint ventures and associates and accounted for the investment using the equity method.

As at December 31, 2017, the carrying amount of the REIT's investment in joint ventures and associates was \$319.5 million (December 31, 2016 – \$265.3 million).

During the year ended December 31, 2017, the value of investment properties held through joint ventures and associates increased by \$88.3 million, primarily driven by \$53.2 million of fair value adjustments and \$32.4 million of foreign exchange translation.

During the year ended December 31, 2017, the REIT recorded fee income relating to the POBA and Rivergate joint ventures of \$4.2 million (year ended December 31, 2016 – \$5.2 million), which is included in interest and other income.

## OUR CAPITAL

### Liquidity and capital resources

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

As of December 31, 2017, our current liabilities exceed our current assets by \$47.9 million, which includes \$5.5 million of term loan credit facility repayments associated with assets held for sale. Repayments will be financed with proceeds from dispositions. 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 reduces 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 \$16.0 million. Amounts payable outstanding at the end of any reporting period depend primarily on the timing of leasing costs and capital expenditures incurred as well as the impact of transaction costs incurred on any acquisitions or dispositions completed during the reporting period. The REIT fully expects that it will be able to meet its debt and payable obligations on their respective due dates.

## Debt

	December 31, 2017	December 31, 2016
Debt (per consolidated financial statements)	\$ 2,114,069	\$ 1,399,462
Add: Proportionate share of debt related to:		
Investment in joint ventures and associates	285,312	262,923
<b>Total debt including proportionate share of debt relating to properties held through joint ventures and associates</b>	<b>\$ 2,399,381</b>	<b>\$ 1,662,385</b>
	December 31, 2017	December 31, 2016
Mortgage debt (per consolidated financial statements)	\$ 1,288,731	\$ 1,023,130
Add: Proportionate share of mortgage debt related to:		
Investment in joint ventures and associates	285,312	262,923
<b>Mortgage debt including proportionate share of mortgage debt relating to properties held through joint ventures and associates</b>	<b>\$ 1,574,043</b>	<b>\$ 1,286,053</b>

## 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. Our objective is to have staggered debt maturities to mitigate interest rate risk and limit refinancing exposure in any particular period. Including the REIT's share of debt on properties held through joint ventures, we operate within a targeted debt-to-gross book value (net of cash), range of 50% to 55%. As at December 31, 2017, the debt-to-gross book value ratio (net of cash) was 49%, a decrease from 52% at December 31, 2016.

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

	For the year ended December 31, 2017	For the year ended December 31, 2016
<b>Financing excluding the Trust's proportionate share of properties held through joint ventures and associates</b>		
Weighted average face rate of interest on debt (period-end)	1.64%	1.83%
Weighted average effective interest rate <sup>(1)</sup>	1.98%	2.15%
Level of debt (net debt-to-gross book value, net of cash) at period-end <sup>(2)</sup>	46%	48%
Average level of debt (net debt-to-gross book value, net of cash) <sup>(2)</sup>	46%	49%
Interest coverage ratio <sup>(2)</sup>	4.52 times	2.83 times
Debt – average term to maturity (years)	5.6	6.5
<b>Financing including share of debt from investment in joint ventures and associates</b>		
Level of debt (net debt-to-gross book value, net of cash) at period-end <sup>(2)</sup>	49%	52%
Average level of debt, net of cash <sup>(2)</sup>	50%	53%

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

(2) Level of debt (net debt-to-gross book value, net of cash), average level of debt (net debt-to-gross book value, net of cash) 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, 2017 is 4.52 times and reflects our ability to cover interest expense requirements. The increase was a result of higher cash flow from operations and interest savings due to the convertible debenture repayment and the refinancing of mortgages during 2016.

### Financing activities

We finance our acquisitions using equity as well as conventional mortgage financing, term debt and floating rate credit facilities, in addition to issuing unsecured debt.

### Equity issue

On March 21, 2017, we completed a public offering of 11,983,000 Units, including an over-allotment option of 1,563,000 Units, all of which were sold to the syndicate of underwriters at a price of \$9.60 per unit. The Trust received gross proceeds of \$115 million.

On July 27, 2017, we completed a public offering of 28,575,000 Units, all of which were sold to the syndicate of underwriters at a price of \$10.50 per unit. The Trust received gross proceeds of \$300 million. The net proceeds of the public offering were used to partially finance the investment in the Dutch Properties, as disclosed in the business acquisition report of the Trust dated August 13, 2017.

### Senior Notes

As part of the Dutch Properties transaction, we also completed an inaugural European debt offering of Senior Notes to finance the investment. The Senior Notes issued by a finance subsidiary of the Trust have an aggregate principal of €375 million, a face interest rate of 1.375%, and mature on December 21, 2021. Through this debt offering, the REIT created its first pool of unencumbered assets. As at December 31, 2017, the Trust was in compliance with its Senior Notes covenants.

### New debt

During the year ended December 31, 2017, we obtained the following new mortgages:

Property	Mortgage (\$000s)	Mortgage (€000s)	Face rate	Date of funding	Date of maturity
<b>Debt on new acquisitions</b>					
Siemens additional land, Nuremberg <sup>(1)</sup>	\$ 7,178	€ 4,775	1.20%	June 12, 2017	September 30, 2024
Airport Plaza, Brussels, Belgium	79,456	54,000	1.86%	July 5, 2017	July 3, 2024
Bollwerk, Stuttgart, Germany	80,451	55,350	1.83%	July 17, 2017	June 30, 2027
M22, Berlin, Germany	17,385	11,550	1.76%	December 29, 2017	December 30, 2027
<b>Additional debt on existing properties</b>					
Millerntorplatz 1, Hamburg	14,847	10,000	1.71%	April 25, 2017	February 6, 2025
<b>Total</b>	<b>\$ 199,317</b>	<b>€ 135,675</b>			

(1) Variable interest rate loan at three-month EURIBOR plus 1.2% per annum, with an interest rate cap of 2.5% on 80% of the amortizing loan balance.

In addition, the REIT completed the following mortgage refinancings during the year:

Property name	Financing date	New maturity date	New loan amount	Old mortgage discharged	Net proceeds
Marsstrasse 20-22, Munich <sup>(1)</sup>	February 27, 2017	October 31, 2025	\$ 32,434	\$ 24,658	\$ 7,776
ERGO, Nuremberg	May 18, 2017	March 31, 2024	49,922	34,368	15,554
			\$ 82,356	\$ 59,026	\$ 23,330
			€ 56,300	€ 40,432	€ 15,868

(1) Reflects the REIT's proportionate share of mortgage debt on a property held through a joint venture.

The Marsstrasse refinancing decreased the face rate of the mortgage from 2.69% to 1.49% and extended the maturity to 8.7 years from 3.3 years.

The ERGO refinancing decreased the face rate of the mortgage from 2.45% to 1.34% and extended the maturity of the mortgage for 6.76 years.

On December 19, 2017, we secured financing of €7.5 million for the refinancing of our Hildesheim property and the construction of a 100-room hotel on the site. Part of the loan will be used to repay financing currently provided for this asset by the term loan credit facility. The loan is split into two tranches, and carries an interest rate of 1.78% for a term of ten years. As at December 31, 2017, no amounts had been drawn.

## Debt composition

	December 31, 2017			December 31, 2016		
	Variable	Fixed	Total	Variable	Fixed	Total
Term loan credit facility <sup>(1)</sup>	\$ 242,044	\$ —	\$ 242,044	\$ 289,193	\$ —	\$ 289,193
Revolving credit facility	—	—	—	87,139	—	87,139
Mortgage debt <sup>(1)</sup>	45,409	1,243,322	1,288,731	36,618	986,512	1,023,130
Mortgage debt on properties held through joint ventures <sup>(1)</sup>	—	285,312	285,312	—	262,923	262,923
Senior Notes	—	556,583	556,583	—	—	—
Land lease obligations	—	26,711	26,711	—	—	—
<b>Total</b>	<b>\$ 287,453</b>	<b>\$ 2,111,928</b>	<b>\$ 2,399,381</b>	<b>\$ 412,950</b>	<b>\$ 1,249,435</b>	<b>\$ 1,662,385</b>
Percent	12%	88%	100%	25%	75%	100%

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

### Term loan credit facility

The REIT's term loan credit facility (the "Facility") is structured as an interest-only facility with a major U.S. financial institution. The Facility was refinanced on December 14, 2015 for a term of five years and has 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 requirements of the Facility, we purchased EURIBOR interest rate caps with a weighted average strike rate of 0.5% to cover 99% of the Facility.

As at December 31, 2017, the weighted average rate of the Facility was 2.25%. Including financing costs, the effective interest rate under the Facility was 3.29%.

The Facility agreement requires that at each interest payment date, and each date of prepayment of the 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, 2017, 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 Facility.

### Revolving credit facility

On June 6, 2017, the REIT renewed the €100 million revolving credit facility on favourable terms, resulting in a reduction of the margin paid by the REIT of 100 basis points. The interest rate on Canadian dollar advances under the revolving credit facility is now prime plus 100 basis points or bankers' acceptance rates plus 200 basis points. The interest rate for euro advances is 200 basis points over the three-month EURIBOR rate. The revised terms also allow the REIT to enter into swap arrangements with an effective borrowing rate at the EURIBOR rate plus swap spread, further reducing borrowing costs. The term was extended to June 6, 2019. The revolving credit facility was undrawn at December 31, 2017. There was an undrawn letter of credit commitment for €1.2 million against the facility as at December 31, 2017.

## Debt maturity profile

The table below highlights the debt maturity profile of the REIT's contractual obligations, including mortgages on the nine joint venture properties held by the REIT:

	Debt maturities	Scheduled principal repayments on non-matured debt	Total
2018	\$ 5,502	\$ 20,346	\$ 25,848
2019	—	22,285	22,285
2020	416,458	21,039	437,497
2021	584,080	21,837	605,917
2022	184,322	19,977	204,299
2023 and thereafter	1,072,959	60,873	1,133,832
	\$ 2,263,321	\$ 166,357	\$ 2,429,678
Senior Notes discount			(2,720)
Financing costs			(27,577)
<b>Total</b>			<b>\$ 2,399,381</b>

## 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, 2017, the REIT's future minimum commitments under operating leases are as follows:

	Operating lease payments <sup>(1)</sup>
Less than 1 year	\$ 782
1–5 years	419
Longer than 5 years	—
<b>Total</b>	<b>\$ 1,201</b>

(1) Excludes land leases which are accounted for in debt as land lease obligations.

During the three months and year ended December 31, 2017, the Trust paid \$0.2 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, 2017, 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 mark to market the contracts quarterly and recorded fair value losses of \$17.5 million.

At December 31, 2017, the Trust had foreign exchange forward contracts to sell €243.3 million in total from January 2018 to December 2020 at an average exchange rate of \$1.528 per euro.

The table below highlights the forward contracts outstanding as at December 31, 2017:

Contracts maturing by quarter	Hedge value	Weighted average hedge rate
Q1 2018	€ 22,452	1.506
Q2 2018	22,877	1.482
Q3 2018	22,969	1.505
Q4 2018	23,882	1.497
Q1 2019	23,304	1.538
Q2 2019	23,197	1.549
Q3 2019	22,735	1.562
Q4 2019	19,813	1.574
Q1 2020	18,735	1.507
Q2 2020	17,981	1.535
Q3 2020	15,324	1.535
Q4 2020	10,069	1.579
<b>Total</b>	€ 243,338	1.528

## Equity

The table below highlights our outstanding equity:

	December 31, 2017		Unitholders' equity December 31, 2016	
	Number of Units	Amount	Number of Units	Amount
	Units	176,500,343	\$ 2,135,100	125,456,199

## 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
<b>Total Units outstanding on December 31, 2016</b>	125,456,199
Units issued pursuant to public offerings	40,558,000
Units issued pursuant to private placements in connection with the Dutch Properties transaction	7,935,395
Units issued to certain executives and senior staff in connection with the Dutch Properties	191,581
Units issued pursuant to the DUIP	435,786
Units issued pursuant to the DRIP <sup>(1)</sup>	1,923,382
<b>Total Units outstanding on December 31, 2017</b>	176,500,343
Units issued pursuant to the DRIP on January 15, 2018	201,732
<b>Total Units outstanding on January 31, 2018</b>	176,702,075

(1) Distribution Reinvestment and Unit Purchase Plan.

For the year ended December 31, 2017, 435,786 Units were issued pursuant to the DUIP to trustees, officers and employees (December 31, 2016 – 107,400 Units). A total of 2,892,474 deferred trust units and income deferred trust units were outstanding as at December 31, 2017.

## 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, 2017, approximately 19.6% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan (“DRIP”).

	December 31,		September 30,		June 30,		March 31,	
	2017	2016	2017	2016	2017	2016	2017	2016
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	\$ 12.22	\$ 9.45	\$ 11.01	\$ 9.01	\$ 10.92	\$ 9.38	\$ 9.62	\$ 8.71
Annualized distribution yield on closing unit price	6.55%	8.47%	7.27%	8.88%	7.33%	8.53%	8.32%	9.19%

For the quarter ended December 31, 2017, distributions declared amounted to \$35.3 million. Of this amount, \$6.7 million was reinvested in additional Units pursuant to the DRIP, resulting in a cash payout ratio of 81.1%. Distributions declared for the year ended December 31, 2017 were \$124.1 million. Of this amount, \$20.9 million was reinvested in additional Units pursuant to the DRIP, resulting in a cash payout ratio of 83.2%.

	Three months ended December 31, 2017			Year ended December 31, 2017		
	Declared amounts	4% bonus distribution	Total	Declared amounts	4% bonus distribution	Total
<b>2017 distributions</b>						
Paid in cash or reinvested in Units	\$ 23,496	\$ 174	\$ 23,670	\$ 112,294	\$ 742	\$ 113,036
Payable at December 31, 2017	11,767	—	11,767	11,767	—	11,767
<b>Total distributions</b>	\$ 35,263	\$ 174	\$ 35,437	\$ 124,061	\$ 742	\$ 124,803
<b>2017 reinvestment</b>						
Reinvested to December 31, 2017	\$ 4,372	\$ 174	\$ 4,546	\$ 18,586	\$ 742	\$ 19,328
Reinvested on January 15, 2018	2,310	92	2,402	2,310	92	2,402
<b>Total distributions reinvested</b>	\$ 6,682	\$ 266	\$ 6,948	\$ 20,896	\$ 834	\$ 21,730
Distributions paid in cash	\$ 28,581			\$ 103,165		
Reinvestment to distribution ratio (for the period)	18.9%			16.8%		
Cash payout ratio	81.1%			83.2%		

## OUR FINANCIAL RESULTS

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

	Three months ended December 31,					
	2017			2016		
	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 and associates	Total
Investment properties revenue	\$ 84,303	\$ 7,995	\$ 92,298	\$ 48,576	\$ 7,674	\$ 56,250
Investment properties operating expenses	(25,514)	(1,344)	(26,858)	(16,162)	(1,319)	(17,481)
<b>Net rental income</b>	<b>58,789</b>	<b>6,651</b>	<b>65,440</b>	<b>32,414</b>	<b>6,355</b>	<b>38,769</b>
<b>Other income</b>						
Interest and other income	2,241	117	2,358	1,230	186	1,416
Share of net income from investment in joint ventures and associates	28,444	(28,444)	—	2,786	(2,786)	—
Share of net income from investment in other joint ventures	7	—	7	5	—	5
	<b>30,692</b>	<b>(28,327)</b>	<b>2,365</b>	<b>4,021</b>	<b>(2,600)</b>	<b>1,421</b>
<b>Other expenses</b>						
Portfolio management	(3,775)	—	(3,775)	(1,379)	—	(1,379)
General and administrative	(6,972)	(924)	(7,896)	(5,013)	(950)	(5,963)
Depreciation and amortization	(37)	—	(37)	(21)	—	(21)
Interest expense	(10,506)	(1,457)	(11,963)	(7,791)	(1,456)	(9,247)
	<b>(21,290)</b>	<b>(2,381)</b>	<b>(23,671)</b>	<b>(14,204)</b>	<b>(2,406)</b>	<b>(16,610)</b>
<b>Fair value adjustments, loss on sale of investment properties and other activities</b>						
Fair value adjustment to investment properties	85,614	29,122	114,736	20,740	(1,517)	19,223
Fair value adjustment to financial instruments	(7,654)	—	(7,654)	10,553	—	10,553
Internal direct leasing costs	(1,167)	—	(1,167)	(716)	—	(716)
Debt settlement costs, net	(224)	—	(224)	(3,253)	—	(3,253)
Loss on sale of investment properties	(1,652)	—	(1,652)	(2,547)	—	(2,547)
Acquisition related gain, net	12	—	12	—	—	—
	<b>74,929</b>	<b>29,122</b>	<b>104,051</b>	<b>24,777</b>	<b>(1,517)</b>	<b>23,260</b>
<b>Income before income taxes</b>	<b>143,120</b>	<b>5,065</b>	<b>148,185</b>	<b>47,008</b>	<b>(168)</b>	<b>46,840</b>
Current income tax expense	(693)	(108)	(801)	(156)	(1)	(157)
Deferred income tax (expense) recovery	(22,989)	(4,957)	(27,946)	(16,137)	169	(15,968)
Provision for income taxes	(23,682)	(5,065)	(28,747)	(16,293)	168	(16,125)
<b>Net income</b>	<b>\$ 119,438</b>	<b>\$ —</b>	<b>\$ 119,438</b>	<b>\$ 30,715</b>	<b>\$ —</b>	<b>\$ 30,715</b>
<b>Total net income for the period attributable to:</b>						
Unitholders of the Trust	\$ 117,948	\$ —	\$ 117,948	\$ 29,870	\$ —	\$ 29,870
Shareholders of subsidiaries	1,490	—	1,490	845	—	845
Net income	<b>119,438</b>	<b>—</b>	<b>119,438</b>	<b>30,715</b>	<b>—</b>	<b>30,715</b>
<b>Foreign currency translation adjustments for the period attributable to:</b>						
Other operations	34,467	—	34,467	(44,386)	—	(44,386)
Investment in joint ventures	5,655	—	5,655	(9,954)	—	(9,954)
Unitholders of the Trust	40,122	—	40,122	(54,340)	—	(54,340)
Shareholders of subsidiaries	260	—	260	(430)	—	(430)
	<b>40,382</b>	<b>—</b>	<b>40,382</b>	<b>(54,770)</b>	<b>—</b>	<b>(54,770)</b>
<b>Comprehensive income for the period attributable to:</b>						
Unitholders of the Trust	158,070	—	158,070	(24,470)	—	(24,470)
Shareholders of subsidiaries	1,750	—	1,750	415	—	415
	<b>\$ 159,820</b>	<b>\$ —</b>	<b>\$ 159,820</b>	<b>\$ (24,055)</b>	<b>\$ —</b>	<b>\$ (24,055)</b>



Year ended December 31,

	2017			2016		
	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 and associates	Total
Investment properties revenue	\$ 263,728	\$ 30,987	\$ 294,715	\$ 203,565	\$ 31,747	\$ 235,312
Investment properties operating expenses	(79,518)	(5,513)	(85,031)	(69,320)	(6,046)	(75,366)
<b>Net rental income</b>	<b>184,210</b>	<b>25,474</b>	<b>209,684</b>	<b>134,245</b>	<b>25,701</b>	<b>159,946</b>
<b>Other income</b>						
Interest and other income	7,768	492	8,260	7,445	894	8,339
Share of net income from investment in joint ventures and associates	58,433	(58,433)	—	30,792	(30,792)	—
Share of net income from investment in other joint ventures	28	—	28	19	—	19
	<b>66,229</b>	<b>(57,941)</b>	<b>8,288</b>	<b>38,256</b>	<b>(29,898)</b>	<b>8,358</b>
<b>Other expenses</b>						
Portfolio management	(9,343)	—	(9,343)	(6,031)	—	(6,031)
General and administrative	(23,575)	(3,325)	(26,900)	(20,252)	(3,614)	(23,866)
Depreciation and amortization	(86)	—	(86)	(111)	—	(111)
Interest expense	(35,201)	(5,694)	(40,895)	(40,810)	(6,178)	(46,988)
	<b>(68,205)</b>	<b>(9,019)</b>	<b>(77,224)</b>	<b>(67,204)</b>	<b>(9,792)</b>	<b>(76,996)</b>
<b>Fair value adjustments, loss on sale of investment properties and other activities</b>						
Fair value adjustment to investment properties	171,123	53,194	224,317	80,315	20,171	100,486
Fair value adjustment to financial instruments	(23,193)	—	(23,193)	15,190	—	15,190
Internal direct leasing costs	(4,041)	—	(4,041)	(3,181)	—	(3,181)
Debt settlement costs, net	(1,443)	(1,699)	(3,142)	(21,640)	(1,655)	(23,295)
Loss on sale of investment properties	(5,286)	—	(5,286)	(5,482)	—	(5,482)
Acquisition related gain, net	23,817	—	23,817	—	—	—
	<b>160,977</b>	<b>51,495</b>	<b>212,472</b>	<b>65,202</b>	<b>18,516</b>	<b>83,718</b>
<b>Income before income taxes</b>	<b>343,211</b>	<b>10,009</b>	<b>353,220</b>	<b>170,499</b>	<b>4,527</b>	<b>175,026</b>
Current income taxes expense	(1,650)	(105)	(1,755)	(475)	—	(475)
Deferred income taxes expense	(45,885)	(9,904)	(55,789)	(28,690)	(4,527)	(33,217)
Provision for income taxes	(47,535)	(10,009)	(57,544)	(29,165)	(4,527)	(33,692)
<b>Net income</b>	<b>\$ 295,676</b>	<b>\$ —</b>	<b>\$ 295,676</b>	<b>\$ 141,334</b>	<b>\$ —</b>	<b>\$ 141,334</b>
<b>Total net income for the year attributable to:</b>						
Unitholders of the Trust	\$ 292,576	\$ —	\$ 292,576	\$ 139,733	\$ —	\$ 139,733
Shareholders of subsidiaries	3,100	—	3,100	1,601	—	1,601
Net income	<b>295,676</b>	<b>—</b>	<b>295,676</b>	<b>141,334</b>	<b>—</b>	<b>141,334</b>
<b>Foreign currency translation adjustments for the year attributable to:</b>						
Other operations	86,522	—	86,522	(67,354)	—	(67,354)
Investment in joint ventures	15,533	—	15,533	(15,644)	—	(15,644)
Unitholders of the Trust	102,055	—	102,055	(82,998)	—	(82,998)
Shareholders of subsidiaries	438	—	438	(650)	—	(650)
	<b>102,493</b>	<b>—</b>	<b>102,493</b>	<b>(83,648)</b>	<b>—</b>	<b>(83,648)</b>
<b>Comprehensive income for the year attributable to:</b>						
Unitholders of the Trust	394,631	—	394,631	56,735	—	56,735
Shareholders of subsidiaries	3,538	—	3,538	951	—	951
	<b>\$ 398,169</b>	<b>\$ —</b>	<b>\$ 398,169</b>	<b>\$ 57,686</b>	<b>\$ —</b>	<b>\$ 57,686</b>

## Net operating income

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

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 primarily fluctuate with changes in occupancy levels and levels of repairs and maintenance.

NOI is defined as investment properties revenue less investment properties operating expenses, including the share of net rental income from investments in joint ventures and associates. The following table shows a breakout of NOI for the three and twelve months ended December 31, 2017.

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Initial Properties	\$ 8,404	\$ 8,361	\$ 36,057	\$ 42,851
Acquisition Properties	37,495	30,408	141,056	117,095
Dutch Properties	19,541	—	32,571	—
<b>Net operating income<sup>(1)</sup></b>	<b>\$ 65,440</b>	<b>\$ 38,769</b>	<b>\$ 209,684</b>	<b>\$ 159,946</b>
Less: Net rental income from joint venture properties	6,651	6,355	25,474	25,701
<b>Net rental income</b>	<b>58,789</b>	<b>32,414</b>	<b>184,210</b>	<b>134,245</b>

(1) Net operating income ("NOI") is a non-GAAP measure. See "Non-GAAP Measures and Other Disclosures" for the definition of NOI.

## Comparative properties cash NOI

The NOI shown below details both comparative and non-comparative items. The comparative properties cash NOI disclosed in the following table pertains to properties acquired prior to January 1, 2016 and excludes properties sold in 2016 and 2017, as well as assets classified as held for sale as at December 31, 2017. Comparative properties cash NOI excludes accounting adjustments such as straight-line rent, amortization of lease incentives and other.

	December 31,		Year ended	
	2017	2016	Amount	Change
<b>Comparative properties cash NOI<sup>(1)</sup></b>	<b>\$ 151,041</b>	<b>\$ 142,603</b>	<b>\$ 8,438</b>	<b>5.9</b>
Cash NOI <sup>(1)</sup> from:				
Property acquisitions	26,671	5,118	21,553	421.1
Dutch Properties	31,538	—	31,538	100.0
Properties held for sale/sold	5,489	12,929	(7,440)	(57.5)
<b>Cash net operating income<sup>(1)</sup></b>	<b>214,739</b>	<b>160,650</b>	<b>54,089</b>	<b>33.7</b>
Straight-line rent	(930)	2,476	(3,406)	
Amortization of lease incentives	(4,125)	(3,180)	(945)	
<b>Net operating income<sup>(1)</sup></b>	<b>209,684</b>	<b>159,946</b>	<b>49,738</b>	
Less: Net rental income from joint venture properties	(25,474)	(25,701)	227	(0.9)
<b>Net rental income</b>	<b>\$ 184,210</b>	<b>\$ 134,245</b>	<b>\$ 49,965</b>	<b>37.2</b>

(1) NOI, cash NOI and comparative properties cash NOI are non-GAAP measures. See "Non-GAAP Measures and Other Disclosures" for their definition.

Overall, the comparative properties cash NOI increased by \$8.4 million, or 5.9%, from December 31, 2016. Growth in the comparative properties cash NOI was driven by an increase in in-place rents of 8.6% since December 31, 2016, an increase in average occupancy, and lower free-rent periods in 2017 compared to 2016. When adjusting comparative properties cash NOI for straight-line rent and amortization of lease incentives, the increase in NOI was \$4.4 million, or 3.1%.

Net rental income, excluding the REIT's share of joint venture properties, was \$184.2 million, an increase of \$50.0 million, or 37.2%, compared to the prior year. The increase primarily comprises \$31.5 million in net rental income from the Dutch Properties, \$21.6 million attributable to acquisitions completed throughout 2016 and 2017, and \$8.4 million from comparative properties cash NOI. This was offset by a \$7.4 million decrease due to property dispositions, and a \$3.4 million decrease in straight-line rent resulting from future free rent periods granted in 2017 relating to the renewal of Deutsche Post and a few other tenants, compared to free rent periods granted to various tenants in the portfolio in the prior year. The increase in investment properties revenues was a result of the same factors discussed above.

## Investment properties revenue and investment properties operating expenses

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

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Investment properties revenue <sup>(1)</sup>	€ 61,561	€ 39,064	€ 200,588	€ 160,466
Investment properties operating expenses <sup>(1)</sup>	(17,852)	(12,139)	(57,850)	(51,434)
<b>Net operating income<sup>(1)(2)</sup></b>	<b>€ 43,709</b>	<b>€ 26,925</b>	<b>€ 142,738</b>	<b>€ 109,032</b>

(1) Includes the REIT's proportionate share of properties held through joint ventures and associates and is considered a non-GAAP measure.

(2) Net operating income ("NOI") is a non-GAAP measure. See "Non-GAAP Measures and Other Disclosures" for the definition of NOI.

## Interest and other income

Interest and other income comprises interest earned on notes receivable, 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.

Management fees, loan facility income and interest earned was \$0.9 million for the three months ended December 31, 2017 compared to \$1.0 million in the comparative quarter of 2016. For the twelve months ended December 31, 2017, management fees, loan facility income and interest earned were \$4.8 million, compared to \$5.8 million for the comparative period in 2016. The decrease was primarily due to the suspension of the credit facility in early 2017.

Other income and fees was \$1.3 million for the three months ended December 31, 2017, compared to \$0.2 million for the comparative quarter of 2016. For the twelve months ended December 31, 2017, other income was \$3.0 million compared to \$1.6 million for the twelve months ended December 31, 2016. Other income for the three and twelve months ended December 31, 2017 included a \$1.3 million termination fee relating to a Dutch Property, as well as other smaller termination fees, and various settlements with vendors and tenants.

## Portfolio management

Our portfolio management team comprises the employees of our advisory subsidiaries in Europe 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 \$3.8 million for the three months ended December 31, 2017, a \$2.4 million increase from the comparative quarter in the prior year. Portfolio management expense for the year ended December 31, 2017 was \$9.3 million, or \$3.3 million higher than the amounts incurred for the comparative period in 2016. The increase for the three and twelve months ended December 31, 2017 is primarily due to \$2.3 million and \$3.4 million, respectively, of portfolio management costs relating to the Dutch Properties platform.

## General and administrative

General and administrative expenses totalled \$7.0 million and \$23.6 million for the three months and year ended December 31, 2017, respectively. The increase of \$2.0 million for the three months ended December 31, 2017 was a result of asset management fees for acquisitions completed in 2017, and for the Dutch Properties. The increase of \$3.3 million for the twelve months ended December 31, 2017 relates to asset management fees of approximately \$1.5 million for the Dutch Properties and \$1.1 million of asset management fees for other acquisitions which closed late in 2016 and 2017. The remainder of the increase is due to fees paid in cash instead of deferred units which were valued at a discount since August 2016. There were no changes in general and administrative expenses incurred on properties held through joint ventures and associates year-over-year.

## Interest expense

Interest expense was \$10.5 million for the quarter ended December 31, 2017, an increase of \$2.7 million compared to the prior year comparative quarter. The increase is due to interest expense of \$2.4 million on the Senior Notes and \$1.2 million for new mortgages resulting from acquisitions and capital leases in the quarter. This was partially offset by a \$0.9 million decrease in interest expense from lower outstanding balances on the revolving credit facility and term loan credit facility. The remaining increase is a result of higher average euro to Canadian dollar exchange rates in the comparative quarter. Interest expense on our share of debt on properties held through joint ventures stayed flat for the quarter ended December 31, 2017 compared to the prior year comparative quarter.

Interest expense was \$35.2 million for the twelve months ended December 31, 2017, a decrease of \$5.6 million compared to the same period last year. The decrease was a result of interest savings of \$7.9 million due to the redemption of the Debentures in Q3 2016, \$2.0 million due to repayments of the term loan facility relating to property dispositions, and \$1.0 million in interest savings from lower drawn balances on the revolving credit facility. This was partially offset by \$1.2 million of interest expense for new acquisitions and capital leases, and \$4.1 million of interest on the Senior Notes.

Interest expense on our share of debt on properties held through joint ventures decreased by \$0.5 million to \$5.7 million, compared to the prior year. The decrease was driven by refinancing of mortgages late in 2016, and mortgage principal repayments.

#### **Fair value adjustments to investment properties**

Fair value adjustment is determined by taking the fair value gain or loss resulting from internal or external valuations of the investment properties, adjusted for (i) building improvements, lease incentives and initial direct leasing costs, net of amortization, (ii) changes in straight-line rent and (iii) transaction costs on acquisitions.

For the three months ended December 31, 2017, a gain of \$85.6 million was recognized compared to a gain of \$20.7 million in the comparative quarter last year. The fair value gain resulted from a \$105.0 million increase in value of the Acquisition Properties due to improved occupancy rates, higher in-place rental rates, compression in capitalization rates and value-add improvements. The gain was partially offset by a negative fair value adjustment in our Initial Properties and the Dutch Properties, which had relatively flat fair values in the quarter but resulted in a negative fair value adjustment due to capital expenditures and leasing costs.

For the twelve months ended December 31, 2017, a gain of \$171.1 million was recognized compared to a gain of \$80.3 million in the comparative period last year. The \$4.3 million gain pertaining to the Initial Properties was driven by the Deutsche Post lease renewal of 2.5 million square feet executed in 2017. The \$175.8 million gain pertaining to the Acquisition Properties resulted from similar factors listed above for the three-month period ended December 31, 2017. The Dutch Properties fair values were flat since closing of the transaction, which resulted in a negative fair value adjustment of approximately \$9.0 million as a result of capital expenditures and leasing costs for the period.

Fair value adjustments on properties held through joint ventures are discussed under “Our Resources and Financial Condition”.

#### **Fair value adjustments to financial instruments**

For the three months ended December 31, 2017, we incurred a loss in the fair value of financial instruments of \$7.7 million compared to a gain of \$10.6 million in the prior year comparative quarter. The fair value adjustments in the current period mainly comprise the following:

- A \$0.2 million loss was recognized on the fair value change in the interest rate caps as a result of a decrease in the forward price of interest rates, compared to a \$0.6 million gain recognized in the comparative period last year;
- An unrealized loss of \$6.9 million was recognized related to our foreign currency forward contracts due to the appreciation of the euro compared to the Canadian dollar since the end of Q3 2017, versus an \$11.3 million unrealized gain during the comparative period due to the depreciation of the euro compared to the Canadian dollar; and
- A \$0.6 million loss was recognized related to our DUIP, mainly reflecting an increase in the market price of the REIT's Units, compared to a loss of \$1.3 million in the same period in 2016.

For the year ended December 31, 2017, we incurred a loss in the fair value of financial instruments of \$23.2 million compared to a gain of \$15.2 million in the prior comparative period. The fair value adjustments in the current period mainly comprise the following:

- A \$3.1 million loss was recognized on the fair value of interest rate caps and swap, \$2.3 million of which was related to the purchase of an interest rate swap entered into in relation to the Senior Notes and expired within the same period, as compared to a \$2.8 million loss recognized on the valuation of interest rate caps in the comparative period last year;
- The Debentures were redeemed on September 15, 2016 and, as a result, no fair value change was recognized on the conversion feature in 2017, compared to a gain of \$1.4 million in 2016;
- An unrealized loss of \$17.5 million was recognized related to our foreign currency forward contracts due to the appreciation of the euro compared to the Canadian dollar since the end of 2016, versus a \$20.1 million unrealized gain during the comparative period due to the depreciation of the euro compared to the Canadian dollar; and
- A \$2.5 million loss was recognized related to our DUIP, mainly reflecting an increase in the market price of the REIT's Units, compared to a loss of \$3.5 million in the same period in 2016.

### Debt settlement costs

For the three months ended December 31, 2017, we incurred debt settlement costs of \$0.2 million compared to \$3.3 million in the prior year comparative quarter. The debt settlement costs in 2017 relate to the unamortized deferred financing costs written off with respect to repayments of the term loan facility on disposition of Initial Properties for the quarter.

For the twelve months ended December 31, 2017, we incurred debt settlement costs of \$1.4 million compared to \$21.6 million in the prior year comparative period. The debt settlement costs mainly comprise the following:

- \$1.3 million was recognized as unamortized deferred financing costs with respect to term loan credit facility repayments on the sale of Initial Properties and was written off in the current period; and
- \$0.1 million in refinancing charges (\$1.8 million including the Trust's ownership share in the joint venture property with POBA, comprising \$1.6 million in cancellation charges and \$0.2 million of unamortized deferred financing costs).

### Internal direct leasing costs

The Trust incurred a total of \$1.2 million and \$4.0 million of internal leasing costs for the three months and year ended December 31, 2017, respectively. The increase of \$0.5 million and of \$0.9 million was primarily a result of the Dutch Properties, as well as additional resources used to support increased leasing volumes during the current year.

### Loss on sale of investment properties

Loss on sale of investment properties for the quarter ended December 31, 2017 was \$1.7 million, compared to a \$2.5 million loss in the same quarter last year. For the twelve months ended December 31, 2017, there was a loss on sale of investment properties of \$5.3 million, compared to \$5.5 million in the prior year. Loss on sale of investment properties is mainly attributable to transaction costs for property dispositions. As part of the capital recycling program, we disposed of 43 properties, including eight Dutch Properties, during the twelve months ended December 31, 2017, compared to a total of 39 properties during 2016.

### Income taxes

The Trust recognized current income tax expenses of \$0.7 million and \$1.7 million for the three and twelve months ended December 31, 2017, respectively, compared to \$0.2 million and \$0.5 million for the comparative periods in 2016. There was no significant current income tax expense on properties held through joint ventures and associates.

We also recognized deferred income tax expenses of \$23.0 million and \$45.9 million, respectively, for the three months and year ended December 31, 2017, compared to \$16.1 million and \$28.7 million, respectively, for the comparative periods in 2016. Deferred income tax expenses are primarily impacted by fluctuations from (i) investment properties' fair values compared to tax values and (ii) fair value adjustments on financial instruments.

Deferred income tax expense on properties held through joint ventures and associates for the three and twelve months ended December 31, 2017 were \$5.0 million and \$9.9 million, respectively, an increase from \$0.2 million and \$4.5 million compared to the three and twelve months ended December 31, 2016. Increases are primarily driven by the change in investment properties' fair value compared to tax values.

### 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 during the three months and year ended December 31, 2017.

	Three months ended December 31,			Year ended December 31,		
	2017	2016	Change	2017	2016	Change
Average exchange rate (Cdn. dollars to one euro)	<b>1.498</b>	1.438	4.1%	<b>1.465</b>	1.466	(0.1)%
Exchange rate at period-end (Cdn. dollars to one euro)	<b>1.505</b>	1.417	6.2%	<b>1.505</b>	1.417	6.2 %

Comprehensive income was impacted by a foreign currency translation gain of \$40.4 million and \$102.5 million for the three months and year ended December 31, 2017. The exchange rate increased from \$1.417:€1 as at December 31, 2016 to \$1.505:€1 as at December 31, 2017. The quarterly results of our euro-denominated operations included in net income were translated at an average exchange rate of \$1.498:€1 compared to \$1.438:€1 in the same quarter last year. For the year ended December 31, 2017, results were translated at an average rate of \$1.465:€1 compared to \$1.466:€1 in the same period last year.

## Funds from operations and adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
<b>Net income for the period</b>	\$ 119,438	\$ 30,715	\$ 295,676	\$ 141,334
Add (deduct):				
Net income attributable to non-controlling interest	(1,490)	(845)	(3,100)	(1,601)
Net FFO impact attributable to non-controlling interest	1,321	636	2,261	766
Amortization of lease incentives	1,172	949	4,108	3,210
Internal direct leasing costs	1,167	716	4,041	3,181
Debt settlement costs	224	3,253	3,142	23,295
Acquisition related gain, net	(12)	—	(23,817)	—
Loss on sale of investment properties	1,652	2,547	5,286	5,482
Deferred income tax expense	27,946	15,968	55,789	33,217
Gain (loss) on settlement of foreign currency contracts	803	1,300	4,734	2,129
Fair value adjustment to investment properties	(114,736)	(19,223)	(224,317)	(100,485)
Fair value adjustment to financial instruments	7,654	(10,553)	23,193	(15,190)
<b>FFO<sup>(1)</sup></b>	\$ 45,139	\$ 25,463	\$ 146,996	\$ 95,338
Add (deduct):				
Amortization of financing costs	\$ 1,449	\$ 1,200	\$ 5,070	\$ 5,873
Amortization of initial discount on Debentures	—	—	—	893
Amortization of the discount on Senior Notes	163	—	270	—
Deferred unit compensation expense	783	668	2,573	2,151
Deferred asset management fees	322	261	1,297	1,613
Straight-line rent	594	(1,670)	930	(2,476)
	48,450	25,922	157,136	103,392
Deduct:				
Normalized initial direct leasing costs and lease incentives	(2,945)	(1,745)	(9,436)	(7,198)
Normalized non-recoverable recurring capital expenditures	(2,290)	(1,357)	(7,338)	(5,599)
<b>AFFO<sup>(1)</sup></b>	\$ 43,215	\$ 22,820	\$ 140,362	\$ 90,595

(1) FFO and AFFO are non-GAAP measures. See “Non-GAAP Measures and Other Disclosures”.

Capital expenditures, or ‘building improvements’ as referred to in the investment properties continuity schedule, including our share from joint ventures, were \$43.4 million for the twelve months ended December 31, 2017. Management has included a detailed breakdown of the components of capital expenditures in the Investment Properties section under the heading “Building Improvements”. As disclosed, approximately \$7.7 million of the total spent on building improvements for the year relate to non-recoverable recurring capital expenditure (“capex”), which is comparable to the amount used in the reserve above.

## Funds from operations

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
FFO <sup>(1)</sup>	\$ 45,139	\$ 25,463	\$ 146,996	\$ 95,338
FFO per unit – basic	\$ 0.26	\$ 0.20	\$ 0.97	\$ 0.80
FFO per unit – diluted <sup>(2)</sup>	\$ 0.25	\$ 0.20	\$ 0.95	\$ 0.80

(1) FFO is a non-GAAP measure. See “Non-GAAP Measures and Other Disclosures”. FFO has been reconciled to net income in the section “Our Financial Results” under the heading “Funds from operations and adjusted funds from operations”.

(2) The Debentures are dilutive for the three months and year ended December 31, 2016; therefore, debenture interest of \$2,257 and \$7,867, respectively, is added to FFO.

Total FFO for the quarter was \$45.1 million, an increase of \$19.7 million, or 77.3%, over the prior year comparative quarter. The increase is due to funds from operations on the Dutch Properties, an increase in net rental income as a result of acquisitions completed late 2016, and an increase in same-property net rental income.

Total FFO for the twelve months ended December 31, 2017 was \$147.0 million, an increase of \$51.7 million, or 54.2%, over the prior year comparative period. The increase is due to funds from operations on the Dutch Properties, an increase in net rental income as a result of acquisitions completed in 2016 and 2017, growth in same-property net rental income, and lower interest expense resulting from refinancing activities in late 2016.

## Adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
AFFO <sup>(1)</sup>	\$ 43,215	\$ 22,820	\$ 140,362	\$ 90,595
AFFO per unit – basic	\$ 0.24	\$ 0.18	\$ 0.92	\$ 0.76

(1) AFFO is a non-GAAP measure. See “Non-GAAP Measures and Other Disclosures”. AFFO has been reconciled to net income in the section “Our Financial Results” under the heading “Funds from operations and adjusted funds from operations”.

Total AFFO for the quarter ended December 31, 2017 increased by \$20.4 million, or 89.4%, over the prior year comparative quarter, reflecting an increase in funds from operations from the Dutch Properties, and an increase in net rental income as a result of acquisitions completed in late 2016 and 2017.

Total AFFO for the twelve months ended December 31, 2017 was \$140.4 million, an increase of \$49.8 million, or 54.9%, over the prior year comparative period. The increase is driven by five months of operations on the Dutch Properties, an increase in net rental income as a result of acquisitions completed in 2016 and 2017 and lower interest expense resulting from refinancing activities in late 2016.

### Selected annual information

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

	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015
Investment properties revenue <sup>(1)</sup>	\$ 294,715	\$ 235,312	\$ 223,169
Net income	295,676	141,334	145,826
Total assets <sup>(1)</sup>	4,815,125	3,167,493	3,045,780
Non-current liabilities <sup>(1)</sup>	2,531,588	1,585,480	1,639,178
Distributions declared	124,847	95,239	90,384
REIT Units	176,500,343	125,456,199	113,024,465

(1) Includes the REIT’s proportionate share of properties held through joint ventures and associates. For a reconciliation of the Trust’s results and statement of financial position, please see “Our Financial Results” under the heading “Statement of net income and comprehensive income reconciliation to consolidated financial statements” and “Non-GAAP Measures and Other Disclosures” under the heading “Balance sheet reconciliation to consolidated financial statements” in the MD&A.

## QUARTERLY INFORMATION (per consolidated financial statements)

The following table shows quarterly information since January 1, 2016:

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Investment properties revenue	\$ 84,303	\$ 74,981	\$ 54,001	\$ 50,443	\$ 48,576	\$ 51,254	\$ 52,009	\$ 51,726
Investment properties operating expenses	(25,514)	(21,941)	(16,373)	(15,690)	(16,162)	(17,953)	(18,351)	(16,854)
<b>Net rental income</b>	<b>58,789</b>	<b>53,040</b>	<b>37,628</b>	<b>34,753</b>	<b>32,414</b>	<b>33,301</b>	<b>33,658</b>	<b>34,872</b>
<b>Other income</b>								
Interest and other income	2,241	2,769	1,175	1,583	1,230	2,312	1,767	2,136
Share of net income from investment in joint ventures	28,451	21,315	3,226	5,469	2,791	12,213	10,305	5,502
	30,692	24,084	4,401	7,052	4,021	14,525	12,072	7,638
<b>Other expenses</b>								
Portfolio management	(3,775)	(2,566)	(1,532)	(1,470)	(1,379)	(1,474)	(1,602)	(1,576)
General and administrative	(6,972)	(6,382)	(5,221)	(5,000)	(5,013)	(5,265)	(5,046)	(4,928)
Amortization and depreciation	(37)	(14)	(16)	(19)	(21)	(24)	(26)	(40)
Interest expense	(10,506)	(9,739)	(7,511)	(7,445)	(7,791)	(10,262)	(11,213)	(11,544)
	(21,290)	(18,701)	(14,280)	(13,934)	(14,204)	(17,025)	(17,887)	(18,088)
<b>Fair value adjustments, loss on sale of investment properties and other activities</b>								
Fair value adjustments to investment properties	85,614	60,111	18,684	6,714	20,740	3,727	52,743	3,105
Fair value adjustments to financial instruments	(7,654)	(2,489)	(12,965)	(85)	10,553	(11,302)	8,358	7,581
Internal direct leasing costs	(1,167)	(996)	(1,034)	(844)	(716)	(815)	(786)	(864)
Debt settlement costs	(224)	(431)	(420)	(368)	(3,253)	(18,141)	(153)	(93)
Loss on sale of investment properties	(1,652)	(1,273)	(847)	(1,514)	(2,547)	(1,020)	(1,291)	(624)
Acquisition related gain, net	12	23,805	—	—	—	—	—	—
	74,929	78,727	3,418	3,903	24,777	(27,551)	58,871	9,105
<b>Income before taxes</b>	<b>143,120</b>	<b>137,150</b>	<b>31,167</b>	<b>31,774</b>	<b>47,008</b>	<b>3,250</b>	<b>86,714</b>	<b>33,527</b>
Current income taxes recovery (expense)	(693)	(534)	(230)	(193)	(156)	14	12	(345)
Deferred income tax expense	(22,989)	(15,044)	(4,789)	(3,063)	(16,137)	(1,591)	(9,963)	(999)
Provision for income taxes	(23,682)	(15,578)	(5,019)	(3,256)	(16,293)	(1,577)	(9,951)	(1,344)
<b>Net income</b>	<b>\$ 119,438</b>	<b>\$ 121,572</b>	<b>\$ 26,148</b>	<b>\$ 28,518</b>	<b>\$ 30,715</b>	<b>\$ 1,673</b>	<b>\$ 76,763</b>	<b>\$ 32,183</b>
<b>Total income for the period attributable to:</b>								
Unitholders of the Trust	\$ 117,948	\$ 120,525	\$ 25,988	\$ 28,115	\$ 29,870	\$ 1,590	\$ 76,293	\$ 31,980
Shareholders of the subsidiaries	1,490	1,047	160	403	845	83	470	203
<b>Net income</b>	<b>\$ 119,438</b>	<b>\$ 121,572</b>	<b>\$ 26,148</b>	<b>\$ 28,518</b>	<b>\$ 30,715</b>	<b>\$ 1,673</b>	<b>\$ 76,763</b>	<b>\$ 32,183</b>
Add (deduct):								
Income allocated to non-controlling interest	(1,490)	(1,047)	(160)	(403)	(845)	(83)	(470)	(203)
Net FFO impact attributable to non-controlling interest	1,321	813	(65)	191	636	(128)	265	(7)
Amortization of lease incentives	1,172	1,033	919	984	949	841	718	702
Internal direct leasing costs	1,167	996	1,034	844	716	815	786	864
Acquisition related gain, net	(12)	(23,805)	—	—	—	—	—	—
Debt settlement costs	224	431	420	2,067	3,253	19,796	153	93
Loss on sale of investment properties	1,652	1,273	847	1,514	2,547	1,020	1,291	624
Deferred income tax expense	27,946	18,598	5,086	4,160	15,968	4,318	11,334	1,597
Gain (loss) on settlement of Forex contracts	803	1,081	1,005	1,845	1,300	857	918	(946)
Fair value adjustments to investment properties	(114,736)	(80,712)	(18,119)	(10,750)	(19,223)	(16,206)	(60,397)	(4,659)
Fair value adjustments to financial instruments	7,654	2,489	12,965	85	(10,553)	11,302	(8,358)	(7,581)
<b>FFO</b>	<b>\$ 45,139</b>	<b>\$ 42,722</b>	<b>\$ 30,080</b>	<b>\$ 29,055</b>	<b>\$ 25,463</b>	<b>\$ 24,205</b>	<b>\$ 23,003</b>	<b>\$ 22,667</b>
<b>FFO per unit – basic</b>	<b>\$ 0.26</b>	<b>\$ 0.26</b>	<b>\$ 0.22</b>	<b>\$ 0.23</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>
<b>FFO per unit – diluted</b>	<b>\$ 0.25</b>	<b>\$ 0.25</b>	<b>\$ 0.21</b>	<b>\$ 0.22</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>
Funds from operations	\$ 45,139	\$ 42,722	\$ 30,080	\$ 29,055	\$ 25,463	\$ 24,205	\$ 23,003	\$ 22,667
Add (deduct):								
Amortization of financing costs	1,449	1,388	1,131	1,102	1,200	1,287	1,698	1,688
Accretion of debenture conversion feature	—	—	—	—	—	267	315	311
Amortization of the discount on Senior Notes	163	107	—	—	—	—	—	—
Deferred compensation expense	783	696	592	502	668	393	557	533
Deferred asset management expense	322	318	322	335	261	367	524	461
Straight-line rent	594	297	307	(268)	(1,670)	(378)	(222)	(206)
	48,450	45,528	32,432	30,726	25,922	26,141	25,875	25,454
Deduct:								
Normalized initial direct leasing costs and lease incentives	(2,945)	(2,668)	(1,979)	(1,844)	(1,745)	(1,784)	(1,800)	(1,869)
Normalized non-recoverable recurring capital expenditures	(2,290)	(2,075)	(1,539)	(1,434)	(1,357)	(1,388)	(1,400)	(1,454)
<b>AFFO</b>	<b>\$ 43,215</b>	<b>\$ 40,785</b>	<b>\$ 28,914</b>	<b>\$ 27,448</b>	<b>\$ 22,820</b>	<b>\$ 22,969</b>	<b>\$ 22,675</b>	<b>\$ 22,131</b>
<b>AFFO per unit – basic</b>	<b>\$ 0.24</b>	<b>\$ 0.25</b>	<b>\$ 0.21</b>	<b>\$ 0.22</b>	<b>\$ 0.18</b>	<b>\$ 0.19</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>
<b>Weighted average number of Units:</b>								
Basic	176,444,464	165,420,871	138,697,601	127,413,033	125,482,713	120,958,186	113,847,191	113,401,973
Diluted	179,085,118	168,005,161	141,188,735	130,084,788	128,135,174	133,786,314	128,736,432	128,153,728
Quarterly average exchange rate (\$:€1)	1.498	1.472	1.479	1.410	1.438	1.456	1.455	1.516



## 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.

In March 2017, the Real Estate Property Association of Canada ("REALPAC") published a whitepaper on FFO and AFFO for IFRS dated February 2017. REALPAC also issued a whitepaper to introduce a new metric referred to as Adjusted Cashflow from Operations ("ACFO"). ACFO is intended to be used as a sustainable economic cash flow metric, while AFFO is defined as a recurring economic earnings measure. Management has evaluated the impact of adopting the recently issued FFO and AFFO definitions, and is expected to implement revised FFO and AFFO calculations commencing in the first quarter of 2018. Management is still evaluating the impact of introducing ACFO.

### 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 Financial Results" under the heading "Funds from operations and adjusted funds from operations".

### Adjusted funds from operations

AFFO 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.

The Trust believes that AFFO is a measure of recurring economic earnings, and therefore it is indicative, along with adjusted cash generated from operating activities, of the Trust's ability to pay distributions.

Our calculation of AFFO includes a deduction of an estimated amount for normalized non-recoverable recurring capital expenditures and initial direct leasing costs and lease incentives (3.5% and 4.5% of net rental income, respectively). These are amounts 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. Overall, current capital maintenance expenditure levels reasonably reflect expected capital maintenance expenditure levels, unless stated otherwise.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", AFFO has been reconciled to net income for the period in "Our Financial Results" under the heading "Funds from operations and adjusted funds from operations". AFFO has also been reconciled to cash generated from operating activities for the period in this section under the heading "Cash generated from operating activities to AFFO reconciliation".

### Net operating income and comparative properties NOI

NOI is defined by the Trust as the total investment properties revenue less investment properties operating expenses, including the share of net rental income from investment in joint ventures. This non-GAAP measurement is an important measure used by the Trust in evaluating property operating performance; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts. NOI has been reconciled to net rental income in "Our Financial Results" under the heading "Net operating income".

Comparative properties is defined by the Trust as properties which were acquired prior to January 1, 2016, and exclude any properties sold during 2016 and 2017, as well as assets classified as held for sale as at December 31, 2017. Comparative properties cash net operating income excludes accounting adjustments such as straight-line rent, amortization of lease incentives and other. Comparative properties cash NOI has been reconciled to net rental income in "Our Financial Results" under the heading "Net operating income". 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.

## 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 unvested deferred trust units related to the Deferred Unit Incentive Plan and the conversion of the Debentures in the comparative prior year periods. The weighted average number of Units outstanding for basic FFO and AFFO and diluted FFO calculations for the year ended December 31, 2017 are noted in the table below.

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Weighted average Units outstanding for basic per unit amounts	176,444,464	125,482,713	152,165,111	118,450,945
Weighted average Units outstanding for diluted per unit amounts	179,085,118	128,135,174	154,761,949	129,709,388

## Balance sheet reconciliation to consolidated financial statements

	December 31, 2017			December 31, 2016		
	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 and associates	Total
<b>Assets</b>						
<b>NON-CURRENT ASSETS</b>						
Investment properties	\$ 4,061,077	\$ 598,617	\$ 4,659,694	\$ 2,481,586	\$ 510,321	\$ 2,991,907
Investment in joint ventures and associates	319,465	(288,878)	30,587	265,255	(234,734)	30,521
Notes receivable	6,640	—	6,640	6,250	—	6,250
Derivative financial instruments	785	—	785	10,414	—	10,414
Deferred income tax assets	7,064	—	7,064	4,680	—	4,680
Other non-current assets	274	2	276	169	3	172
	<b>4,395,305</b>	<b>309,741</b>	<b>4,705,046</b>	<b>2,768,354</b>	<b>275,590</b>	<b>3,043,944</b>
<b>CURRENT ASSETS</b>						
Amounts receivable	26,524	472	26,996	16,391	1,100	17,491
Prepaid expenses	6,217	124	6,341	4,219	40	4,259
Derivative financial instruments	—	—	—	2,392	—	2,392
Cash	56,533	3,358	59,891	50,283	3,402	53,685
	<b>89,274</b>	<b>3,954</b>	<b>93,228</b>	<b>73,285</b>	<b>4,542</b>	<b>77,827</b>
Assets held for sale	16,851	—	16,851	45,722	—	45,722
<b>Total assets</b>	<b>\$ 4,501,430</b>	<b>\$ 313,695</b>	<b>\$ 4,815,125</b>	<b>\$ 2,887,361</b>	<b>\$ 280,132</b>	<b>\$ 3,167,493</b>
<b>Liabilities</b>						
<b>NON-CURRENT LIABILITIES</b>						
Debt	\$ 2,091,848	\$ 281,685	\$ 2,373,533	\$ 1,241,110	\$ 259,800	\$ 1,500,910
Deposits	8,935	232	9,167	3,466	249	3,715
Derivative financial instruments	4,004	—	4,004	—	—	—
Deferred Unit Incentive Plan	22,617	—	22,617	20,490	—	20,490
Deferred income tax liabilities	100,686	21,581	122,267	49,507	10,858	60,365
	<b>2,228,090</b>	<b>303,498</b>	<b>2,531,588</b>	<b>1,314,573</b>	<b>270,907</b>	<b>1,585,480</b>
<b>CURRENT LIABILITIES</b>						
Debt	22,221	3,627	25,848	158,352	3,123	161,475
Amounts payable and accrued liabilities	99,518	6,485	106,003	46,515	6,115	52,630
Income tax payable (receivable)	1,503	85	1,588	910	(13)	897
Derivative financial instruments	2,211	—	2,211	—	—	—
Distributions payable	11,767	—	11,767	8,364	—	8,364
	<b>137,220</b>	<b>10,197</b>	<b>147,417</b>	<b>214,141</b>	<b>9,225</b>	<b>223,366</b>
Liabilities related to assets held for sale	1,020	—	1,020	923	—	923
<b>Total liabilities</b>	<b>\$ 2,366,330</b>	<b>\$ 313,695</b>	<b>\$ 2,680,025</b>	<b>\$ 1,529,637</b>	<b>\$ 280,132</b>	<b>\$ 1,809,769</b>

### 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,	
	2017	2016	2017	2016
<b>Cash generated from operating activities</b>	\$ 44,024	\$ 17,238	\$ 101,495	\$ 59,533
Add (deduct):				
Change in non-cash working capital	(6,244)	(415)	22,808	8,461
Share of net income from investment in joint ventures and associates	28,444	2,786	58,433	30,792
Share of net income from investment in other joint ventures	7	5	28	19
Internal direct leasing costs	1,167	716	4,041	3,181
Non-cash impact of income attributable to non-controlling interest	(64)	(634)	(109)	(644)
Depreciation and amortization	(37)	(21)	(86)	(111)
Unrealized gain on settlement of foreign exchange contracts	1,465	1,243	4,704	4,644
Investment in lease incentives and initial direct leasing costs	3,703	3,575	6,995	11,246
Adjustments for investment in joint ventures:				
Fair value adjustments to investment properties	(29,122)	1,517	(53,194)	(20,170)
Amortization of lease incentives	150	81	418	259
Debt settlement costs	—	—	1,699	1,655
Deferred income tax expense attributable to joint ventures	4,957	(169)	9,904	4,527
Normalized initial direct leasing costs and lease incentives	(2,945)	(1,745)	(9,436)	(7,198)
Normalized non-recoverable recurring capital expenditures	(2,290)	(1,357)	(7,338)	(5,599)
<b>AFFO</b>	\$ 43,215	\$ 22,820	\$ 140,362	\$ 90,595

### 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 and twelve months ended December 31, 2017, there was a surplus of net income over total distributions of \$84.0 million and \$170.9 million, respectively (surplus of \$5.6 million and \$46.1 million, respectively, for the comparative periods in 2016).

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Net income for the period	\$ 119,438	\$ 30,715	\$ 295,676	\$ 141,334
Total declared distributions	35,437	25,153	124,803	95,197
Surplus of net income over total distributions	\$ 84,001	\$ 5,562	\$ 170,873	\$ 46,137

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,	
	2017	2016	2017	2016
Cash generated from operating activities (per consolidated financial statements)	\$ 44,024	\$ 17,238	\$ 101,495	\$ 59,533
Total declared distributions	35,437	25,153	124,803	95,197
Surplus (shortfall) of cash flow from operating activities (per consolidated financial statements) over total distributions	\$ 8,587	\$ (7,915)	\$ (23,308)	\$ (35,664)

For the three months and year ended December 31, 2017, the Trust recorded a surplus of cash generated from operating activities (per consolidated financial statements) over total declared distributions of \$8.6 million and shortfall of \$23.3 million, respectively. In the prior year comparative periods, the Trust recorded shortfalls of \$7.9 million and \$35.7 million, 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 longer 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,	
	2017	2016	2017	2016
Cash generated from operating activities (per consolidated financial statements)	\$ 44,024	\$ 17,238	\$ 101,495	\$ 59,533
Add:				
Investment in joint ventures' cash flows from operating activities	4,516	7,452	16,721	17,886
Cash generated from operating activities (including investment in joint ventures)	48,540	24,690	118,216	77,419
Add (deduct):				
Lease incentives and initial direct leasing costs	4,081	3,514	8,518	11,949
Change in non-cash working capital	(6,443)	(3,772)	20,934	5,781
Adjusted cash generated from operating activities (including investment in joint ventures)	46,178	24,432	147,668	95,149
Total declared distributions	35,437	25,153	124,803	95,197
Surplus (shortfall) of adjusted cash generated from (utilized in) operating activities over total distributions	\$ 10,741	\$ (721)	\$ 22,865	\$ (48)

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, the adjusted cash generated from (utilized in) operating activities (including investment in joint ventures), a non-GAAP measure, exceeded total declared distributions by \$10.7 million and \$22.9 million for the three months and year ended December 31, 2017, respectively (shortfall of \$0.7 million and \$nil, respectively, for the comparative periods in 2016).

Furthermore, a portion of our declared distributions is 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 \$17.6 million and \$44.5 million, respectively, for the three months and year ended December 31, 2017. 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,	
	2017	2016	2017	2016
Adjusted cash generated from operating activities (including investment in joint ventures)	\$ 46,178	\$ 24,432	\$ 147,668	\$ 95,149
Declared distributions paid in cash	28,581	21,865	103,165	82,364
Surplus of adjusted cash generated from (utilized in) operating activities over distributions paid in cash	\$ 17,597	\$ 2,567	\$ 44,503	\$ 12,785

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.

### Debt-to-book value, debt-to-gross book value, net of cash, and average level of debt, net of cash

Management believes that debt-to-gross book value, debt-to-gross book value, net of cash, and average level of debt (debt-to-gross book value, net of cash), a non-GAAP measurement, is an important measure in the management of our debt levels. 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. Level of debt as shown below is determined as total debt, divided by total assets.

In compliance with the Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the table below is a reconciliation of debt-to-gross book value, debt-to-gross book value, net of cash, and average level of debt, net of cash, expressed as a ratio from line items in the financial statements.

	December 31, 2017		
	Amounts per consolidated financial statements	Share of amounts from investment in joint ventures	Total
Non-current debt	\$ 2,091,848	\$ 281,685	\$ 2,373,533
Current debt	22,221	3,627	25,848
Total debt	2,114,069	285,312	2,399,381
Less cash	56,533	3,358	59,891
<b>Total adjusted debt, net of cash</b>	<b>\$ 2,057,536</b>	<b>\$ 281,954</b>	<b>\$ 2,339,490</b>
Total assets	4,501,430	633,160	5,134,590
Adjustments: Investment in joint ventures	—	(319,465)	(319,465)
	4,501,430	313,695	4,815,125
Less cash	56,533	3,358	59,891
<b>Total assets, net of cash</b>	<b>\$ 4,444,897</b>		<b>\$ 4,755,234</b>
<b>Debt-to-gross book value</b>	<b>47.0%</b>		<b>49.8%</b>
<b>Debt-to-gross book value, net of cash</b>	<b>46.3%</b>		<b>49.2%</b>
<b>Average level of debt, net of cash</b>	<b>46.3%</b>		<b>49.9%</b>

	December 31, 2016		
	Amounts per consolidated financial statements	Share of amounts from investment in joint ventures	Total
Non-current debt	\$ 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
<b>Total adjusted debt, net of cash</b>	<b>\$ 1,349,179</b>	<b>\$ 259,521</b>	<b>\$ 1,608,700</b>
Total assets	2,887,361	545,387	3,432,748
Adjustments: Investment in joint ventures	—	(265,255)	(265,255)
	2,887,361	280,132	3,167,493
Less cash	50,283	3,402	53,685
<b>Total assets, net of cash</b>	<b>\$ 2,837,078</b>		<b>\$ 3,113,808</b>
<b>Debt-to-gross book value</b>	<b>48.5%</b>		<b>52.5%</b>
<b>Debt-to-gross book value, net of cash</b>	<b>47.6%</b>		<b>51.7%</b>
<b>Average level of debt, net of cash</b>	<b>48.6%</b>		<b>52.7%</b>

## Interest coverage ratio

Management believes that interest coverage ratio, a non-GAAP measurement, is an important measure in determining our ability to cover interest expense based on our operating performance. 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. 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, 2017		
	Amounts per consolidated financial statements	Share of amounts from investment in joint ventures	Total
Net rental income	\$ 184,210	\$ 25,474	\$ 209,684
Add: Interest and other income	7,768	492	8,260
Less: General and administrative expenses	23,575	3,325	26,900
Less: Portfolio management expenses	9,343	—	9,343
	159,060	22,641	181,701
Interest expense	\$ 35,201	\$ 5,694	\$ 40,895
<b>Interest coverage ratio</b>	<b>4.52</b>		<b>4.44</b>

	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
<b>Interest coverage ratio</b>	<b>2.83</b>		<b>2.95</b>

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

For the December 31, 2017 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”). In accordance with section 3.3(1)(b) of NI 52-109, the Certifying Officers have limited the scope of the design of the Trust’s disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures related to the Dutch Properties on July 27, 2017. The results of the Dutch Properties are included in our consolidated financial statements for the year ended December 31, 2017. We intend to complete our design of disclosure controls and procedures and internal control over financial reporting with respect to the Dutch Properties by the end of the third quarter in 2018.

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, 2017.

There were no changes in Dream Global REIT’s internal control over financial reporting during the financial year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, Dream Global REIT’s internal control over financial reporting.

## SECTION IV – RISKS AND OUR STRATEGY TO MANAGE

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

### REAL ESTATE OWNERSHIP

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

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. In recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable, and during an economic recession we may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices in order to generate sufficient cash for operations and for making distributions and interest payments.



Certain significant expenditures (e.g., property taxes, maintenance costs, mortgage payments, insurance costs and related charges) must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which we may not be able to pass on to our tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction, or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization. In the course of acquiring a property, undisclosed defects in design or construction or other risks might not have been recognized or correctly evaluated during the pre-acquisition due diligence process. These circumstances could lead to additional costs and could have an adverse effect on our proceeds from sales and rental income of the relevant properties.

### **ROLLOVER OF LEASES**

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. Furthermore, the terms of any subsequent lease may be less favourable than those of the existing lease. Our cash flows and financial position would be adversely affected if our tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our properties could not be leased on economically favourable lease terms. In the event of default by a tenant, we may experience delays or limitations in enforcing our rights as lessor and incur substantial costs in protecting our investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of the lease of the tenant and thereby cause a reduction in the cash flows available to us.

### **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; 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, the Netherlands, Belgium 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 legislative body on July 19, 2016 and became 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 continue managing 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 the Initial 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. With respect to Germany, there are several rules in German tax law 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. The tax deductibility of interest expenses depends on, among other things, the details of the security structure for debt financings, the annual amount of tax net-debt interest, the amounts and terms of shareholder or affiliate financings and our general tax structure. There is a risk of additional taxes being triggered on the rental income and capital gains in case the tax authorities or the tax courts adopt deviating views on the above. If this were the case, this would result in a higher tax burden and, consequently, could have a material adverse effect on our cash flows, financial condition and results of operations, and ability to pay distributions on the Units.

As a result of the so-called Brexit, the status of Gibraltar vis-a-vis the EU is uncertain. Should Gibraltar leave the EU, dividends paid by our Luxembourg holding company may be subjected to Luxembourg withholding tax, which would adversely affect the cash flow available for distribution to our unitholders.

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, Belgium and Austria. Further, Dutch taxation rules are relevant in determining the capacity of Merin/Motta to pay interest and principal on the debt instruments held by our subsidiaries in Luxembourg and Cayman. 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 Commission early in 2016 issued a seven-part Anti-Tax Avoidance Package ("ATAP"). Part of the ATAP includes an Anti-Tax Avoidance Directive ("ATAD"), which received political agreement from the European Union member states in June 2016. Further, as part of the ATAD, member states are required to introduce, among other measures, a general anti-abuse rule. Luxembourg introduced such a rule in 2016. Tax changes arising from BEPS and/or the ATAD, which, in the case of the ATAD, with certain exceptions are scheduled to become effective in 2019, could limit the ability of our subsidiaries or Merin/Motta to deduct the interest they pay on inter-company loans, thereby potentially increasing their foreign tax liability; it is also possible that European Union member states could increase their withholding taxes on dividends and interest or levy withholding taxes where none were levied previously. Given the uncertainty surrounding some of the 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 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. 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 current and future financing arrangements, 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 the Trust's key markets 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 the Trust's key markets 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, 2017.

### **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 most recent Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Management's responsibility for financial statements

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

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

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

***"P. Jane Gavan"***

**P. Jane Gavan**

President and Chief Executive Officer

Toronto, Ontario, February 21, 2018

***"Tamara Lawson"***

**Tamara Lawson**

Chief Financial Officer

# Independent auditor's report

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

We have audited the accompanying consolidated financial statements of Dream Global Real Estate Investment Trust and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of net income and comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and December 31, 2016 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 as issued by the International Accounting Standards Board, 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, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

*(Signed) "PricewaterhouseCoopers LLP"*

**Chartered Professional Accountants, Licensed Public Accountants**

Toronto, Ontario,  
February 21, 2018



## Consolidated balance sheets

(in thousands of Canadian dollars)	Note	December 31, 2017	December 31, 2016
<b>Assets</b>			
NON-CURRENT ASSETS			
Investment properties	7	\$ 4,061,077	\$ 2,481,586
Investment in joint ventures and associates	8	319,465	265,255
Notes receivable	20	6,640	6,250
Derivative financial instruments	11	785	10,414
Deferred income tax assets	19	7,064	4,680
Other non-current assets		274	169
		<b>4,395,305</b>	<b>2,768,354</b>
CURRENT ASSETS			
Amounts receivable	9, 20	26,524	16,391
Prepaid expenses		6,217	4,219
Derivative financial instruments	11	—	2,392
Cash		56,533	50,283
		<b>89,274</b>	<b>73,285</b>
Assets held for sale	16	16,851	45,722
<b>Total assets</b>		<b>\$ 4,501,430</b>	<b>\$ 2,887,361</b>
<b>Liabilities</b>			
NON-CURRENT LIABILITIES			
Debt	10	\$ 2,091,848	\$ 1,241,110
Deposits		8,935	3,466
Derivative financial instruments	11	4,004	—
Deferred Unit Incentive Plan	12	22,617	20,490
Deferred income tax liabilities	19	100,686	49,507
		<b>2,228,090</b>	<b>1,314,573</b>
CURRENT LIABILITIES			
Debt	10	22,221	158,352
Amounts payable and accrued liabilities	13, 20	99,518	46,515
Income tax payable		1,503	910
Derivative financial instruments	11	2,211	—
Distributions payable	14	11,767	8,364
		<b>137,220</b>	<b>214,141</b>
Liabilities related to assets held for sale	16	1,020	923
<b>Total liabilities</b>		<b>2,366,330</b>	<b>1,529,637</b>
<b>Equity</b>			
Unitholders' equity		1,715,642	1,211,588
Retained earnings		257,778	90,049
Accumulated other comprehensive income		147,867	45,812
Total unitholders' equity		<b>2,121,287</b>	<b>1,347,449</b>
Non-controlling interest	20	13,813	10,275
<b>Total equity</b>	15	<b>2,135,100</b>	<b>1,357,724</b>
<b>Total liabilities and equity</b>		<b>\$ 4,501,430</b>	<b>\$ 2,887,361</b>

See accompanying notes to the consolidated financial statements.

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

*“Michael J. Cooper “*  
**Michael J. Cooper**  
Trustee

*“P. Jane Gavan”*  
**P. Jane Gavan**  
Trustee

## Consolidated statements of net income and comprehensive income

(in thousands of Canadian dollars)	Note	Year ended December 31,	
		2017	2016
Investment properties revenue		\$ 263,728	\$ 203,565
Investment properties operating expenses		(79,518)	(69,320)
<b>Net rental income</b>		<b>184,210</b>	<b>134,245</b>
<b>Other income</b>			
Interest and other income		7,768	7,445
Share of net income from investment in joint ventures and associates	8	58,461	30,811
		<b>66,229</b>	<b>38,256</b>
<b>Other expenses</b>			
Portfolio management		(9,343)	(6,031)
General and administrative	20	(23,575)	(20,252)
Depreciation and amortization		(86)	(111)
Interest expense	17	(35,201)	(40,810)
		<b>(68,205)</b>	<b>(67,204)</b>
<b>Fair value adjustments, loss on sale of investment properties and other activities</b>			
Fair value adjustments to investment properties	7	171,123	80,315
Fair value adjustments to financial instruments	18	(23,193)	15,190
Internal direct leasing costs		(4,041)	(3,181)
Debt settlement costs, net	10	(1,443)	(21,640)
Loss on sale of investment properties	7	(5,286)	(5,482)
Acquisition related gain, net	6	23,817	—
		<b>160,977</b>	<b>65,202</b>
<b>Income before income taxes</b>		<b>343,211</b>	<b>170,499</b>
Current income tax expense		(1,650)	(475)
Deferred income tax expense		(45,885)	(28,690)
Provision for income taxes	19	(47,535)	(29,165)
<b>Net income</b>		<b>\$ 295,676</b>	<b>\$ 141,334</b>
<b>Total net income for the year attributable to:</b>			
Unitholders of the Trust		\$ 292,576	\$ 139,733
Shareholders of subsidiaries	20	3,100	1,601
Net income		<b>295,676</b>	<b>141,334</b>
<b>Foreign currency translation adjustments for the year attributable to:</b>			
Other operations		86,522	(67,354)
Investment in joint ventures and associates		15,533	(15,644)
Unitholders of the Trust		102,055	(82,998)
Shareholders of subsidiaries		438	(650)
		<b>102,493</b>	<b>(83,648)</b>
<b>Comprehensive income for the year attributable to:</b>			
Unitholders of the Trust		394,631	56,735
Shareholders of subsidiaries		3,538	951
		<b>\$ 398,169</b>	<b>\$ 57,686</b>

See accompanying notes to the consolidated financial statements.

## Consolidated statements of changes in equity

(in thousands of Canadian dollars, except number of Units)	Note	Attributable to unitholders of the Trust						Non- controlling interest	Total
		Number of Units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income	Total unitholders' equity			
<b>Balance at January 1, 2017</b>		125,456,199 \$	1,211,588 \$	90,049 \$	45,812 \$	1,347,449 \$	10,275 \$	1,357,724	
Net income for the year		—	—	292,576	—	292,576	3,100	295,676	
Distributions paid	14	—	—	(113,080)	—	(113,080)	—	(113,080)	
Distributions payable	14	—	—	(11,767)	—	(11,767)	—	(11,767)	
Distribution Reinvestment Plan	14, 15	1,921,386	20,450	—	—	20,450	—	20,450	
Unit Purchase Plan	15	1,996	21	—	—	21	—	21	
Deferred Unit Incentive Plan	15	435,786	4,279	—	—	4,279	—	4,279	
Public offering of Units	15	40,558,000	415,074	—	—	415,074	—	415,074	
Private placement	15	7,935,395	81,576	—	—	81,576	—	81,576	
Units subscribed by executives and senior staff	15	191,581	2,090	—	—	2,090	—	2,090	
Unit issue costs		—	(19,436)	—	—	(19,436)	—	(19,436)	
Foreign currency translation adjustment		—	—	—	102,055	102,055	438	102,493	
<b>Balance at December 31, 2017</b>		176,500,343 \$	1,715,642 \$	257,778 \$	147,867 \$	2,121,287 \$	13,813 \$	2,135,100	

(in thousands of Canadian dollars, except number of Units)	Note	Attributable to unitholders of the Trust						Non- controlling interest	Total
		Number of Units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income	Total unitholders' equity			
<b>Balance at January 1, 2016</b>		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	14	—	—	(86,875)	—	(86,875)	—	(86,875)	
Distributions payable	14	—	—	(8,364)	—	(8,364)	—	(8,364)	
Contribution from non-controlling interest		—	—	—	—	—	16	16	
Distribution Reinvestment Plan	15	1,452,789	12,793	—	—	12,793	—	12,793	
Unit Purchase Plan	15	2,122	19	—	—	19	—	19	
Deferred Unit Incentive Plan	15	107,400	918	—	—	918	—	918	
Public offering of Units		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)	
<b>Balance at December 31, 2016</b>		125,456,199 \$	1,211,588 \$	90,049 \$	45,812 \$	1,347,449 \$	10,275 \$	1,357,724	

See accompanying notes to the consolidated financial statements.

## Consolidated statements of cash flows

(in thousands of Canadian dollars)	Note	Year ended December 31,	
		2017	2016
<b>Generated from (utilized in) operating activities</b>			
Net income		\$ 295,676	\$ 141,334
Non-cash items:			
Share of net income from investment in joint ventures and associates	8	(58,461)	(30,811)
Deferred income tax expense		45,885	28,690
Amortization of lease incentives	7	3,690	2,951
Amortization of financing costs		4,597	5,299
Amortization of discount on Senior Notes	10	270	—
Amortization of initial discount on convertible debentures		—	893
Loss on sale of investment properties	7	5,286	5,482
Depreciation and amortization		86	111
Deferred unit compensation expense and asset management fees	12	3,870	3,765
Straight-line rent adjustment		673	(2,093)
Fair value adjustments to financial instruments	18	23,193	(15,190)
Fair value adjustments to investment properties		(171,123)	(80,315)
Debt settlement costs		1,443	21,640
Acquisition related gain, net	6	(23,817)	—
Cash settlement on foreign exchange contracts	11	30	(2,516)
Lease incentives and initial direct leasing costs	7, 16	(6,995)	(11,246)
Change in non-cash working capital	21	(22,808)	(8,461)
		<b>101,495</b>	<b>59,533</b>
<b>Generated from (utilized in) investing activities</b>			
Investment in building improvements	7, 16	(41,757)	(24,432)
Acquisition of investment properties	7	(330,113)	(228,802)
Business combination	6	(767,211)	—
Investment in joint ventures and associates		(29)	(879)
Net proceeds from disposal of investment properties	7	146,586	97,486
Distributions from investment in joint ventures	8	19,814	28,398
		<b>(972,710)</b>	<b>(128,229)</b>
<b>Generated from (utilized in) financing activities</b>			
Purchase of interest rate cap		(2,366)	—
Debt cancellation charges		(1,398)	(702)
Mortgage proceeds	10	249,239	540,721
Financing costs on debts placed	10	(10,920)	(6,150)
Mortgage principal repayments	10	(14,034)	(12,819)
Term loan repayment on property dispositions	10	(66,839)	(48,720)
Lump sum repayment on mortgage refinancings	10	(34,368)	(291,334)
Drawdown on revolving credit facility	10	148,073	95,868
Revolving credit facility repayments	10	(234,727)	(35,026)
Land lease principal repayment	10	(319)	—
Issue of Senior Notes, net	10	545,381	—
Repayment of convertible debentures, net of costs		—	(160,975)
Units subscribed by executives and senior staff		2,090	—
Units issued for cash	15	415,095	97,827
Unit issue costs		(19,436)	(5,453)
Distributions paid on Units	14	(100,994)	(81,617)
		<b>874,477</b>	<b>91,620</b>
<b>Increase in cash</b>		<b>3,262</b>	<b>22,924</b>
Effect of exchange rate changes on cash		2,988	(1,341)
Cash, beginning of year		50,283	28,700
<b>Cash, end of year</b>		<b>\$ 56,533</b>	<b>\$ 50,283</b>

See accompanying notes to the consolidated financial statements.

# 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, Austria, Belgium and the Netherlands.

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, 2017 were authorized for issue by the Board of Trustees on February 21, 2018, 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 and comprehensive income.

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

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

### **Joint arrangements**

The Trust enters into joint arrangements via joint operations and joint ventures. A joint arrangement is a contractual arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. 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. Assets held for sale continue to be measured at fair value.

### Segment reporting

The Trust owns and operates investment properties located in Germany, Austria, Belgium and the Netherlands. In measuring performance, the Trust distinguishes its operations on a geographic basis and, accordingly, has identified two reportable segments for disclosure purposes. Segments include (i) Germany and other markets, which includes the assets in Austria and Belgium, and (ii) the Netherlands.

The Trust's major tenant is Deutsche Post, accounting for approximately 9.0% of the gross rental income generated by the Trust's properties as at the year ended December 31, 2017 (December 31, 2016 – 18.9%).

### 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. 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 investment properties, 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 15, 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.

## Financial instruments

### Designation of financial instruments

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

	Classification	Measurement
<b>Financial assets</b>		
Notes receivable	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Mortgage debt	Other liabilities	Amortized cost
Revolving credit facility	Other liabilities	Amortized cost
Term loan credit facility	Other liabilities	Amortized cost
Senior Notes	Other liabilities	Amortized cost
Land lease obligations	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
<b>Financial derivatives</b>		
Derivative assets	Fair value through profit or loss	Fair value
Derivative liabilities	Fair value through profit or loss	Fair value
Conversion feature of the convertible debentures	Fair value through profit or loss	Fair value

### Financial assets

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

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection 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 and comprehensive income within investment property operating expenses.

Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment property operating expenses in the consolidated statement of net income and comprehensive 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 and comprehensive income.

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

### Financial liabilities

The Trust classifies its financial liabilities on initial recognition as either fair value through profit or loss or other liabilities measured at amortized cost. Financial liabilities classified as other liabilities are initially recognized at fair value (net of transaction costs) and are subsequently measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in 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, Senior Notes and Debentures, amortization of premiums allocated to the conversion features of the Debentures and discount on Senior Notes, amortization of ancillary costs incurred in connection with the arrangement of borrowings, interest in land lease obligations 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 and comprehensive income as incurred.

### Equity

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

- Units entitle the holder to a pro rata share of the Trust's net assets in the event of the Trust's liquidation. The Trust's net assets are those assets that remain after deducting all other claims on its assets.
- Units are the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Trust on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments.
- All instruments in the class of instruments that are subordinate to all other classes of instruments have identical features.

- Apart from the contractual obligation for the Trust to redeem the Units for cash or another financial asset, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments.
- The total expected cash flows attributable to the Units over their life are based substantially on the profit or loss, the change in the recognized net assets and unrecognized net assets of the Trust over the life of the Units.

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

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

#### Note 4

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

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

#### **Critical accounting judgments**

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

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

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

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 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 is 15.825%, including a 5.5% solidarity surcharge on German taxable income; 25% on Austrian taxable income; 20% on Dutch taxable income below €200 and 25% above it; and 33.99% on Belgian taxable income;
- Taxable income for European corporate income tax purposes, in general, 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;
- In Germany, 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. There is no such limit in other jurisdictions; and
- In the Netherlands, parent and subsidiaries are taxed as a single tax entity, provided they have the same financial year-end and are both established in the Netherlands.

### 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; and
- 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, derivative instruments, land lease obligations and the fair value disclosure of the mortgage debt and Senior Notes. The critical assumptions underlying the fair value measurements and disclosures include the market price of Units, market interest rates for debt, interest rate derivatives 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. Management is responsible for overseeing the Trust’s transition to IFRS 15 and is performing an in-depth assessment of IFRS 15 and the impact the adoption of the standard will have on the Trust’s consolidated financial statements. Management has completed the review of contracts with its tenants and assessed the impact that adopting IFRS 15 has on service revenue (common area maintenance charges and fee income). The Trust does not expect a material impact to the timing, recognition and measurement of service revenue recognized in a given reporting period as a result of adopting this standard. Rental revenue earned from leases is outside of the scope of IFRS 15 and will therefore not be impacted by its adoption. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

#### **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. Management is responsible for overseeing the Trust’s transition to IFRS 9 and is performing an in-depth assessment of IFRS 9 and the impact the adoption of the standard will have on the Trust’s consolidated financial statements. The Trust is focused on identifying mortgages which were previously accounted for as a debt modification; IFRS 9 requires that a gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The Trust is also focused on developing an impairment model that takes into consideration forward-looking information, as required by IFRS 9. Based on the assessments completed, the Trust does not expect there to be a material impact to the carrying value of its trade receivables given past default rates and receivable balances, and there will be immaterial impact on recognition and measurement of allowance for bad debts as a result of adopting this standard. The Trust also does not expect material changes to the measurement of its financial assets or liabilities. Additional disclosures may be required to comply with IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

## 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 does not expect this standard to have a material impact on the 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.

## Note 6

### BUSINESS COMBINATIONS

On July 27, 2017, the REIT indirectly, through a wholly owned subsidiary, invested in 135 office and light industrial properties (the “Dutch Properties”) located in the Netherlands.

The total purchase price for the transaction was \$876,057 (€600,000). The REIT used the net proceeds of the European debt offering (Note 10), together with a portion of the July 27, 2017 equity offering proceeds (Note 15), as consideration for the REIT’s purchase of the shares and debt of a corporation that held the vendors’ interests in outstanding shareholders’ loans extended to certain of the acquired entities holding the Dutch assets. Through the REIT’s indirect ownership of these shareholders’ loans, the REIT will receive all of the income generated by the Dutch assets.

The REIT also indirectly acquired 1% of the shares of the holding companies of the portfolio. The consideration for the acquisition of 1% of the shares of the holding companies had been satisfied with a nominal payment and a promissory note issued to one of the vendors. These holding companies were transferred to a Dutch legal entity without share capital (the “Foundation”).

The Foundation has acquired the legal ownership of the shares in the vendors’ newly incorporated companies that will own 99% of the holding companies. As referred to above, the REIT indirectly owns 1% of the shares of the holding companies. The vendors will have no voting or other governance rights with respect to the Foundation, except for certain rights relating to the preservation of the economic value of the depositary receipts for assets that the REIT did not invest. The REIT has the right to appoint the board of the Foundation, which has the power to administer the Foundation and determine its activities.

The following are the recognized amounts of identifiable assets acquired and liabilities assumed, measured at their respective fair values:

Investment properties	\$	963,348
Amounts receivable		8,695
Prepaid expenses		2,040
Deposits		(3,933)
Amounts payable and accrued liabilities		(33,056)
Current income tax receivable		151
Land lease obligations		(26,259)
<b>Total net assets acquired</b>	<b>\$</b>	<b>910,986</b>
Considerations paid/payable:		
REIT Units issued to vendors	\$	81,576
Cash paid on closing		767,211
Amounts payable		27,287
Foreign exchange adjustments		(17)
<b>Total consideration</b>	<b>\$</b>	<b>876,057</b>
Bargain purchase gain	\$	34,929
Acquisition costs incurred		(11,112)
<b>Acquisition related gain, net</b>	<b>\$</b>	<b>23,817</b>

To partially finance the transaction, the REIT completed a public offering of 28,575,000 Units at a price of \$10.50 per unit to a syndicate of underwriters. The REIT also completed the European unsecured bond offering of €375,000 aggregate principal amount at a discount price of €99.575 per €100.00 principal amount of Senior Notes. The REIT also satisfied part of the purchase price through the issuance of 7,935,395 Units to the vendors. The transaction was closed based on a preliminary estimate of working capital and other items that are subject to further adjustments. The purchase price allocations have not been finalized. In addition, the REIT is contingently liable for an amount payable of €18,663 related to the transaction.

Costs relating to the transaction were \$11,112 and were charged directly to net income. Bargain purchase gain related to the transaction was \$34,929, being the excess of net assets acquired over total consideration paid.

During the year ended December 31, 2017, the REIT recognized \$45,577 of revenue and \$20,188 of net income. If the transaction had occurred on January 1, 2017, the investment properties revenue and net income for the REIT for the year ended December 31, 2017 are estimated to be \$323,440 and \$322,125, respectively.

## Note 7

### INVESTMENT PROPERTIES

	Note	For the year ended December 31, 2017	For the year ended December 31, 2016
<b>Balance, beginning of year</b>		\$ 2,481,586	\$ 2,394,739
Additions:			
Acquisition of investment properties		332,528	229,942
Acquisitions through business combinations	6	963,348	—
Building improvements		41,668	27,094
Lease incentives and initial direct leasing costs		6,994	11,244
Disposals of investment properties		—	(2,141)
Transfers to disposal groups classified as assets held for sale	16	(117,470)	(121,335)
Fair value adjustments to investment properties		171,123	80,315
Change in straight-line rents		(362)	1,883
Amortization of lease incentives		(3,690)	(2,951)
Foreign currency translation (loss) gain		185,352	(137,204)
<b>Balance, end of year</b>		\$ 4,061,077	\$ 2,481,586

During the year ended December 31, 2017, the balance of the investment properties increased by \$1,579,491, mainly due to the addition of 135 properties in the Netherlands through a business combination for \$963,348 (Note 6) and four property acquisitions.

The assets acquired and liabilities assumed in the acquisition of investment properties were allocated as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Investment properties <sup>(1)</sup>	\$ 332,528	\$ 229,942
Net working capital assumed	(1,369)	—
Accrued transaction costs	(1,046)	(1,140)
<b>Total cash consideration</b>	\$ 330,113	\$ 228,802

(1) Includes transaction costs.

During the year ended December 31, 2017, the REIT disposed of 43 investment properties, including eight Dutch Properties and nine Initial Properties, which were classified as assets held for sale as at December 31, 2016. Net proceeds of \$146,586 (December 31, 2016 – \$97,486) were received on these sales and a loss on sale of \$5,286 (December 31, 2016 – \$5,482) related to transaction costs incurred was recorded. As at December 31, 2017, the REIT had committed to sell five properties totalling \$16,825. These properties have been reclassified as assets held for sale. In total, the REIT also recorded a fair value loss of \$1,330 on these properties. Refer to Note 16 for details on the assets held for sale.



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

	December 31, 2017
Less than 1 year	\$ 201,289
1–5 years	669,980
Longer than 5 years	383,537
<b>Total</b>	<b>\$ 1,254,806</b>

## Fair value hierarchy

### 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 Austria, Belgium and Germany. The REIT participates in two joint venture partnerships which hold a 50% interest in a total of nine Acquisition Properties. Refer to Note 8 for the details regarding the jointly owned properties.

### Dutch Properties

The Dutch Properties, an investment made in July 2017, consist of office and light industrial properties located in the Netherlands. The properties are dispersed throughout the Netherlands and are generally strategically located near areas easily accessible by public transportation.

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, 2017	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Recurring measurements</b>				
<b>Investment properties</b>				
Initial Properties	\$ 557,635	\$ —	\$ —	\$ 557,635
Acquisition Properties	2,551,483	—	—	2,551,483
Dutch Properties	951,959	—	—	951,959
<b>Total</b>	<b>\$ 4,061,077</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 4,061,077</b>
<b>Non-recurring measurements</b>				
Properties reclassified to assets held for sale	\$ 16,825	\$ —	\$ 16,825	\$ —

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, 2017, investment properties valued at \$16,825 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.

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 per respective geography over the past three years, ranging from 1.5% to 3%; the average growth rate used is 2%.

### Valuation processes

During the year ended December 31, 2017, the REIT obtained external appraisals for 100% of the Initial and Acquisition Properties. For the Dutch Properties the REIT relied on the external appraisals performed around the transaction date, July 27, 2017. 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 including assets held for sale are as follows:

	Fair value	December 31, 2017 Implied weighted average capitalization rates	December 31, 2016 Implied weighted average capitalization rates
Initial Properties	\$ 557,635	6.9%	7.3%
Acquisition Properties	2,551,483	4.9%	5.6%
Dutch Properties	951,959	8.2%	n/a
<b>Total portfolio</b>	\$ 4,061,077	6.0%	6.5%

If the implied capitalization rate was to increase by 25 basis points, the total value of the portfolio would decrease by \$163,481. If the implied capitalization rate was to decrease by 25 basis points, the value of the portfolio would increase by \$177,796.

Note 8

**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.

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, 2017	December 31, 2016
POBA joint venture		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	10

Name	Net assets at % ownership interest	
	December 31, 2017	December 31, 2016
Löwenkontor	\$ 38,152	\$ 23,654
Vordernbergstrasse 6/Heilbronner Strasse 35 (Z-UP)	14,188	11,582
Speicherstrasse 55 (Werfthaus)	21,202	21,408
Derendorfer Allee 4–4a (doubleU)	17,618	19,014
Neue Mainzer Strasse 28 (K26)	38,813	29,126
ABC-Strasse 19 (ABC Bogen)	50,115	34,748
Marsstrasse 20–22	35,053	33,562
Liebknechtstr. 33/35, Heßbrühlstr. 7 (Officium)	28,744	23,312
<b>Investment in POBA joint venture</b>	<b>243,885</b>	<b>196,406</b>
Rivergate joint venture	75,337	68,638
Lorac Investment Management S.à r.l.	236	199
Dream Technology Ventures LP	7	12
<b>Total investment in joint ventures and associates</b>	<b>\$ 319,465</b>	<b>\$ 265,255</b>

Name	Share of net income (loss) at % ownership interest for year ended December 31,	
	2017	2016
Löwenkontor	\$ 14,581	\$ 2,750
Vordernbergstrasse 6/Heilbronner Strasse 35 (Z-UP)	2,647	2,007
Speicherstrasse 55 (Werfthaus)	(643)	1,162
Derendorfer Allee 4–4a (doubleU)	(1,961)	1,830
Neue Mainzer Strasse 28 (K26)	8,280	1,032
ABC-Strasse 19 (ABC Bogen)	15,363	4,041
Marsstrasse 20–22	7,382	5,560
Liebknechtstr. 33/35, Heßbrühlstr. 7 (Officium)	4,822	2,607
<b>Share of net income from POBA joint venture</b>	<b>50,471</b>	<b>20,989</b>
Rivergate joint venture	7,967	9,970
Lorac Investment Management S.à r.l.	28	19
Dream Technology Ventures LP	(5)	(167)
<b>Share of net income from investment in joint ventures and associates</b>	<b>\$ 58,461</b>	<b>\$ 30,811</b>

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, 2017, the loan amounted to \$nil (December 31, 2016 – \$378), as it has been repaid in the first quarter of the year. During the year ended December 31, 2017, the REIT recorded fee income relating to the POBA and Rivergate joint ventures of \$4,211 (year ended December 31, 2016 – \$5,226), 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, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Non-current assets</b>				
Investment properties	\$ 888,668	\$ 739,040	\$ 444,334	\$ 369,520
	<b>888,668</b>	<b>739,040</b>	<b>444,334</b>	<b>369,520</b>
<b>Current assets</b>				
Amounts receivable	894	1,070	447	535
Prepaid expenses	196	80	98	40
Cash	4,524	4,916	2,262	2,458
	<b>5,614</b>	<b>6,066</b>	<b>2,807</b>	<b>3,033</b>
Total assets	<b>894,282</b>	<b>745,106</b>	<b>447,141</b>	<b>372,553</b>
<b>Non-current liabilities</b>				
Debt	408,272	374,024	204,136	187,012
Deposits	464	498	232	249
Deferred income tax payable	35,258	17,484	17,629	8,742
	<b>443,994</b>	<b>392,006</b>	<b>221,997</b>	<b>196,003</b>
<b>Current liabilities</b>				
Debt	7,254	6,246	3,627	3,123
Amounts payable and accrued liabilities	10,430	9,404	5,215	4,702
Income tax payable (receivable)	170	(26)	85	(13)
	<b>17,854</b>	<b>15,624</b>	<b>8,927</b>	<b>7,812</b>
Total liabilities	<b>461,848</b>	<b>407,630</b>	<b>230,924</b>	<b>203,815</b>
<b>Net assets</b>	<b>\$ 432,434</b>	<b>\$ 337,476</b>	<b>\$ 216,217</b>	<b>\$ 168,738</b>
Fair value remeasurement on the retained interest			27,668	27,668
<b>Investment in POBA joint venture</b>			<b>\$ 243,885</b>	<b>\$ 196,406</b>

	POBA joint venture at 100%		POBA joint venture at 50%	
	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Investment properties revenue	\$ 44,830	\$ 46,330	\$ 22,415	\$ 23,165
Investment properties operating expenses	(8,656)	(9,348)	(4,328)	(4,674)
<b>Net rental income</b>	<b>36,174</b>	<b>36,982</b>	<b>18,087</b>	<b>18,491</b>
<b>Other income</b>				
Interest income and other income	990	1,804	495	902
	<b>990</b>	<b>1,804</b>	<b>495</b>	<b>902</b>
<b>Other expenses</b>				
General and administrative	(5,440)	(5,708)	(2,720)	(2,854)
Interest expense	(8,472)	(9,452)	(4,236)	(4,726)
	<b>(13,912)</b>	<b>(15,160)</b>	<b>(6,956)</b>	<b>(7,580)</b>
<b>Fair value adjustments to investment properties and other activities</b>				
Fair value adjustments to investment properties	97,834	26,356	48,917	13,178
Debt settlement costs	(3,398)	(3,310)	(1,699)	(1,655)
	<b>94,436</b>	<b>23,046</b>	<b>47,218</b>	<b>11,523</b>
<b>Income before income taxes</b>	<b>117,688</b>	<b>46,672</b>	<b>58,844</b>	<b>23,336</b>
Current income tax recovery (expense)	(210)	2	(105)	1
Deferred income tax expense	(16,536)	(4,696)	(8,268)	(2,348)
<b>Net income for the year</b>	<b>\$ 100,942</b>	<b>\$ 41,978</b>	<b>\$ 50,471</b>	<b>\$ 20,989</b>
Foreign currency translation adjustments for the year	21,634	(23,168)	10,817	(11,584)
<b>Comprehensive income for the year</b>	<b>\$ 122,576</b>	<b>\$ 18,810</b>	<b>\$ 61,288</b>	<b>\$ 9,405</b>

	POBA joint venture at 100%		POBA joint venture at 50%	
	Year ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Cash flow generated from (utilized in):				
Operating activities	\$ 21,036	\$ 28,484	\$ 10,518	\$ 14,242
Investing activities	(3,330)	(2,756)	(1,665)	(1,378)
Financing activities (excluding owners' distributions)	9,522	21,276	4,761	10,638
Cash flow before owners' distributions	27,228	47,004	13,614	23,502
Joint ventures' distributions to owners	(27,620)	(47,600)	(13,810)	(23,800)
<b>Decrease in cash</b>	\$ (392)	\$ (596)	\$ (196)	\$ (298)

	Rivergate joint venture at 100%		Rivergate joint venture at 50%	
	December 31,	December 31,	December 31,	December 31,
	2017	2016	2017	2016
<b>Non-current assets</b>				
Investment properties	\$ 308,566	\$ 281,602	\$ 154,283	\$ 140,801
Other non-current assets	2	—	1	—
	<b>308,568</b>	281,602	<b>154,284</b>	140,801
<b>Current assets</b>				
Amounts receivable	44	1,162	22	581
Prepaid expenses	54	—	27	—
Cash	2,170	1,784	1,085	892
	<b>2,268</b>	2,946	<b>1,134</b>	1,473
Total assets	<b>310,836</b>	284,548	<b>155,418</b>	142,274
<b>Non-current liabilities</b>				
Debt	155,098	145,576	77,549	72,788
Deferred income tax payable	7,904	4,232	3,952	2,116
	<b>163,002</b>	149,808	<b>81,501</b>	74,904
<b>Current liabilities</b>				
Amounts payable and accrued liabilities	2,526	2,772	1,263	1,386
	<b>2,526</b>	2,772	<b>1,263</b>	1,386
Total liabilities	<b>165,528</b>	152,580	<b>82,764</b>	76,290
<b>Net assets</b>	\$ <b>145,308</b>	\$ 131,968	\$ <b>72,654</b>	\$ 65,984
Carrying costs attributable to joint venture			2,683	2,654
<b>Investment in Rivergate joint venture</b>			\$ <b>75,337</b>	\$ 68,638

	Rivergate joint venture at 100%		Rivergate joint venture at 50%	
	Year ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Investment properties revenue	\$ 17,144	\$ 17,164	\$ 8,572	\$ 8,582
Investment properties operating expenses	(2,370)	(2,744)	(1,185)	(1,372)
<b>Net rental income</b>	<b>14,774</b>	<b>14,420</b>	<b>7,387</b>	<b>7,210</b>
<b>Other income</b>				
Interest income and other income	(6)	(16)	(3)	(8)
	(6)	(16)	(3)	(8)
<b>Other expenses</b>				
General and administrative	(1,200)	(1,186)	(600)	(593)
Interest expense	(2,916)	(2,904)	(1,458)	(1,452)
	(4,116)	(4,090)	(2,058)	(2,045)
<b>Fair value adjustments to investment properties</b>				
Fair value adjustments to investment properties	8,554	13,986	4,277	6,993
	8,554	13,986	4,277	6,993
<b>Income before income taxes</b>	<b>19,206</b>	<b>24,300</b>	<b>9,603</b>	<b>12,150</b>
Current income tax expense	—	(2)	—	(1)
Deferred income tax expense	(3,272)	(4,358)	(1,636)	(2,179)
<b>Net income for the year</b>	<b>\$ 15,934</b>	<b>\$ 19,940</b>	<b>\$ 7,967</b>	<b>\$ 9,970</b>
Foreign currency translation adjustments for the year	9,414	(8,096)	4,707	(4,048)
<b>Comprehensive income for the year</b>	<b>\$ 25,348</b>	<b>\$ 11,844</b>	<b>\$ 12,674</b>	<b>\$ 5,922</b>

	Rivergate joint venture at 100%		Rivergate joint venture at 50%	
	Year ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Cash flow generated from:				
Operating activities	\$ 12,488	\$ 7,288	\$ 6,244	\$ 3,644
Investing activities	(96)	—	(48)	—
Cash flow before owners' distributions	12,392	7,288	6,196	3,644
Joint ventures distributions to owners	(12,008)	(9,196)	(6,004)	(4,598)
<b>Increase (decrease) in cash</b>	<b>\$ 384</b>	<b>\$ (1,908)</b>	<b>\$ 192</b>	<b>\$ (954)</b>

## Note 9

### AMOUNTS RECEIVABLE

	December 31, 2017	December 31, 2016
Trade receivables	\$ 8,693	\$ 5,895
Less: Provision for impairment of trade receivables	(1,500)	(1,095)
Trade receivables, net	7,193	4,800
Other amounts receivable	19,331	11,591
<b>Total</b>	<b>\$ 26,524</b>	<b>\$ 16,391</b>

As at December 31, 2017, other amounts receivable include unbilled amounts from tenants in relation to operating cost recoveries of \$5,688 (December 31, 2016 – \$3,544).

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

	2017	2016
As at January 1	\$ 1,095	\$ 2,127
Provision for impairment of trade receivables	1,440	165
	2,535	2,292
Receivables written off during the year as uncollectible	(1,035)	(1,197)
<b>Total</b>	<b>\$ 1,500</b>	<b>\$ 1,095</b>

## Note 10

### DEBT

	December 31, 2017	December 31, 2016
Mortgage debt	\$ 1,288,731	\$ 1,023,130
Revolving credit facility	—	87,139
Term loan credit facility <sup>(1)</sup>	242,044	289,193
Senior Notes	556,583	—
Land lease obligations	26,711	—
Total	2,114,069	1,399,462
Less: Current portion <sup>(1)</sup>	22,221	158,352
<b>Non-current debt</b>	<b>\$ 2,091,848</b>	<b>\$ 1,241,110</b>

(1) The current portion of debt includes \$5,502 (2016 – \$26,806) 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 the terms of the credit facility agreement.

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

#### Mortgage debt

On April 25, 2017, the REIT drew an additional mortgage on Millerntorplatz 1, in Hamburg, with a principal balance of \$14,847 (€10,000) at a fixed rate of 1.71% per annum, maturing on February 6, 2025, to finance the renovation project underway. The mortgage requires quarterly repayment with a principal amortization of 1.25% per annum of the initial loan amount.

On May 18, 2017, the REIT completed the refinancing of ERGO, in Nuremberg. The REIT discharged the remaining balance of the old mortgage in the principal amount of \$34,368 (€22,718), by obtaining a new mortgage in the principal balance amount of \$49,922 (€33,000) at a fixed rate of 1.34%, maturing March 31, 2024. The mortgage requires monthly repayment with a principal amortization of 2.20% per annum of the initial loan amount. The REIT incurred a debt breakage fee of \$111 and has written off unamortized deferred financing costs of \$5. Total debt settlement costs amounted to \$116.

On June 12, 2017, the REIT drew on a mortgage with a principal balance of \$7,178 (€4,775) at a variable rate of three-month EURIBOR plus 1.2% per annum, maturing on September 30, 2024, in connection with the acquisition of Siemens Land, Nuremberg. Concurrent with the closing of the mortgage, the REIT purchased an interest rate cap that covers 80% of the mortgage principal, with a 2.5% strike price, which effectively limits the mortgage interest rate to a maximum of 3.7%. The mortgage requires quarterly repayment with a principal amortization of 3.25% per annum of the initial loan amount.

On July 5, 2017, the REIT drew on a mortgage with a principal balance of \$79,456 (€54,000) at a fixed rate of 1.86% per annum, maturing on July 3, 2024, in connection with the acquisition of Airport Plaza, Brussels. The mortgage requires quarterly repayment with a principal amortization of 1.0% per annum of the initial loan amount.

On July 17, 2017, the REIT drew on a mortgage with a principal balance of \$80,451 (€55,350) at a fixed rate of 1.83% per annum, maturing on June 30, 2027, in connection with the acquisition of Bollwerk, Stuttgart. The mortgage requires quarterly repayment with a principal amortization of 1.5% per annum of the initial loan amount, starting in June 2023.

On December 29, 2017, the REIT drew on a mortgage with a principal balance of \$17,385 (€11,550) at a fixed rate of 1.76% per annum, maturing on December 30, 2027, in connection with the acquisition of Markgrafenstrasse 22, Berlin. The mortgage requires quarterly repayment with a principal amortization of 1.35% per annum of the initial loan amount, starting in March 2019.

#### Term loan credit facility

During the year ended December 31, 2017, the REIT repaid \$66,839 (€45,500) in connection with the disposition of 35 properties in accordance with the terms of the term loan credit 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, 2017, the amount charged was \$1,327.

As at December 31, 2017, the Trust was in compliance with its loan covenants.

## Revolving credit facility

On June 6, 2017, the REIT entered into an amendment agreement with regard to its €100,000 revolving credit facility. The interest rate on Canadian dollar advances is now prime plus 100 basis points or bankers' acceptance rates plus 200 basis points. The interest rate for euro advances is 200 basis points over the EURIBOR rate. The revised terms also allow the REIT to enter swap arrangements where the effective borrowing rate would be the EURIBOR rate plus swap spread, which can further reduce borrowing costs. The term was extended to June 6, 2019.

As at December 31, 2017, the outstanding balance of the credit facility was \$nil and the Trust was in compliance with the covenants of the revolving credit facility. As at December 31, 2017, the Trust had an undrawn letter of credit in the amount of \$1,806 committed against the revolving credit facility.

## Senior unsecured notes ("Senior Notes")

On July 27, 2017, the REIT completed the European debt offering of a \$548,288 (€375,000) aggregate principal amount of Senior Notes, at a face rate of 1.375%, maturing on December 21, 2021. The Senior Notes were sold at a discount of \$2,907 (€1,988) and brokerage fees on the bond issue amounted to \$5,486 (€3,750). Factoring in these costs, the effective interest rate on the Senior Notes is 1.74%. In connection with the bond issuance, the REIT purchased an interest rate swap for \$2,308 (€1,579), which expired shortly after issuance of the Senior Notes.

As at December 31, 2017, the Trust was in compliance with its loan covenants.

## Land lease obligations

On July 27, 2017, the REIT assumed six land leases as part of the Dutch Properties transaction. Under IAS 40, the REIT has elected to treat all land leases where the REIT is a lessee and the property meets the definition of investment property as a finance lease. The REIT has recognized these land lease obligations and thereby recorded an asset and the corresponding liability of \$26,259, respectively. These land leases require monthly, quarterly or semi-annual payments over the lease terms.

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

	Face interest rates		Weighted average effective interest rate		Maturity dates	Debt amount	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
<b>Fixed rate</b>							
Mortgage debt	1.63%	1.64%	1.85%	1.82%	2020–2027	\$ 1,243,322	\$ 986,512
Senior Notes	1.38%	0.00%	1.74%	0.00%	2021	556,583	—
Land lease obligations	2.83%	0.00%	2.83%	0.00%	2037–2064	26,711	—
<b>Total fixed rate debt</b>	<b>1.57%</b>	<b>1.64%</b>	<b>1.83%</b>	<b>1.82%</b>		<b>1,826,616</b>	<b>986,512</b>
<b>Variable rate</b>							
Mortgage debt <sup>(1)</sup>	0.99%	0.95%	1.23%	1.17%	2022–2024	45,409	36,618
Revolving credit facility	2.00%	3.00%	2.00%	3.00%	2019	—	87,139
Term loan credit facility <sup>(1)</sup>	2.25%	2.25%	3.29%	3.16%	2020	242,044	289,193
<b>Total variable rate debt</b>	<b>2.05%</b>	<b>2.29%</b>	<b>2.96%</b>	<b>2.95%</b>		<b>287,453</b>	<b>412,950</b>
<b>Total debt</b>	<b>1.64%</b>	<b>1.83%</b>	<b>1.98%</b>	<b>2.15%</b>		<b>\$ 2,114,069</b>	<b>\$ 1,399,462</b>

(1) Subject to interest rate caps with a notional amount of \$288,823; 0.61% rate maturing 2020–2024, and carrying value of \$785 as at December 31, 2017.



The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term loan	Senior Notes	Land lease obligations	Total
2018	\$ 16,011	\$ 5,502	\$ —	\$ 708	\$ 22,221
2019	17,483	—	—	759	18,242
2020	112,201	242,072	—	780	355,053
2021	16,780	—	564,450	801	582,031
2022	135,520	—	—	823	136,343
2023 and thereafter	1,005,615	—	—	22,840	1,028,455
	\$ 1,303,610	\$ 247,574	\$ 564,450	\$ 26,711	2,142,345
Senior Note discount					(2,720)
Financing costs					(25,556)
				\$	2,114,069

### Continuity of debt

The following tables provide continuity for the year ended December 31, 2017 and the year ended December 31, 2016:

	Mortgages	Term loan	Revolving credit facility	Senior Notes	Land lease obligations	Total
<b>Balance as at January 1, 2017</b>	<b>\$ 1,023,130</b>	<b>\$ 289,193</b>	<b>\$ 87,139</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,399,462</b>
Borrowings	249,239	—	148,073	548,288	26,259	971,859
Principal repayments	(14,034)	—	—	—	(319)	(14,353)
Lump sum repayments	(34,368)	—	(234,727)	—	—	(269,095)
Lump sum repayments on property disposition	—	(66,839)	—	—	—	(66,839)
Senior Notes discount	—	—	—	(2,907)	—	(2,907)
Amortization of notes discount	—	—	—	270	—	270
Financing costs additions	(5,415)	—	—	(5,505)	—	(10,920)
Amortization of financing costs	1,940	1,896	—	511	—	4,347
Financing costs written off on debt settlement	5	1,327	—	—	—	1,332
Foreign exchange adjustments	68,234	16,467	(485)	15,926	771	100,913
<b>Balance as at December 31, 2017</b>	<b>\$ 1,288,731</b>	<b>\$ 242,044</b>	<b>\$ —</b>	<b>\$ 556,583</b>	<b>\$ 26,711</b>	<b>\$ 2,114,069</b>

	Mortgages	Term loan	Convertible debentures	Revolving credit facility	Total
Balance as at January 1, 2016	\$ 841,101	\$ 355,325	\$ 154,558	\$ 29,908	\$ 1,380,892
Borrowings	540,721	—	—	95,868	636,589
Principal repayments	(12,819)	—	—	—	(12,819)
Lump sum repayments	(291,334)	—	(161,000)	(35,026)	(487,360)
Lump sum repayments on property disposition	—	(48,720)	—	—	(48,720)
Financing costs additions	(5,129)	(1,021)	—	—	(6,150)
Amortization of financing costs	1,995	2,257	751	—	5,003
Amortization of fair value adjustments	—	—	893	—	893
Financing costs written off on debt settlement	2,025	1,379	2,164	—	5,568
Fair value adjustments written off on debt settlement	—	—	2,634	—	2,634
Foreign exchange adjustments	(53,430)	(20,027)	—	(3,611)	(77,068)
<b>Balance as at December 31, 2016</b>	<b>\$ 1,023,130</b>	<b>\$ 289,193</b>	<b>\$ —</b>	<b>\$ 87,139</b>	<b>\$ 1,399,462</b>

## Note 11

### DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2017	December 31, 2016
<b>Assets</b>		
Interest rate caps	\$ 785	\$ 1,453
Foreign exchange forward contracts	—	11,353
<b>Total assets</b>	<b>785</b>	<b>12,806</b>
Less: Current portion	—	2,392
<b>Non-current portion</b>	<b>\$ 785</b>	<b>\$ 10,414</b>
<b>Liabilities</b>		
Foreign exchange forward contracts	\$ 6,215	\$ —
<b>Total liabilities</b>	<b>6,215</b>	<b>—</b>
Less: Current portion	2,211	—
<b>Non-current portion</b>	<b>4,004</b>	<b>—</b>
<b>Total net derivative financial instruments</b>	<b>\$ (5,430)</b>	<b>\$ 12,806</b>

The REIT's financial instruments are carried at fair value, and are classified as Level 2 according to the significance of the inputs used in making the measurements.

#### 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 €243,337 from January 2018 to December 2020 at an average exchange rate of \$1.528 per euro.

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

	Note	For the year ended December 31, 2017
Balance, beginning of year		\$ 11,353
Gain on settlement		(30)
Fair value change	18	(17,538)
<b>Balance, end of year</b>		<b>\$ (6,215)</b>

## Note 12

### DEFERRED UNIT INCENTIVE PLAN

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

	Note	
<b>As at January 1, 2016</b>		\$ 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
<b>As at December 31, 2016</b>		<b>20,490</b>
Compensation during the year		2,573
Asset management fees during the year		1,297
Issue of deferred units		(4,279)
Remeasurements of carrying value	18	2,536
<b>As at December 31, 2017</b>		<b>\$ 22,617</b>

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 various fees, including a base annual management fee. See Note 20 for further details on the Asset Management Agreement.

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 March 28, 2017, the REIT and DAM entered into an Acceleration Agreement, by which 231,593 of deferred trust units and deferred trust income units granted to DAM for base asset management fees earned for August 2011 to December 2011 vested and were issued in April and May 2017.

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. 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.

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:

	<b>For the year ended December 31, 2017</b>	For the year ended December 31, 2016
Risk-free rate	<b>1.72%–1.94%</b>	0.82%–1.44%
Expected volatility	<b>16%–18%</b>	18%–21%

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.

	<b>Fair value as at December 31, 2017</b>
Units at December 31, 2017, closing price of \$12.22 per unit	\$ <b>25,171</b>
Discount rate of 14% per unit for units issued in 2012	<b>(902)</b>
Discount rate of 17% per unit for units issued in 2013	<b>(1,064)</b>
Discount rate of 19% per unit for units issued in 2014	<b>(1,103)</b>
Discount rate of 21% per unit for units issued in 2015	<b>(922)</b>
Discount rate of 24% per unit for units issued in 2016	<b>(545)</b>
	<b>\$ 20,635</b>

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

During the year ended December 31, 2017, \$1,297 of asset management fees were recorded (December 31, 2016 – \$1,613) based on the fair value of the deferred income units issued, with an appropriate discount to reflect the restricted period of exercise, and are included in general and administrative expenses. The fees represented a grant of 172,414 deferred income trust units during the year (December 31, 2016 – 341,945). As at January 1, 2018, 2,059,806 unvested deferred trust units and income deferred units (January 1, 2017 – 2,134,289 unvested) were outstanding with respect to the asset management fees. Compensation expense of \$2,573 for the year (December 31, 2016 – \$2,152) was also included in general and administrative expenses.

During the year ended December 31, 2017, 218,880 deferred trust units were granted to senior management and trustees. The weighted average grant date value for the deferred trust units was \$10.12.

#### Note 13

#### AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Trade payables	\$ 17,866	\$ 8,999
Accrued liabilities and other payables	77,838	36,500
Accrued interest	3,814	1,016
<b>Total</b>	<b>\$ 99,518</b>	<b>\$ 46,515</b>

Accrued liabilities and other payables include \$10,239 (2016 – \$10,990) of mortgage cancellation charges. These charges will be paid along with regular mortgage payments over the term of the loans. They also include \$28,092 of amounts payable related to the Dutch Properties.

#### Note 14

#### DISTRIBUTIONS

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

	2017	2016
Paid in cash	\$ 100,994	\$ 81,617
Paid by way of reinvestment in Units	20,450	12,793
Less: Payable at January 1	(8,364)	(7,535)
Plus: Payable at December 31	11,767	8,364
<b>Total</b>	<b>\$ 124,847</b>	<b>\$ 95,239</b>

The distribution for the month of December 2017 in the amount of 6.67 cents per unit, declared on December 18, 2017 and payable on January 15, 2018, amounted to \$11,767. The amount payable as at December 31, 2017 was satisfied on January 15, 2018 by \$9,458 cash and \$2,309 through the issuance of 193,934 Units. The distribution for the month of January was declared in the amount of 6.67 cents per unit on January 22, 2018, payable on February 15, 2018.

The Trust declared distributions of 6.67 cents per unit per month for the months of January 2017 to December 2017.

## Note 15

### **EQUITY**

#### **REIT Units**

##### **Public offering of REIT Units**

On March 21, 2017, the REIT completed a public offering of 11,983,000 Units, including an over-allotment option, at a price of \$9.60 per unit. The Trust received gross proceeds of \$115,037. Costs related to the offering totalled \$5,584 and were charged directly to unitholders' equity.

On July 27, 2017, the REIT completed a public offering of 28,575,000 Units, at a price of \$10.50 per unit. The Trust received gross proceeds of \$300,037. Costs related to the offering totalled \$13,602 and were charged directly to unitholders' equity.

##### **Private placement**

On July 27, 2017 concurrent with the Dutch Properties transaction, the REIT issued 7,935,395 Units to the vendors for \$81,576 as part of the total consideration paid (Note 6). These Units are subject to a six-month lock-up period from the transaction date.

##### **Units subscribed by executives and senior staff**

As part of the Dutch Properties transaction, several key executives and senior staff from the vendor joined the REIT on July 27, 2017. Per the terms of employment, these executives subscribed 191,581 Units for \$2,090 and the distributions on these Units are accrued and reinvested in additional Units.

##### **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, 2017, 1,921,386 Units were issued pursuant to the DRIP for \$20,450 (December 31, 2016 – 1,452,789 Units for \$12,793).

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, 2017, 1,996 Units were issued under the Unit Purchase Plan for \$21 (December 31, 2016 – 2,122 Units for \$19).

##### **Deferred Unit Incentive Plan**

The DUIP provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once issued, 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, 2017, 3,571,286 deferred trust units were granted.

For the year ended December 31, 2017, 435,786 Units were issued to trustees, officers and employees pursuant to the DUIP for \$4,279 (December 31, 2016 – 107,400 Units for \$918).

## Note 16

### ASSETS HELD FOR SALE

As at December 31, 2017, the Trust classified five 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, 2017	December 31, 2016
Investment properties	\$ 16,825	\$ 45,461
Prepaid expenses and other assets	26	261
<b>Assets held for sale</b>	<b>16,851</b>	<b>45,722</b>
Deposits	(36)	—
Amounts payable and accrued liabilities	(984)	(923)
<b>Liabilities related to assets held for sale</b>	<b>(1,020)</b>	<b>(923)</b>
<b>Net assets</b>	<b>\$ 15,831</b>	<b>\$ 44,799</b>

### Investment properties held for sale

	For the year ended December 31, 2017	For the year ended December 31, 2016
<b>Balance, beginning of year</b>	<b>\$ 45,461</b>	<b>\$ 32,549</b>
Building improvements	89	32
Lease incentives and initial direct leasing costs	1	2
Investment properties reclassified as held for sale	117,470	121,335
Change in straight-line rents	(50)	(1)
Dispositions	(151,872)	(100,826)
Foreign currency translation	5,726	(7,630)
<b>Balance, end of year</b>	<b>\$ 16,825</b>	<b>\$ 45,461</b>

## Note 17

### INTEREST EXPENSE

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

	Year ended December 31,	
	2017	2016
Interest on term loan credit facility	\$ 6,455	\$ 8,065
Interest on convertible debentures	—	6,223
Interest on mortgage debt	18,554	17,639
Interest and stand-by fees on revolving credit facility	1,652	2,630
Interest on Senior Notes	3,324	—
Interest on land lease obligations	312	—
Amortization of financing costs, discounts and fair value adjustments on acquired debt	4,862	6,192
Interest other	42	61
<b>Interest expense</b>	<b>\$ 35,201</b>	<b>\$ 40,810</b>

## Note 18

### FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

		Year ended December 31,	
	Note	2017	2016
Fair value loss on interest rate caps and swap		\$ (3,119)	\$ (2,793)
Fair value gain on conversion feature of convertible debentures		—	1,355
Fair value loss on Deferred Unit Incentive Plan	12	(2,536)	(3,493)
Fair value gain (loss) on foreign exchange forward contracts	11	(17,538)	20,121
<b>Fair value gain (loss) adjustment to financial instruments</b>		<b>\$ (23,193)</b>	<b>\$ 15,190</b>

Note 19

**INCOME TAXES**

**Reconciliation of income tax expense**

	Year ended December 31,	
	2017	2016
Income before income taxes	\$ 343,211	\$ 170,499
Income attributable to shareholders of subsidiaries	(3,100)	(1,601)
Income before income taxes attributable to Unitholders of the Trust	340,111	168,898
Tax calculated at the German corporate tax rate of 15.825%	53,823	26,728
Increase (decrease) resulting from:		
Income related to equity accounted investments	(8,088)	(3,747)
Expenses not deductible for tax	287	—
Effect of different tax rates in countries in which the group operates	(1,018)	(488)
Income distributed and taxable to unitholders	(12,819)	(9,412)
Tax costs not previously recognized	(361)	(30)
Taxes not based on profit – minimum taxes	465	199
Change in unrecognized deferred tax asset	14,339	15,511
Foreign exchange adjustment and other items	907	404
<b>Provision for income taxes</b>	<b>\$ 47,535</b>	<b>\$ 29,165</b>

German, Dutch and Belgian deferred income tax assets (liabilities) consist of the following:

	December 31, 2017	December 31, 2016
Deferred tax liability related to difference in tax and book basis of investment properties	\$ (114,410)	\$ (65,350)
Deferred tax asset related to difference in tax and book basis of financial instruments	297	307
Deferred tax asset related to tax loss carry-forwards	14,645	16,357
Deferred tax liability related to differences in tax and book basis of financing costs	(1,172)	(778)
Deferred tax liability related to investment in joint venture	(46)	(43)
<b>Total deferred income tax liabilities</b>	<b>\$ (100,686)</b>	<b>\$ (49,507)</b>

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

	December 31, 2017	December 31, 2016
Deferred tax asset related to tax loss carry-forwards for Austria	\$ —	\$ 4
Deferred tax asset related to tax loss carry-forwards for Luxembourg	7,064	4,676
<b>Total deferred income tax assets</b>	<b>\$ 7,064</b>	<b>\$ 4,680</b>

As at December 31, 2017, there were unused tax losses of \$394,293 for which no deferred tax asset is recognized (December 31, 2016 – \$98,015).

Note 20

**RELATED PARTY TRANSACTIONS AND ARRANGEMENTS**

Pursuant to the Asset Management Agreement, 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 for the Initial Properties 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,	
	2017	2016
Incurred under the Asset Management Agreement:		
Asset management fees in deferred units (included in general and administrative expenses)	\$ 1,297	\$ 1,613
Asset management fees in cash (included in general and administrative expenses)	11,941	8,647
Asset acquisition fees (capitalized as acquisition costs, and then written off on remeasurement of investment properties)	6,280	1,705
Financing fees (included in debt/unitholders' equity)	585	490
Capital expenditure fees	424	—
Reimbursement for out-of-pocket and incidental costs (included in general and administrative expenses)	1,110	1,002
<b>Total incurred under the Asset Management Agreement</b>	<b>\$ 21,637</b>	<b>\$ 13,457</b>

As at December 31, 2017, the Trust has recorded \$2,508 (December 31, 2016 – \$3,195) in amounts payable and \$346 (December 31, 2016 – \$1,472) 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,	
	2017	2016
Incurring under the Shared Services and Cost Sharing Agreement:		
Branding, process improvements and technology transformations (included in general and administrative)	\$ —	\$ 491
<b>Total incurred under the Shared Services and Cost Sharing Agreement</b>	<b>\$ —</b>	<b>\$ 491</b>

### 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, 2017, the non-controlling interest and net income attributable to DAM amounted to \$13,813 (December 31, 2016 – \$10,275) and \$3,100 (December 31, 2016 – \$1,601), 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, 2017, the notes receivable outstanding and interest accrued amounted to \$6,640 (December 31, 2016 – \$6,250) and \$1,534 (December 31, 2016 – \$1,139), respectively.

### Note 21

#### SUPPLEMENTARY CASH FLOW INFORMATION

Cash provided by (used in)	Year ended December 31,	
	2017	2016
Amounts receivable	\$ (638)	\$ (314)
Prepaid expenses and other assets	(340)	168
Amounts payable and accrued liabilities	(22,984)	(9,386)
Tenant deposits	1,154	1,071
<b>Change in non-cash operating working capital</b>	<b>\$ (22,808)</b>	<b>\$ (8,461)</b>

The following amounts were paid on account of interest:

Debt	Year ended December 31,	
	2017	2016
	\$ 27,581	\$ 38,450

### Note 22

#### 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, 2017, the REIT’s future minimum commitments under operating leases are as follows:

	Operating lease payments	
No longer than 1 year	\$	782
1–5 years		419
Longer than 5 years		—
<b>Total</b>	<b>\$</b>	<b>1,201</b>

During the year ended December 31, 2017, the Trust paid \$1,016 in minimum lease payments, 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 \$10,241.

## Note 23

### CAPITAL MANAGEMENT

At December 31, 2017, 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 intends 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.

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 24

### 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.

	Carrying amount	Interest rate risk			
		-1 %		+1%	
		Income	Equity	Income	Equity
<b>Financial assets</b>					
Cash <sup>(1)</sup>	\$ 56,533	\$ (565)	\$ (565)	\$ 565	\$ 565
<b>Financial liabilities</b>					
Mortgage debt	45,409	454	454	(454)	(454)
Term loan credit facility <sup>(2)</sup>	\$ 242,044	\$ 2,420	\$ 2,420	\$ (2,420)	\$ (2,420)

(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%.

(2) Subject to interest rate cap.

#### Interest rate derivatives

The following table provides details on the interest rate derivatives outstanding as at December 31, 2017:

Hedging item	Notional	Rate	Maturity	Carrying value
Interest rate cap	\$ 288,823	0.61%	2020–2024	\$ 785
<b>Total</b>	\$ 288,823			\$ 785

## Currency risk

The Trust's functional and presentation currency is Canadian dollars. The Trust's operating subsidiaries' functional currency is the euro; accordingly, the assets and liabilities are translated at the prevailing rate at year-end, and comprehensive income is translated at the average rate for the year. In order to manage the exposure to currency risk of unitholders, the Trust has entered into various foreign exchange forward contracts, and currently holds contracts to sell €243,337 from January 2018 to December 2020 at an average exchange rate of \$1.528 per euro.

## Foreign currency derivatives

The following table provides details on foreign currency forward contracts outstanding as at December 31, 2017 and December 31, 2016:

For the year ended December 31, 2017					
Hedging currency	Notional	Blended exchange rate	Forward contracts start date	Forward contracts end date	Carrying value
Euro	€ 243,337	1.528	January 16, 2018	December 15, 2020	\$ (6,215)

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

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, 2017	Fair value as at December 31, 2017		
		Level 1	Level 2	Level 3
<b>Recurring measurements</b>				
Financial assets (liabilities)				
Interest rate caps	\$ 785	\$ —	\$ 785	\$ —
Foreign exchange forward contracts	(6,215)	—	(6,215)	—
<b>Fair values disclosed</b>				
Mortgage debt	(1,288,731)	—	—	(1,336,027)
Senior Notes	(556,583)	(565,720)	—	—
Land lease obligations	(26,711)	—	—	(26,711)

	Carrying value as at December 31, 2016	Fair value as at December 31, 2016		
		Level 1	Level 2	Level 3
<b>Recurring measurements</b>				
Financial assets (liabilities)				
Interest rate swaps	\$ 1,453	\$ —	\$ 1,453	\$ —
Foreign exchange forward contracts	11,353	—	11,353	—
<b>Fair values disclosed</b>				
Mortgage debt	(1,023,130)	—	—	(1,021,206)

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, 2017	\$ 82	\$ (74)	\$ 3,906	\$ (513)

#### Foreign currency derivatives

The fair value of foreign currency derivatives was determined using forward exchange market rates ranging from \$1.507 to \$1.611 to €1 at the measurement date.

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, 2017	\$ 18,899	\$ (18,899)

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, 2017 has been calculated by discounting the expected cash flows of each debt using discount rates ranging from 0.95% to 1.96%. The discount rates are determined using the six-month EURIBOR rate for instruments of similar maturity adjusted for the REIT's specific credit risk. In determining the adjustment for credit risk, the REIT considers market conditions, the value of the properties that the mortgages are secured by and other indicators of the REIT's creditworthiness.

Note 25

**SEGMENTED DISCLOSURES**

The Trust operates in four geographical locations (Germany, Austria, Belgium and the Netherlands). The segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, determined to be the Chief Executive Officer (“CEO”) of the Trust. The CEO measures and evaluates the performance of the Trust based on net operating income as presented by geographical location below, which shows the assets in Austria and Belgium aggregated with German assets given their size and nature. Assets and all liabilities are reviewed on a consolidated basis by the CEO and therefore are not included in the segmented disclosure below. The accounting policies of the segments presented here are the same as the Trust’s accounting policies as described in Note 2.

Selected income statement items	Year ended December 31, 2017			
	Germany and other markets	Netherlands	Less: Joint ventures	Consolidated financial statements
Property rental revenue	\$ 249,138	\$ 45,577	\$ (30,987)	\$ 263,728
Property operating expenses	(72,025)	(13,006)	5,513	(79,518)
<b>Net rental income</b>	<b>\$ 177,113</b>	<b>\$ 32,571</b>	<b>\$ (25,474)</b>	<b>\$ 184,210</b>
Fair value adjustments to investment properties	\$ 233,341	\$ (9,024)	\$ (53,194)	\$ 171,123
<b>Selected balance sheet items</b>				
Investment properties	\$ 3,707,735	\$ 951,959	\$ (598,617)	\$ 4,061,077

Selected income statement items	Year ended December 31, 2016			
	Germany and other markets	Netherlands	Less: Joint ventures	Consolidated financial statements
Property rental revenue	\$ 235,312	\$ —	\$ (31,747)	\$ 203,565
Property operating expenses	(75,366)	—	6,046	(69,320)
<b>Net rental income</b>	<b>\$ 159,946</b>	<b>\$ —</b>	<b>\$ (25,701)</b>	<b>\$ 134,245</b>
Fair value adjustments to investment properties	\$ 100,485	\$ —	\$ (20,170)	\$ 80,315
<b>Selected balance sheet items</b>				
Investment properties	\$ 2,991,907	\$ —	\$ (510,321)	\$ 2,481,586

## Appendix

Address	City	Ownership/ Interest	GLA (sq. ft.)	Occupancy (%)
<b>Acquisition Properties:</b>				
Gleiwitzer Straße 555 (Siemens-Buopark)	Nürnberg	100%	579,777	100.0%
Leonardo Da Vincilaan 19 (Airport Plaza)	Brussels	100%	387,479	96.2%
Millerntorplatz 1	Hamburg	100%	387,190	85.3%
Flughafenallee 13-17 (Europa Center)	Bremen	100%	359,160	89.6%
Fritz-Elsas-Str. 31/33, Hohe Straße 26, Leuschnerstraße 25	Stuttgart	100%	306,208	100.0%
Im Mediapark 8 (Cologne Tower)	Köln	95%	297,046	98.0%
1200 Wien, Handelskai 92 (Rivergate)	Vienna	50%	286,974	95.7%
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	99.7%
Straßenbahnring 15, 17-19/Hoheluftchausee 18-20/Lehmweg 8, 8a, 7 (My Falkenried)	Hamburg	100%	226,985	95.2%
Moskauer Str. 25-27	Düsseldorf	100%	217,560	93.4%
Robert-Bosch-Str. 9-11 (Europahaus)	Darmstadt	100%	214,906	99.1%
Podbielskistraße 158-168 (Grammophon Office Park)	Hannover	100%	213,924	94.5%
Cäcilienkloster 2, 6, 8, 10 (Caecilium)	Köln	100%	200,915	99.2%
Oasis III	Stuttgart	100%	172,814	96.1%
Hammer Str. 30-34	Hamburg	100%	172,306	100.0%
Zimmerstrasse 56/Schützenstrasse 15-17	Berlin	95%	168,889	99.9%
Schlossstr. 8	Hamburg	100%	165,801	96.5%
Leopoldstr. 252	München	100%	156,266	97.4%
Am Fernmeldeamt, Friedrichstr. 45-47/Am Europa Center 8-10	Essen	100%	147,184	96.3%
Liebkechtstraße 33/35, Heßbrühlstraße 7 (Officivm)	Stuttgart	50%	134,736	98.4%
Anger 81, Krämpferstraße 2, 4, 6	Erfurt	100%	131,051	93.5%
Beuthstraße 6-8/Seydelstraße 2-5 (Löwenkontor)	Berlin	50%	129,179	98.5%
Westendstr. 160-162/Barthstr. 24-26	München	100%	124,932	94.1%
Bertoldstr. 48/Sedanstr. 7	Freiburg	100%	121,553	100.0%
Marsstraße 20-22	München	50%	115,572	99.4%
Am Sandtorkai 37 (Humboldthaus)	Hamburg	100%	113,391	99.4%
Reichskanzler-Müller-Str. 21-25	Mannheim	100%	100,613	97.9%
Am Stadtpark 2	Nürnberg	100%	94,649	95.3%
Dillwächterstr. 5/Tübinger Str. 11	München	100%	81,907	98.9%
ABC-Str. 19 (ABC Bogen)	Hamburg	50%	79,244	99.2%
Speicherstr. 55 (Werfthaus)	Frankfurt	50%	75,914	99.9%
Werner-Eckert-Straße 14, 16, 18	München	100%	71,469	96.6%
Derendorfer Allee 4 (doubleU)	Düsseldorf	50%	71,129	95.9%
Werner-Eckert-Straße 8-12	München	100%	64,772	94.6%
Neue Mainzer Str. 28 (k26)	Frankfurt	50%	61,838	100.0%
Lörracher Str. 16/16a	Freiburg	100%	57,606	100.0%
Markgrafenstrasse 22	Berlin	100%	55,522	100.0%
Vordernbergstr. 6/Heilbronner Str. 35 (Z-Up)	Stuttgart	50%	44,266	99.9%
<b>Total Acquisition Properties</b>			<b>7,148,855</b>	<b>96.8%</b>
<b>Initial Properties:</b>				
Grüne Str. 6-8/Kurfürstenstr. 2	Dortmund	100%	299,567	100.0%
Am Hauptbahnhof 16-18	Saarbrücken	100%	270,432	47.3%
Kurfürstenallee 130	Bremen	100%	204,238	87.9%
Poststr. 4-6, Göbelstr. 30, Bismarckstr.	Darmstadt	100%	197,428	78.4%
Karlstal 1-21/Werftstr. 201	Kiel	100%	180,794	91.1%
Franz-Zebisch-Str. 15	Weiden	100%	166,601	100.0%
E.-Kamieth-Str. 2b	Halle	100%	162,060	57.7%
Bahnhofstr. 82-86	Gießen	100%	148,883	63.0%
Czernyring 15	Heidelberg	100%	131,777	76.6%
Marienstr. 80	Offenbach am Main	100%	114,114	96.1%

Address	City	Ownership/ Interest	GLA (sq. ft.)	Occupancy (%)
Gerokstr. 14-20	Dresden	100%	110,755	77.3%
Hindenburgstr. 9/Heeserstr. 5	Siegen	100%	102,410	83.6%
Friedrich-Karl-Str. 1-7	Oberhausen	100%	97,606	93.7%
Pausaer Str. 1-3	Plauen	100%	87,164	76.6%
Klubgartenstr. 10	Goslar	100%	86,621	59.6%
Am Hauptbahnhof 2	Mülheim	100%	84,303	81.1%
Kapellenstr. 44	Einbeck	100%	80,500	68.3%
Kommandantenstr. 43-51	Duisburg	100%	80,122	99.4%
Stresemannstr. 15	Wuppertal	100%	79,478	63.2%
Blücherstr. 12	Koblenz	100%	77,151	82.9%
Kaiser-Karl-Ring 59-63/Dorotheenstr.	Bonn	100%	75,815	99.8%
Bahnhofplatz 10	Fürth	100%	73,818	74.5%
Wiener Str. 43	Stuttgart	100%	72,192	91.8%
Bahnhofsplatz 2, 3, 4, Pepperworth 7	Hildesheim	100%	68,117	66.4%
Rathausplatz 2	Wilhelmshaven	100%	64,970	97.2%
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	93.4%
Friedrich-Ebert-Str. 75-79	Bremerhaven	100%	52,165	78.6%
Baarstr. 5	Iserlohn	100%	51,027	92.8%
Rathausplatz 4	Lüdenscheid	100%	49,529	26.7%
Schützenstr. 17, 19	Peine	100%	47,259	64.2%
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	83.3%
Poststr. 2	Gummersbach	100%	45,558	97.6%
Südbrede 1-5	Ahlen	100%	44,130	79.5%
Bahnhofstr. 169	Bietigheim-Bissingen	100%	43,620	98.3%
Veegesacker 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%
Balhornstr. 15, 17/B. Köthenbürger-Str.	Paderborn	100%	40,927	92.7%
Cavaillonstr. 2	Weinheim	100%	40,648	88.2%
Hauptstr. 279/Hommelstr. 2	Idar-Oberstein	100%	39,192	69.1%
Bismarckstr. 21-23	Bünde	100%	38,761	95.6%
Hindenburgstr. 8/Hohenstau 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%
Apostelweg 4-6	Hamburg	100%	36,273	97.3%
Brückenstr. 21	Neunkirchen	100%	35,971	100.0%
Lilienstr. 3	Leipzig	100%	35,234	97.3%
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%
Poststr. 24-26	Ratingen	100%	29,445	100.0%
Bahnhofstr. 29	Meppen	100%	29,056	89.7%
Poststr. 12	Lehrte	100%	28,764	97.6%
Poststr. 1-3	Korbach	100%	27,577	99.8%
Poststr. 48	St Ingbert	100%	27,051	86.6%

Address	City	Ownership/ Interest	GLA (sq. ft.)	Occupancy (%)
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	97.6%
Uferstr. 2	Höxter	100%	23,248	79.3%
Poststr. 19-23	Hilden	100%	22,454	86.7%
Brückenstr. 26	Miltenberg	100%	22,017	84.1%
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	87.3%
Speckweg 24-26	Mannheim	100%	20,128	82.4%
Kasseler Str. 1-7	Warburg	100%	19,985	84.6%
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%
Königstr. 20	Brilon	100%	17,733	91.6%
Marktstr. 51	Essen	100%	17,661	100.0%
Übacher Weg 4	Alsdorf	100%	16,991	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	82.4%
Bahnhofstr. 41	Eberbach	100%	15,634	100.0%
Herrlichkeit 7	Syke	100%	14,560	80.5%
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%
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%
Sandstr. 4	Germersheim	100%	10,132	89.7%
De-Lenoncourt-Str. 2	Dillingen	100%	8,995	100.0%
Rosenstr. 1/Fünfhausenstr. 19/21	Springe	100%	8,881	100.0%
<b>Total Initial Properties</b>			<b>5,551,497</b>	<b>83.9%</b>
<b>Dutch Properties:</b>				
Cacaoweg 20	Amsterdam	100%	377,781	95.0%
Galjoenweg 68	Maastricht	100%	244,470	100.0%
Rivium Boulevard 156-186	Capelle a/d IJssel	100%	222,085	51.5%
Kobaltweg 60	Utrecht	100%	203,223	100.0%
Cacaoweg 20	Amsterdam	100%	192,835	100.0%
Gemeenschapspolderweg 26-48	Weesp	100%	179,208	81.0%
Mercatorlaan 1200 (Domus Medica)	Utrecht	100%	167,174	84.2%
Hastelweg 251-273	Eindhoven	100%	158,468	97.3%
Rivium Boulevard 200-230	Capelle a/d IJssel	100%	152,629	50.6%
Industrieweg 4	Roermond	100%	138,747	92.9%



Address	City	Ownership/ Interest	GLA (sq. ft.)	Occupancy (%)
Herikerbergweg 1-35	Amsterdam	100%	132,142	84.2%
Tupolevlaan 2-24	Schiphol-Rijk	100%	127,972	99.5%
Flight Forum 120-159	Eindhoven	100%	125,722	100.0%
Joan Muyskenweg 22	Amsterdam	100%	123,445	98.5%
Meander 901	Arnhem	100%	117,180	9.7%
Panovenweg 1-42	Helmond	100%	108,438	71.3%
Siriusdreef 16	Hoofddorp	100%	106,266	87.3%
Bredewater 26	Zoetermeer	100%	102,011	47.1%
Fortunaweg	Schiedam	100%	95,616	96.7%
Plotterweg 38-40	Amersfoort	100%	94,399	100.0%
Benjamin Franklinstraat 2	Zwolle	100%	93,420	100.0%
Stephensonweg 6-8	Gorinchem	100%	86,987	40.6%
Tinweg 4	Heerenveen	100%	85,035	100.0%
Schipholweg 55-89	Leiden	100%	84,120	82.4%
Fortunaweg	Schiedam	100%	82,419	100.0%
Thebe 22	Hilversum	100%	81,612	100.0%
Reitscheweg 47	Den Bosch	100%	80,762	63.4%
Hullenbergweg 278-308	Amsterdam	100%	79,855	87.1%
Hambakenwetering 2-2a	Den Bosch	100%	72,603	83.8%
Helmholtzstraat 61-63	Amsterdam	100%	71,391	100.0%
Rietbaan 40-42	Capelle a/d IJssel	100%	70,611	64.9%
Bovenkerkerweg 10-12	Amstelveen	100%	70,224	100.0%
Leemkuil 7	Eindhoven	100%	69,503	100.0%
President Kennedylaan 104-108	Velp	100%	65,531	79.0%
Karspeldreef 8	Amsterdam	100%	62,374	100.0%
Keurmeesterstraat 18	Ridderkerk	100%	62,162	100.0%
Olympia 1	Hilversum	100%	60,025	42.3%
Schurenbergweg 6	Amsterdam	100%	58,623	94.4%
Chasseveld 3-13	Breda	100%	58,588	79.6%
Oude Apeldoornseweg 41-45 (Oak)	Apeldoorn	100%	58,466	72.0%
Westblaak 107-119 127-1	Rotterdam	100%	58,437	86.6%
Tupolevlaan 65-79	Schiphol-Rijk	100%	57,460	52.0%
Drechterwaard 100-104	Alkmaar	100%	57,452	35.3%
Weizgtweg 11	Dordrecht	100%	56,511	70.4%
Hogehilweg 8	Amsterdam	100%	56,388	100.0%
Laan van Malkenschoten 40	Apeldoorn	100%	55,908	88.0%
Platinawerf 10	Beuningen	100%	54,810	100.0%
Rotterdamseweg 380	Delft	100%	54,175	77.6%
Nesland 1-5	Weesp	100%	53,000	76.2%
Nieuwe Sluisweg 176-178	Rotterdam	100%	52,975	100.0%
Sint Jacobsstraat 16	Utrecht	100%	52,041	100.0%
Mdme. Curielaan 6-8	Rijswijk	100%	52,034	33.7%
Polarisavenue 130-148	Hoofddorp	100%	51,696	65.1%
Bezuidenhoutseweg 72-80	Den Haag	100%	49,690	100.0%
Munsterstraat 2	Deventer	100%	48,721	32.3%
Nieuwe Sluisweg 200	Rotterdam	100%	48,524	100.0%
Van Rensselaerweg 4	Spankeren	100%	47,899	100.0%
Nieuwe Oeverstraat 50	Arnhem	100%	47,544	100.0%
Wisselwerking 40-42	Diemen	100%	46,974	100.0%
Pascalstraat 15	Ede	100%	46,565	100.0%
Keienbergweg 34-42	Amsterdam	100%	46,489	70.2%
Luxemburglaan 2	Zoetermeer	100%	45,725	100.0%
Televisieweg 77-83	Almere	100%	45,248	100.0%
Hogehilweg 4	Amsterdam	100%	44,078	72.6%
Amerikastraat 7	Den Bosch	100%	44,014	91.2%
Ringersstraat 12-18	Sliedrecht	100%	43,594	100.0%

Address	City	Ownership/ Interest	GLA (sq. ft.)	Occupancy (%)
Vossenstraat 6	Arnhem	100%	42,873	95.0%
Fellenoord 200	Eindhoven	100%	41,742	61.0%
Coenecoop 7	Waddinxveen	100%	38,868	100.0%
Fultonbaan 30	Nieuwegein	100%	38,830	42.7%
Wilmersdorf 32	Apeldoorn	100%	38,330	100.0%
Henri Dunantstraat 32-40	Amersfoort	100%	38,223	93.4%
Overschiestraat 186	Amsterdam	100%	37,306	100.6%
Overschiestraat 184	Amsterdam	100%	37,071	100.0%
Elisabethhof 21-23	Leiderdorp	100%	36,841	53.5%
De Waal 38-40	Best	100%	36,785	17.1%
Olof Palmestraat 20-26	Delft	100%	36,253	88.7%
Vendelier 51-59	Veenendaal	100%	36,221	78.9%
Dr. Klinkertweg 1-7	Zwolle	100%	35,883	35.9%
Pieter Mastenbroekweg 19	Meppel	100%	34,714	100.0%
Overschiestraat 61	Amsterdam	100%	34,713	100.0%
Olof Palmestraat 12-18	Delft	100%	32,410	61.5%
Naritaweg 12	Amsterdam	100%	32,376	84.8%
Kuifmees 50-64	Nieuwegein	100%	31,810	64.6%
Slachthuisstraat 31-35	Roermond	100%	31,510	50.4%
Voorerf 2-20	Breda	100%	31,323	66.4%
Hazenkamp 36	Arnhem	100%	31,054	100.0%
Aagje Dekenstraat 51-53	Zwolle	100%	28,707	100.0%
Hettenheuvelweg 4	Amsterdam	100%	28,331	100.0%
Limburglaan 5	Maastricht	100%	28,309	100.0%
Takkebijster 3-3a	Breda	100%	27,577	71.5%
Europalaan 6	Den Bosch	100%	27,445	45.7%
Kobaltweg 11	Utrecht	100%	26,755	98.2%
Burgemeester van Lierplein 1-3	Vlaardingingen	100%	26,404	61.7%
Wolwevershaven 30	Dordrecht	100%	25,661	76.0%
Ekkersrijt 4002-4012	Son	100%	24,133	82.2%
Regulierenring 2	Bunnik	100%	23,950	76.5%
Noorderpoort 9	Venlo	100%	23,813	42.2%
Rode Kruisstraat 22 en 24	Amsterdam	100%	23,734	100.0%
Dr. Stolteweg 42-48	Zwolle	100%	23,492	77.2%
Munsterstraat 9	Deventer	100%	22,443	83.5%
Schipholweg 66	Leiden	100%	22,430	100.0%
Driemanssteeweg 31-39	Rotterdam	100%	20,871	100.0%
Geograaf 7	Duiven	100%	20,387	100.0%
Paardeweide 2-4	Breda	100%	20,290	45.0%
Leidse Rijn 10-16	De Meern	100%	19,655	74.8%
Nautilusweg 10	Utrecht	100%	18,837	100.0%
Reactorweg 301	Utrecht	100%	18,101	55.2%
Atoomweg 400	Utrecht	100%	17,082	100.0%
De Molen 24-28	Houten	100%	15,496	55.5%
Televisieweg 75	Almere	100%	15,446	100.0%
Essebaan 7	Capelle a/d IJssel	100%	15,285	100.0%
Nieuwendijk 49	Geldrop	100%	14,643	68.6%
Atoomweg 350	Utrecht	100%	13,672	62.0%
Boterdiep 37	Rotterdam	100%	11,969	100.0%
Leidse Rijn 39-53	De Meern	100%	11,098	78.7%
Leidse Rijn 55-69	De Meern	100%	11,098	0.0%
Science Park 5108	Son	100%	10,075	100.0%
Leidse Rijn 25-37	De Meern	100%	10,058	63.1%
Fokkerweg	Leiden	100%	9,806	94.3%
Druivenstraat 17-23	Breda	100%	8,859	100.0%
Leidse Rijn 1-11	De Meern	100%	8,730	100.0%

Address	City	Ownership/ Interest	GLA (sq. ft.)	Occupancy (%)
Leidse Rijn 13-23	De Meern	100%	8,445	90.4%
Oude Apeldoornseweg 41-45 (Fizzion Parking)	Apeldoorn	100%	-	-
<b>Total Dutch Properties</b>			<b>7,380,292</b>	<b>82.7%</b>
<b>Total Portfolio</b>			<b>20,080,644</b>	<b>88.0%</b>



## Trustees

### **Dr. R. Sacha Bhatia**<sup>Ind.,3</sup>

Toronto, Ontario  
Director of the Institute for Health  
System Solutions and Virtual Care  
[“WIHV”] at Women’s College Hospital

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

Köln, Germany  
Corporate Director

### **Michael J. Cooper**<sup>2</sup>

Toronto, Ontario  
President and Chief Responsible Officer  
Dream Unlimited Corp.

### **P. Jane Gavan**<sup>2</sup>

Toronto, Ontario  
President and Chief Executive Officer  
Dream Global REIT

### **Duncan Jackman**<sup>Ind.,1</sup>

Toronto, Ontario  
Chairman, President and CEO  
E-L Financial Corporation Limited

### **J. Michael Knowlton**<sup>Ind.,1,3</sup>

Whistler, British Columbia  
Corporate Director

### **John Sullivan**<sup>Ind.,1</sup>

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

## Management Team

### **P. Jane Gavan**

Chief Executive Officer

### **Tamara Lawson**

Chief Financial Officer



## Corporate Information

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Website: [www.dreamglobalreit.ca](http://www.dreamglobalreit.ca)

### TRANSFER AGENT

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

**Computershare Trust  
Company of Canada**  
100 University Avenue, 8th Floor  
Toronto, Ontario M5J 2Y1  
Phone: (514) 982-7555  
or 1 800 564-6253  
Fax: (416) 263-9394 or 1 888 453-0330  
Web: [www.computershare.com](http://www.computershare.com)  
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### CORPORATE COUNSEL

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### STOCK EXCHANGE LISTINGS

**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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