Annual Report 2014

Dream Office REIT

dream office REIT

Letter to Unitholders

In 2014, we remained focused on executing our strategy of improving the quality of our assets, building strong relationships with our tenants, and continually improving the service we provide.

Dream Office REIT finished 2014 strong and we are off to a solid start for 2015. Excellent tenant retention and new leasing momentum in the latter part of 2014 have resulted in fourth quarter results that are reflective of the appeal of the Trust's portfolio. Tenant retention was high at 64% and new leasing activity remained strong, resulting in quarter-over-quarter positive absorption and in-place occupancy increasing by 30 basis points in Q4 2014. Our portfolio continues to perform above the national average. We are keenly focused on engaging tenants in renewal discussions as early as possible, resulting in a strong head start on 2015 and 2016 leasing. We have already addressed over half of our 2015 lease expiries, our strongest pre-leasing performance over the past five years.

We're making more improvements than ever to provide a better tenant experience. We view proactive investment in our buildings as a key strategy to improve tenant retention, attract new tenants and reduce energy costs. For 2015, we will be investing $75 million on upgrades and sustainability initiatives, the largest annual investment ever made by the REIT.

We plan to further improve the overall asset quality of our portfolio by disposing of non-core assets. In the fourth quarter of 2014, we undertook a disciplined asset management review of every building in the portfolio and identified the assets that are not core to our business. Our disposition target for 2015 is $300 million, of which approximately 50% is currently on the market. We will use the proceeds of the dispositions to repurchase units under our normal course issuer bid or to invest in higher quality properties.

In the latter part of 2014, oil prices, the Canadian dollar and interest rates have declined and provinces are rewriting their outlook for growth. Across the country, we feel the impact of these macro-events to varying degrees. The pace of activity in the office sector in Alberta has slowed somewhat, with tenants, in particular in Calgary and Edmonton, putting their decision-making on hold. Fortunately, the average lease term of our Calgary and Edmonton portfolios is almost four years. Additionally, our average tenant size in each of these markets is small in comparison to the tenancies of a majority of other landlords. With our average tenant size in Calgary and in Edmonton less than 11,000 square feet, our exposure is diversified and, historically, these tenancies have tended to experience higher retention and are generally more sensitive to incurring moving costs. In addition, these tenancies are not typically the targeted customer for new buildings presently under development.

In contrast to a somewhat slower economy in Alberta, we continue to see robust activity in both downtown and suburban Toronto. In our Greater Toronto Area portfolio, tour activity in January was up almost 30% over the same time last year, in part due to our marketing initiatives as well as greater activity near the airport including a number of cross-border tenants expanding due to a lower Canadian dollar.

We presently estimate our in-place rents to be approximately 8% below market rents. Our two largest markets, downtown Toronto and downtown Calgary, presently have in-place rents of 10% and 15% below market, respectively, providing both the opportunity for growth or a significant buffer, should we see some softening of rental rates.

While we continue to operate in a challenging environment, we remain focused on executing our strategy of improving the quality of our assets, building strong relationships with our tenants, and continually improving the service we provide. We are seeing improved tenant retention and some exciting new leasing. I believe that the buildings in our portfolio appeal to tenants and, through the strength of our platform, we will continue to outperform the market. In our history, we've never had a better quality portfolio or a stronger balance sheet with embedded opportunities for growth and value creation.

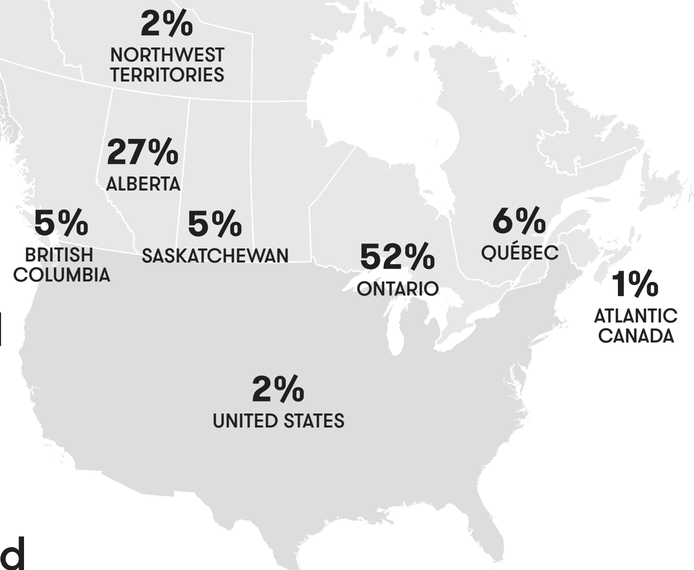
I would like to thank you for your continued support and look forward to the upcoming year.

P. Jane Gavan
Chief Executive Officer
March 15, 2015

Portfolio at-a-Glance

DECEMBER 31, 2014

Dream Office REIT owns and operates high-quality, well-located and competitively priced business premises. The portfolio comprises approximately 24.2 million square feet of central business district and suburban office properties located in Canada's key office markets.



Geographic Diversification
(% of net operating income)

Photos: 1. Adelaide Place, Toronto | **2.** Gallery Building, Yellowknife | **3.** Scotia Plaza, Toronto | **4.** IBM Corporate Park, Calgary | **5.** 13888 Wireless Way, Richmond, BC

$7.0B
TOTAL ASSETS

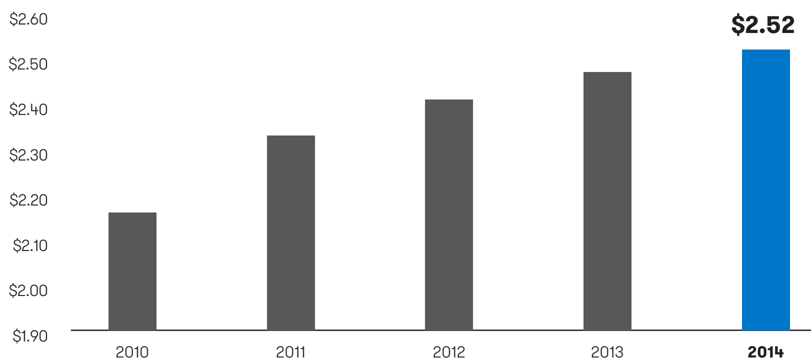
7.8%
MARKET RENTS ABOVE IN-PLACE RENTS

2.9x
INTEREST COVERAGE RATIO

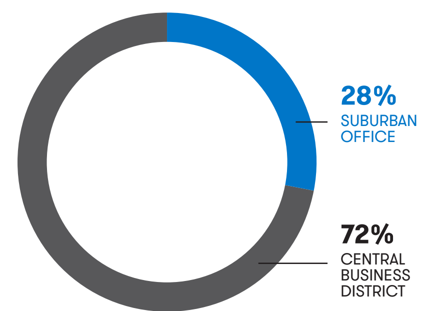
Diversified, High-Quality Tenants

TENANT	OWNED AREA (%)	GROSS RENTAL REVENUE (%)	WEIGHTED AVERAGE REMAINING LEASE TERM (years)
Bank of Nova Scotia	4.1	7.3	9.7
Government of Canada	5.9	6.1	3.1
Government of Ontario	2.8	3.3	4.6
Bell Canada	1.6	1.8	3.3
Government of Québec	2.7	1.7	12.2
Telus	1.2	1.5	2.1
Enbridge Pipelines Inc.	1.0	1.5	4.1
State Street Trust Company	1.0	1.4	7.3
Government of Saskatchewan	1.4	1.3	2.2
Government of British Columbia	1.2	1.2	4.6

Adjusted Funds from Operations ("AFFO")
(per unit)



Net Operating Income Breakdown
(Q4/2014)



93%
OCCUPANCY

2,200+
TENANTS

5.0
AVERAGE REMAINING LEASE TERM (years)

47.5%
LEVEL OF DEBT

1

2

3

4

Table of Contents

Management's discussion and analysis 1

Management's responsibility for the consolidated financial statements 79

Independent auditor's report 80

Consolidated financial statements 81

Notes to the consolidated financial statements 85

Trustees IBC

Corporate information IBC

Photos:

1. Barclay Centre, Calgary
2. 55 King Street West, Kitchener
3. 700 de la Gauchetière, Montréal
4. 720 Bay Street, Toronto

Management's discussion and analysis

(All dollar amounts in our tables are presented in thousands, except for rental rates, unit and per unit amounts)

SECTION I – FINANCIAL HIGHLIGHTS AND OBJECTIVES

FINANCIAL OVERVIEW

Total adjusted funds from operations ("AFFO") for the year ended December 31, 2014 was $273.1 million, an increase of $11.3 million, or 4.3%, over the prior year (AFFO for the quarter was $68.6 million, an increase of $1.6 million, or 2.4%, over the prior year comparative quarter). AFFO on a per unit basis for the year ended December 31, 2014 increased to $2.52 from $2.47 over the prior year, an increase of 2.0% (AFFO on a per unit basis for the quarter increased to $0.63 from $0.62 over the prior year comparative quarter, an increase of 1.6%).

Total funds from operations ("FFO") for the year ended December 31, 2014 was $312.8 million, an increase of $6.6 million, or 2.1%, over the prior year (FFO for the quarter was $78.1 million, a marginal decline of $0.1 million, or 0.1%, over the prior year comparative quarter).

Diluted FFO on a per unit basis for the year ended December 31, 2014 remained flat at $2.87 when compared to the prior year (diluted FFO on a per unit basis decreased to $0.71 from $0.72 over the prior year comparative quarter).

The increase in basic AFFO per unit over the prior year and prior year comparative quarter resulted from:

- 0.5% and 0.7% growth in comparative properties net operating income ("NOI") over the prior year and prior year comparative quarter, respectively;
- Incremental increase in AFFO from our investment in Dream Industrial REIT;
- A full year of NOI from accretive acquisitions completed in 2013; and
- Interest rate savings upon refinancing of maturing debt;

Offset by:

- Dispositions completed during 2014.

The decrease in diluted FFO per unit over the prior year comparative quarter primarily resulted from the favourable points noted above, offset by the write-off of straight-line rent due to early lease terminations during 2014 and dispositions completed during 2014.

For the year ended December 31, 2014, NOI from comparative properties increased over the prior year by $2.2 million, or 0.5% (NOI from comparative properties increased by $0.7 million, or 0.7%, over the prior year comparative quarter). The increase was mainly driven by higher rental rates achieved on new leasing completed during the quarter and over the past year, and the benefit of step rents, offset by lower occupancy on an overall basis. NOI from comparative properties decreased over the prior quarter by $0.3 million, or 0.2%, mainly due to a tenant in Calgary downtown that vacated approximately 100,000 square feet during the previous quarter.

As at December 31, 2014, overall in-place occupancy is up 30 basis points ("bps") to 91.4%, when compared to the prior quarter. This is mainly driven by our largest market, Toronto downtown, with a 90 bps increase, Eastern Canada with a 70 bps increase, and occupancy gains in all other regions, except for Calgary downtown and Toronto suburban. As at December 31, 2014, overall occupancy, including future commitments on vacant space, remained unchanged at 93.0%, with all regions remaining steady with the exception of Calgary suburban, which experienced a 200 bps increase while Calgary downtown declined by 140 bps. When compared to the prior year, overall occupancy and in-place occupancy, including future commitments on vacant space, were down 130 bps over the prior year. There were declines in all regions, with the exception of Toronto downtown, which is our largest market and had posted a 50 bps increase, as well as Calgary suburban and Eastern Canada, where occupancy increased 250 bps and 70 bps, respectively. Despite the overall decline in occupancy when compared to the prior year, the Trust is still well above the industry average of 89.3% (CBRE, *Canadian Market Statistics*, Fourth Quarter 2014).

Average in-place net rents continue to increase in most regions across our portfolio as we bring rents to market upon lease renewal. We ended the quarter with an average in-place net rent of $18.22 per square foot, representing a $0.39 per square foot, or 2.2%, increase over Q4 2013 and $0.01 per square foot, or 0.1%, increase over Q3 2014.

Estimated average market rents remain approximately 8% above average in-place net rents.

We ended another quarter with continuing stable debt metrics. Our net debt-to-gross book value ratio remained low at 47.5%. Our weighted average face rate of interest was 4.18%, our interest coverage ratio remained solid at 2.9 times, our net average debt-to-EBITDFV was at 7.8 years and our pool of unencumbered assets remains at approximately $796 million. During the quarter, we refinanced the Adelaide Place mortgage for $200 million at a fixed face rate of 3.59% per annum for a ten-year term. During the year, the Trust purchased for cancellation 832,200 REIT A Units under the normal course issuer bid at an average price of $25.14 per unit (excluding transaction costs) and a total cost of approximately $20.9 million. Subsequent to year-end, the Trust purchased an additional 835,000 REIT A Units at an average price of $26.76 per unit and a total cost of approximately $22.3 million.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

			As at
	December 31, 2014	September 30, 2014	December 31, 2013
Portfolio			
Number of properties	**177**	177	186
Gross leasable area ("GLA")[1]	**24,223**	24,219	24,562
Occupancy rate – including committed (period-end)[2]	**93.0%**	93.0%	94.3%
Occupancy rate – in-place (period-end)[2]	**91.4%**	91.1%	92.7%
Average in-place net rent per square foot (period-end)[2]	**$ 18.22**	$ 18.21	$ 17.83
Market rent/average in-place net rent (%)	**7.8%**	8.2%	8.9%

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Operating results				
Investment properties revenue[3]	**$ 205,186**	$ 208,418	**$ 817,995**	$ 800,531
NOI[4]	**114,164**	114,873	**458,844**	447,387
Comparative properties NOI[4]	**105,815**	105,119	**423,937**	421,742
FFO[5]	**78,149**	78,242	**312,829**	306,247
AFFO[6]	**68,570**	66,984	**273,060**	261,776
Distributions				
Declared distributions	**$ 62,622**	$ 59,989	**$ 242,220**	$ 235,751
DRIP participation ratio (for the period)	**29%**	24%	**26%**	21%
Per unit amounts[7]				
Distribution rate	**$ 0.56**	$ 0.56	**$ 2.24**	$ 2.23
Basic:				
FFO[5]	**0.72**	0.72	**2.88**	2.88
AFFO[6]	**0.63**	0.62	**2.52**	2.47
Diluted:				
FFO[5]	**0.71**	0.72	**2.87**	2.87
Payout ratio (%):				
FFO (basic)	**78%**	78%	**78%**	77%
AFFO (basic)	**89%**	90%	**89%**	90%

			As at
	December 31, 2014	September 30, 2014	December 31, 2013
Financing			
Weighted average effective interest rate on debt (year-end)	**4.15%**	4.20%	4.18%
Weighted average face rate of interest on debt (year-end)	**4.18%**	4.21%	4.22%
Interest coverage ratio (times)[8]	**2.9**	2.9	2.9
Net average debt-to-EBITDFV (years)[8]	**7.8**	7.8	8.0
Net debt-to-adjusted EBITDFV (years)[8]	**7.9**	7.8	8.0
Level of debt (net debt-to-gross book value)[8]	**47.5%**	46.9%	47.6%
Level of debt (net secured debt-to-gross book value)[8]	**40.4%**	39.9%	42.5%
Debt – average term to maturity (years)	**4.4**	4.2	4.6
Unencumbered assets	**$ 796,000**	$ 794,000	$ 622,000
Unsecured convertible and non-convertible debentures	**$ 533,860**	$ 533,795	$ 385,532

(1) In thousands of square feet and excludes redevelopment properties and assets held for sale.
(2) Includes investments in joint ventures and excludes redevelopment properties and assets held for sale.
(3) On a non-GAAP basis as revenue includes investments in joint ventures.

(4) NOI (non-GAAP measure) is defined as total of net rental income, including the share of net rental income from investment in joint ventures and property management income, excluding net rental income from properties sold and assets held for sale. The reconciliation of NOI to net rental income can be found in the section "Our results of operations" under the heading "Net operating income".
(5) FFO (non-GAAP measure) – The reconciliation of FFO to net income can be found in the section "Our results of operations" under the heading "Funds from operations and adjusted funds from operations".
(6) AFFO (non-GAAP measure) – The reconciliation of AFFO to cash flow from operations can be found in the section "Non-GAAP measures and other disclosures" under the heading "Cash generated from operating activities to AFFO".
(7) A description of the determination of basic and diluted amounts per unit can be found in the section "Non-GAAP measures and other disclosures" under the heading "Weighted average number of units".
(8) The calculation of the following non-GAAP measures – interest coverage ratio, net average debt-to-EBITDFV, net debt-to-adjusted EBITDFV and levels of debt – are included in the section "Non-GAAP measures and other disclosures".

BASIS OF PRESENTATION

Our discussion and analysis of the financial position and results of operations of Dream Office Real Estate Investment Trust ("Dream Office REIT" or the "Trust"), formerly known as Dundee REIT, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014. Unless otherwise indicated, our discussion of assets, liabilities, revenue and expenses includes our investment in joint ventures, which are equity accounted at our proportionate share of assets, liabilities, revenue and expenses.

This management's discussion and analysis ("MD&A") is dated as at February 19, 2015.

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

- "REIT A Units", meaning the REIT Units, Series A
- "REIT B Units", meaning the REIT Units, Series B
- "REIT Units", meaning the REIT Units, Series A, and REIT Units, Series B
- "LP B Units" and "subsidiary redeemable units", meaning the LP Class B Units, Series 1, limited partnership units of Dream Office LP (formerly known as Dundee Properties Limited Partnership)

Certain market information has been obtained from CBRE, *Canadian Market Statistics*, Fourth Quarter 2014, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, its accuracy and completeness 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 Dream Office REIT and its subsidiaries.

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

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

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dream Office REIT's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions; and interest rates.

Although the forward-looking statements contained in this MD&A are based on what we believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking information is disclosed in this MD&A as part of Our Results of Operations under the heading "Adjusted funds from operations". Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; local real estate conditions, including the development of properties in close proximity to the Trust's properties; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants' financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; our continued compliance with the real estate investment trust ("REIT") exception under the specified investment flow-through trust ("SIFT") legislation; and other risks and factors described from time to time in the documents filed by the Trust with securities regulators.

All forward-looking information is as of February 19, 2015. Dream Office REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information about these assumptions, risks and uncertainties is contained in our filings with securities regulators, including our latest Annual Information Form. Certain filings are also available on our website at www.dreamofficereit.ca.

OUR OBJECTIVES

We are committed to:

- Managing our business to provide stable and growing cash flows and sustainable returns, through adapting our strategy and tactics to changes in the real estate industry and the economy;
- Building and maintaining a diversified, growth-oriented portfolio of office properties in Canada, based on an established platform;
- Providing predictable and sustainable cash distributions to unitholders and prudently managing distributions over time; and
- Maintaining a REIT status that satisfies the REIT exception under the SIFT legislation in order to provide certainty to unitholders with respect to taxation of distributions.

Distributions

For the three months ended December 31, 2014, approximately 29% of our total units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP"). There is no equivalent program for the REIT B Units (for a description of distributions, refer to the section "Our Equity").

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Annualized distribution rate	**$ 2.24**	$ 2.24	$ 2.24	$ 2.24	$ 2.24	$ 2.24	$ 2.24	$ 2.20
Monthly distribution rate	**$ 0.187**	$ 0.187	$ 0.187	$ 0.187	$ 0.187	$ 0.187	$ 0.187	$ 0.183
Period-end closing unit price	**$ 25.15**	$ 27.96	$ 29.29	$ 29.06	$ 28.82	$ 29.04	$ 32.64	$ 36.65
Annualized distribution yield on closing unit price (%)[1]	**8.9%**	8.0%	7.6%	7.7%	7.8%	7.7%	6.9%	6.0%

(1) Annualized distribution yield is calculated as the annualized distribution rate divided by period-end closing unit price.

OUR STRATEGY

Dream Office REIT's core strategy is to invest in office properties in key markets across Canada, providing a solid platform for stable and growing cash flows. We are the largest pure-play office REIT in Canada. The majority of our portfolio comprises central business district office properties concentrated in nine of Canada's top ten office markets. The execution of our strategy is continuously reviewed, including acquisitions and dispositions, our capital structure and our analysis of current economic conditions. Our executive team is experienced, knowledgeable and highly motivated to continue to increase the value of our portfolio and provide stable, reliable and growing returns for our unitholders.

Dream Office REIT's methodology to execute its strategy and to meet its objectives includes:

Investing in high-quality office properties

Dream Office REIT has an established presence in key urban markets across Canada. Our portfolio comprises high-quality office properties that are well-located and attractively priced and produce consistent cash flow. When considering acquisition opportunities, we look for quality tenancies, strong occupancy, the appeal of the property to future tenants, how it complements our existing portfolio and how we can create additional value.

Optimizing the performance, value and cash flow of our portfolio

We manage our properties to optimize long-term cash flow and value. With a fully internalized property manager, we offer a strong team of highly experienced real estate professionals who are focused on achieving more from our assets. Occupancy rates across our portfolio have remained steady and strong for a number of years and have been consistently above the national average. We view this as compelling evidence of the appeal of our properties and our ability to meet and exceed tenant expectations. Dream Office REIT has a proven ability to identify and execute value-add opportunities.

Diversifying our portfolio to mitigate risk

Since the credit crisis in 2009, we have carefully repositioned our portfolio through a significant number of accretive, high-quality acquisitions. In addition to expanding and diversifying our geographic footprint across the country, the acquisitions have served to enhance the stability of our business, diversifying and strengthening the quality of our revenue stream and increasing cash flow. Our existing tenant base is well diversified, representing a number of industries and different space requirements, and offers strong financial covenants. Our lease maturity profile is well staggered over the next ten years. We will continue to pursue opportunities for growth but only when it enhances our overall portfolio, further improves the sustainability of our distributions, strengthens our tenant profile and mitigates risk. We have experience in each of Canada's key markets and have the flexibility to pursue acquisitions in whichever markets offer compelling investment opportunities.

Maintaining and strengthening our conservative financial profile

We have always operated our business in a disciplined manner, with a keen eye on financial analysis and balance sheet management to ensure that we maintain a prudent capital structure. We continue to generate cash flow sufficient to fund our distributions while maintaining a conservative debt ratio and staggered debt maturities.

Identifying opportunities within our portfolio for intensification and alternative uses

We look at ways to generate additional revenue and value from our existing buildings through intensification and alternative uses, especially in our downtown buildings where urbanization allows for opportunities to increase revenue in both office and retail space.

Investing capital in our portfolio

The current leasing environment is challenging and requires us to look for new ways to retain tenants and increase revenue. A key to this strategy is investing capital in our buildings that improves the value and attractiveness to tenants as well as reduces operating costs. By doing so, our tenants will have a better experience at our buildings, leading to improved tenant retention, quicker leasing of available space and realization of higher rental rates.

Divesting of non-core assets

Dream Office REIT has an established presence in key urban markets across Canada. Our portfolio comprises high-quality office properties that are well-located and attractively priced and produce consistent cash flow. We continuously review our portfolio to identify opportunities to dispose of non-core assets, such as those that are special-purpose, peripherally located or in declining locations with lower potential for long-term income growth. Net proceeds from dispositions could be used to fund improvement initiatives or property acquisitions.

OUR PROPERTIES

Dream Office REIT provides high-quality, well-located and reasonably priced business premises. Our portfolio comprises central business district and suburban office properties predominantly located in major urban centres across Canada including Toronto, Calgary, Edmonton, Montréal, Ottawa and Vancouver.

At December 31, 2014, our ownership interests included 177 office properties (207 buildings) totalling approximately 24.3 million square feet of GLA, including 24.2 million square feet of office properties and 0.1 million square feet of redevelopment properties and properties held for sale. The occupancy rate across our office portfolio remains high at 93.0% at December 31, 2014, well ahead of the national industry average occupancy rate of 89.3% (CBRE, *Canadian Market Statistics,* Fourth Quarter 2014). Our occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

Owned GLA (in thousands of sq. ft.)

	December 31, 2014		September 30, 2014		December 31, 2013	
	Total	**%**	Total	%	Total	%
Western Canada	**4,806**	**20**	4,803	20	5,101	21
Calgary – downtown	**3,146**	**13**	3,147	13	3,147	13
Calgary – suburban	**757**	**3**	758	3	813	3
Toronto – downtown	**5,400**	**23**	5,400	23	5,399	22
Toronto – suburban	**4,219**	**17**	4,216	17	4,213	17
Eastern Canada[1]	**5,895**	**24**	5,895	24	5,889	24
Total[2]	**24,223**	**100**	24,219	100	24,562	100

(1) Includes two properties located in the United States.

(2) Excludes redevelopment properties and properties held for sale.

SECTION II – EXECUTING THE STRATEGY

OUR OPERATIONS

The following key performance indicators related to our operations influence the cash generated from operating activities.

Performance indicators[1]	December 31, 2014	September 30, 2014	December 31, 2013
Occupancy rate – including committed	**93.0%**	93.0%	94.3%
Occupancy rate – in place	**91.4%**	91.1%	92.7%
Average in-place net rental rates (per sq. ft.)	**$ 18.22**	$ 18.21	$ 17.83
Tenant maturity profile – average term to maturity (years)	**5.0**	5.0	5.1

(1) Excludes redevelopment properties and properties held for sale.

As at December 31, 2014, overall in-place occupancy is up 30 bps to 91.4%, when compared to the prior quarter, as our largest market, Toronto downtown, posted approximately 46,200 square feet of positive leasing absorption, representing a 90 bps occupancy increase, and Eastern Canada had 41,100 square feet of positive leasing absorption, representing a 70 bps increase. There were modest occupancy gains made in all other regions except for Calgary downtown and Toronto suburban, with 26,700 square feet and 23,200 square feet of negative absorption, respectively.

As at December 31, 2014, overall occupancy, including future commitments on vacant space, is 93.0%, flat when compared to the prior quarter. All regions remained relatively flat with the exception of Calgary suburban, which experienced a 200 bps increase, while Calgary downtown declined by 140 bps.

When compared to the prior year, overall occupancy and in-place occupancy, including future commitments on vacant space, was down 130 bps over the prior year with declines in all regions except for strong gains in our largest market, Toronto downtown, which posted a 50 bps increase, and Calgary suburban and Eastern Canada, where occupancy increased 250 bps and 70 bps, respectively. Despite the overall decline in occupancy when compared to the prior year, the Trust is still well above the industry average of 89.3% (CBRE, *Canadian Market Statistics*, Fourth Quarter 2014).

	Total properties[1]			Comparative properties[2]		Comparative properties[3]	
(percentage)	**December 31, 2014**	September 30, 2014	December 31, 2013	**December 31, 2014**	September 30, 2014	**December 31, 2014**	December 31, 2013
Office							
Western Canada	**91.7**	91.7	93.0	**91.7**	91.7	**91.7**	93.2
Calgary – downtown	**89.5**	90.9	95.3	**89.5**	90.9	**89.5**	95.3
Calgary – suburban	**89.2**	87.2	86.7	**89.2**	87.2	**89.2**	86.7
Toronto – downtown	**97.3**	97.0	96.8	**97.3**	97.0	**97.3**	96.8
Toronto – suburban	**89.5**	89.8	93.7	**89.5**	89.8	**89.5**	93.7
Eastern Canada	**94.8**	94.4	94.1	**94.8**	94.4	**94.8**	94.1
Total occupancy rate – including committed	**93.0**	93.0	94.3	**93.0**	93.0	**93.0**	94.4

(1) Excludes redevelopment properties and properties held for sale.
(2) Comparative properties include all properties owned by the Trust at September 30, 2014, excluding redevelopment properties, properties sold and properties held for sale.
(3) Comparative properties include all properties owned by the Trust at December 31, 2013, excluding redevelopment properties, properties sold and properties held for sale.

The table below details the percentage of occupied and committed space for the last eight quarters compared to the national industry average, demonstrating the strength and consistency of our leasing profile to outperform the overall market.

	2014				2013			
(percentage)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Office[1]	**93.0**	93.0	94.1	94.2	94.3	94.6	94.9	94.7
National industry average[2]	**89.3**	89.7	89.6	89.7	90.3	90.9	91.3	91.5

(1) Excludes redevelopment properties and properties held for sale.

(2) National industry average occupancy rates obtained from the CBRE, *Canadian Market Statistics* quarterly reports.

Occupancy schedule

The following table details the change in occupancy (including committed) for the three months and year ended December 31, 2014:

		Weighted average rate per sq. ft.	Three months ended December 31, 2014 in sq. ft.[(1)]	As a % of total GLA[(1)]		Weighted average rate per sq. ft.	Year ended December 31, 2014 in sq. ft.[(1)]	As a % of total GLA[(1)]
Occupancy (including committed) at beginning of period			22,518,232	93.0%			23,159,804	94.3%
Vacancy committed for future leases			(443,547)	(1.9)%			(386,783)	(1.6)%
Occupancy in place at beginning of period			22,074,685	91.1%			22,773,021	92.7%
Occupancy related to disposed properties			-				(321,752)	
Remeasurements/reclassifications			3,178				(21,333)	
Occupancy at beginning of period – adjusted			22,077,863	91.1%			22,429,936	92.6%
Expiries	$	(16.68)	(819,241)	(3.4)%	$	(17.74)	(2,982,822)	(12.3)%
Early terminations and bankruptcies		(15.60)	(13,070)	(0.1)%		(16.53)	(145,900)	(0.7)%
New leases		17.39	365,677	1.6%		18.09	1,248,005	5.2%
Renewals		16.60	527,762	2.2%		17.93	1,589,772	6.6%
Occupancy in place – December 31, 2014			22,138,991	91.4%			22,138,991	91.4%
Vacancy committed for future leases			382,470	1.6%			382,470	1.6%
Occupancy (including committed) – December 31, 2014			22,521,461	93.0%			22,521,461	93.0%

(1) Excludes redevelopment properties and properties held for sale.

During the quarter, we experienced strong leasing activity which resulted in in-place occupancy increasing by 30 bps or approximately 61,100 square feet. The activity was mainly driven by increases in Toronto downtown and Eastern Canada, which accounted for approximately 46,200 square feet and 41,100 square feet, respectively. This was offset with a decrease in occupancy in Calgary downtown and Toronto suburban of 26,700 square feet and 23,000 square feet of negative absorption, respectively. During the quarter, we also had early terminations and bankruptcies totalling 13,100 square feet. Leasing activity included approximately 527,800 square feet of renewals and approximately 365,700 square feet of new leases, offset by approximately 832,300 square feet of lease expiries, early terminations and bankruptcies.

At December 31, 2014, vacant space committed for future occupancy was approximately 382,500 square feet, of which approximately 376,400 square feet will take occupancy in 2015.

		Three months ended December 31, 2014		Year ended December 31, 2014
Tenant retention ratio		64.4%		53.3%
Expiring rents on renewed space (per sq. ft.)	$	15.19	$	16.57
Renewal to expiring rent spread (per sq. ft.)	$	1.41	$	1.36

For the three months ended December 31, 2014, we experienced a strong tenant retention ratio of over 64%, with renewals completed at $16.60 per square foot compared to expiring rents at $15.19 per square foot, for an increase of $1.41 per square foot, or 9.3%. For the year ended December 31, 2014, our tenant retention ratio was over 50% and we completed renewals at $17.93 per square foot compared to expiring rents at $16.57 per square foot, for an increase of $1.36 per square foot, or 8.2%.

In-place net rental rates

Average in-place net rents across our total portfolio at December 31, 2014 increased to $18.22 per square foot from $17.83 per square foot at December 31, 2013, reflecting rent uplifts in all regions except for Calgary downtown. Average in-place net rents across our total portfolio at December 31, 2014 was up slightly from $18.21 per square foot at September 30, 2014, mainly driven by higher rents in Calgary suburban and Toronto downtown.

We estimate market rents with reference to recent leasing activity and external market data. We believe estimated market rents are approximately 8% higher than our portfolio average in-place net rents.

	December 31, 2014(1)			September 30, 2014(1)			December 31, 2013(1)		
Total office portfolio (per square foot)	**Average in-place net rent (per sq. ft.)**	**Market rent (per sq. ft.)**	**Market rent/ average in-place net rent (%)**	Average in-place net rent (per sq. ft.)	Market rent (per sq. ft.)	Market rent/ average in-place net rent (%)	Average in-place net rent (per sq. ft.)	Market rent (per sq. ft.)	Market rent/ average in-place net rent (%)
Office									
Western Canada	**$ 19.80**	**$ 21.01**	**6.1**	$ 19.81	$ 21.08	6.4	$ 18.65	$ 20.60	10.5
Calgary – downtown	**21.28**	**24.41**	**14.7**	21.37	25.07	17.3	21.81	25.65	17.6
Calgary – suburban	**17.18**	**17.82**	**3.7**	16.82	18.19	8.1	16.31	17.93	9.9
Toronto – downtown	**23.95**	**26.36**	**10.1**	23.84	26.10	9.5	23.23	25.26	8.7
Toronto – suburban	**14.53**	**15.02**	**3.4**	14.48	15.10	4.3	14.42	14.79	2.6
Eastern Canada	**12.68**	**13.19**	**4.0**	12.73	13.12	3.1	12.52	13.03	4.1
Total	**$ 18.22**	**$ 19.64**	**7.8**	$ 18.21	$ 19.70	8.2	$ 17.83	$ 19.42	8.9

(1) Excludes redevelopment properties and properties held for sale.

Market rent estimates for occupied space across our total portfolio at December 31, 2014 increased to $19.64 per square foot from $19.42 per square foot in Q4 2013, primarily driven by higher occupancy in our higher rent properties. Market rent estimates for occupied space across our total portfolio at December 31, 2014 decreased $0.06 from $19.70 per square foot in Q3 2014, primarily as a result of decreases in estimates noted in downtown Calgary, where market rents are still approximately 15% above in-place net rent.

Leasing and tenant profile

The average remaining lease term and other portfolio information are detailed in the following table. The portfolio average remaining lease term at December 31, 2014 is 5.0 years and is stable when compared to September 30, 2014 and down slightly from 5.1 years at December 31, 2013, largely reflecting the impact of leases rolling off year-over-year.

	December 31, 2014(1)			September 30, 2014(1)			December 31, 2013(1)		
	Average remaining lease term (years)	**Average tenant size (sq. ft.)**	**Average in-place net rent (per sq. ft.)**	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.)	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.)
Western Canada	**3.7**	**10,266**	**$ 19.80**	3.7	10,238	$ 19.81	3.8	10,043	$ 18.65
Calgary – downtown	**3.8**	**10,857**	**21.28**	3.6	10,965	21.37	3.8	11,243	21.81
Calgary – suburban	**3.8**	**7,067**	**17.18**	3.5	7,187	16.82	3.9	6,410	16.31
Toronto – downtown	**5.8**	**10,519**	**23.95**	5.9	10,537	23.84	6.3	10,491	23.23
Toronto – suburban	**3.9**	**11,071**	**14.53**	3.9	11,006	14.48	3.8	11,192	14.42
Eastern Canada	**6.7**	**17,941**	**12.68**	6.9	17,871	12.73	7.0	17,541	12.52
Total	**5.0**	**11,592**	**$ 18.22**	5.0	11,593	$ 18.21	5.1	11,461	$ 17.83

(1) Excludes redevelopment properties and properties held for sale.

The following table details our lease maturity profile by geographic segment at December 31, 2014. The table distinguishes between lease maturities that have yet to be renewed or re-leased and maturities for which we have a leasing commitment. The "Expiries, net of committed occupancy" line in the respective regions should be referenced when considering future leasing risks or opportunities, and the "Vacancy committed for new leases" line in the respective regions should be referenced when considering the impact of leasing activity.

Our lease maturity profile remains staggered. Lease expiries (net of committed occupancy) as a percentage of total in-place occupancy are 8% for 2015, 13% for 2016, 18% for 2017, 13% for 2018 and 10% for 2019.

(in square feet)	Current monthly/ short-term tenancies	2015	2016	2017	2018	2019	2020+	Total
Western Canada								
Expiries[1]	(1,184)	(553,281)	(875,441)	(807,274)	(794,162)	(513,974)	(1,163,316)	(4,708,632)
Expiries committed for occupancy[2]	-	195,948	91,553	3,096	9,431	-	-	300,028
Expiries, net of committed renewals	(1,184)	(357,333)	(783,888)	(804,178)	(784,731)	(513,974)	(1,163,316)	(4,408,604)
Vacancies committed for new leases	-	64,208	-	-	-	-	-	64,208
Expiries, net of commitments obtained	(1,184)	(293,125)	(783,888)	(804,178)	(784,731)	(513,974)	(1,163,316)	(4,344,396)
Calgary downtown								
Expiries[1]	-	(354,202)	(779,775)	(382,935)	(422,095)	(627,265)	(604,293)	(3,170,565)
Expiries committed for occupancy[2]	-	113,508	188,947	43,047	8,270	-	-	353,772
Expiries, net of committed renewals	-	(240,694)	(590,828)	(339,888)	(413,825)	(627,265)	(604,293)	(2,816,793)
Vacancies committed for new leases	-	28,615	-	4,104	-	-	-	32,719
Expiries, net of commitments obtained	-	(212,079)	(590,828)	(335,784)	(413,825)	(627,265)	(604,293)	(2,784,074)
Calgary suburban								
Expiries[1]	-	(78,824)	(111,291)	(172,348)	(143,317)	(49,776)	(214,371)	(769,927)
Expiries committed for occupancy[2]	-	17,715	2,717	73,947	-	-	-	94,379
Expiries, net of committed renewals	-	(61,109)	(108,574)	(98,401)	(143,317)	(49,776)	(214,371)	(675,548)
Vacancies committed for new leases	-	23,374	-	-	-	-	-	23,374
Expiries, net of commitments obtained	-	(37,735)	(108,574)	(98,401)	(143,317)	(49,776)	(214,371)	(652,174)
Toronto downtown								
Expiries[1]	(2,496)	(548,111)	(812,289)	(908,716)	(652,279)	(323,002)	(2,547,125)	(5,794,018)
Expiries committed for occupancy[2]	-	281,513	205,069	11,953	16,420	-	24,813	539,768
Expiries, net of committed renewals	(2,496)	(266,598)	(607,220)	(896,763)	(635,859)	(323,002)	(2,522,312)	(5,254,250)
Vacancies committed for new leases	-	40,887	-	-	-	-	-	40,887
Expiries, net of commitments obtained	(2,496)	(225,711)	(607,220)	(896,763)	(635,859)	(323,002)	(2,522,312)	(5,213,363)
Toronto suburban								
Expiries[1]	(674)	(615,134)	(815,225)	(957,559)	(352,643)	(295,514)	(1,248,968)	(4,285,717)
Expiries committed for occupancy[2]	-	100,419	410,147	-	-	-	-	510,566
Expiries, net of committed renewals	(674)	(514,715)	(405,078)	(957,559)	(352,643)	(295,514)	(1,248,968)	(3,775,151)
Vacancies committed for new leases	-	102,078	1,194	-	-	-	-	103,272
Expiries, net of commitments obtained	(674)	(412,637)	(403,884)	(957,559)	(352,643)	(295,514)	(1,248,968)	(3,671,879)
Eastern Canada								
Expiries[1]	-	(498,344)	(518,719)	(832,701)	(719,158)	(340,812)	(3,153,115)	(6,062,849)
Expiries committed for occupancy[2]	-	205,304	98,542	1,094	166,794	-	-	471,734
Expiries, net of committed renewals	-	(293,040)	(420,177)	(831,607)	(552,364)	(340,812)	(3,153,115)	(5,591,115)
Vacancies committed for new leases	-	117,210	800	-	-	-	-	118,010
Expiries, net of committed occupancy	-	(175,830)	(419,377)	(831,607)	(552,364)	(340,812)	(3,153,115)	(5,473,105)
Total portfolio								
Expiries[1]	(4,354)	(2,647,896)	(3,912,740)	(4,061,533)	(3,083,654)	(2,150,343)	(8,931,188)	(24,791,708)
Expiries committed for occupancy[2]	-	914,407	996,975	133,137	200,915	-	24,813	2,270,247
Expiries, net of committed renewals	(4,354)	(1,733,489)	(2,915,765)	(3,928,396)	(2,882,739)	(2,150,343)	(8,906,375)	(22,521,461)
Vacancies committed for new leases	-	376,372	1,994	4,104	-	-	-	382,470
Expiries, net of committed occupancy	(4,354)	(1,357,117)	(2,913,771)	(3,924,292)	(2,882,739)	(2,150,343)	(8,906,375)	(22,138,991)

(1) Expiries includes current in-place expiries and future expiries committed for renewals.

(2) Expiries committed for occupancy includes renewals, new leasing and relocation of tenants.

The following table details expiring rents across our portfolio as well as our own estimate of average market rents based on current leasing activity in similar properties at December 31, 2014. Expiring rents and market rents represent base rents and do not include the impact of lease incentives.

	2015	2016	2017	2018	2019
Expiring rents					
Western Canada	$ 17.65	$ 17.68	$ 21.31	$ 18.39	$ 20.64
Calgary – downtown	14.91	21.21	22.17	25.07	24.47
Calgary – suburban	20.62	13.82	16.45	20.24	19.13
Toronto – downtown	22.10	21.65	22.54	24.23	24.50
Toronto – suburban	13.22	17.15	15.09	15.35	13.00
Eastern Canada	15.01	16.37	14.89	15.99	13.60
Portfolio average	$ 16.30	$ 18.82	$ 18.67	$ 19.90	$ 20.14
Market rents(1)					
Western Canada	$ 18.97	$ 18.25	$ 20.09	$ 21.51	$ 19.74
Calgary – downtown	21.59	26.69	23.36	26.92	24.25
Calgary – suburban	19.42	16.49	15.86	19.54	17.35
Toronto – downtown	25.45	24.05	25.28	22.09	23.80
Toronto – suburban	13.56	17.35	14.72	14.96	13.24
Eastern Canada	13.57	14.21	14.76	16.07	13.36
Market rent average	$ 17.83	$ 20.39	$ 19.01	$ 20.47	$ 19.70
% below expiring rent	9.4%	8.3%	1.8%	2.9%	(2.2)%

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

Initial direct leasing costs and lease incentives

Initial direct leasing costs include leasing fees and related costs and broker commissions incurred in negotiating and arranging tenant leases. Lease incentives include costs incurred to make leasehold improvements to tenant spaces and cash allowances. Initial direct leasing costs and lease incentives are dependent upon asset type, lease terminations and expiries, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions. Short-term leases generally have lower costs than long-term leases, and leasing costs associated with office space are generally higher than costs associated with flex office and industrial space.

For the three and twelve months ended December 31, 2014, approximately $14.6 million and $41.6 million, respectively, of leasing costs and lease incentives were attributable to leases that commenced during the periods, representing an average cost of $16.31 per square foot and $14.66 per square foot, respectively.

Average initial direct leasing costs and lease incentives for the quarter increased to $16.31 per square foot from $15.66 per square foot for the previous quarter, mainly due to certain higher quality tenants that took occupancy of space during the quarter with longer than average lease terms and higher lease incentives.

Performance indicators		Three months ended December 31, 2014	Year ended December 31, 2014
Operating activities (continuing portfolio)[1]			
Portfolio size (sq. ft.)		24,222,661	24,222,661
Occupied and committed occupancy		93.0%	93.0%
Number of lease deals committed		167	573
Leases that commenced during the period (sq. ft.)		893,439	2,837,777
Average lease term for leases that commenced during the period (years)		5.1	5.4
Initial direct leasing costs and lease incentives attributable to leases that commenced during the period (in thousands)	$	14,561 $	41,582
Initial direct leasing costs and lease incentives attributable to leases that commenced during the period (per sq. ft.)	$	16.31 $	14.66

(1) Excludes redevelopment properties and properties held for sale.

Tenant base profile

Our tenant base includes municipal, provincial and federal governments as well as a wide range of high-quality large international corporations, including Canada's major banks and three of Canada's prominent law firms, and small to medium-sized businesses across Canada. With over 2,200 tenants, our risk of exposure to any single large lease or tenant is mitigated. The average size of our office tenants is approximately 11,600 square feet. Effectively managing this diverse tenant base is one of our key strengths and has helped us to maintain consistently high occupancy levels and to continually capitalize on rental rate increases.

The stability and quality of our cash flow is further enhanced by the fact that rental revenue from government and government agencies comprises approximately 17.5% of our total rental revenue. The list of our 20 largest tenants includes both federal and provincial governments as well as other nationally and internationally recognizable high-quality corporations and businesses. The following table outlines their contributions to our total rental revenue.

Tenant	Owned area (sq. ft.)	Owned area (%)	Gross rental revenue (%)	Weighted average remaining lease term (years)	Credit rating[1]
Bank of Nova Scotia	984,404	4.1	7.3	9.7	A+/A-/A-1
Government of Canada	1,423,259	5.9	6.1	3.1	AAA
Government of Ontario	670,003	2.8	3.3	4.6	AA-/A-1+
Bell Canada	376,694	1.6	1.8	3.3	BBB+
Government of Québec	663,922	2.7	1.7	12.2	A+/A-1+
Telus	287,803	1.2	1.5	2.1	BBB+
Enbridge Pipelines Inc.	248,577	1.0	1.5	4.1	A-/A-1
State Street Trust Company	244,936	1.0	1.4	7.3	AA-/A+/A-1+
Government of Saskatchewan	343,001	1.4	1.3	2.2	AAA/A-1+
Government of British Columbia	287,747	1.2	1.2	4.6	AAA/A-1+
Government of Alberta	304,079	1.3	1.2	3.0	AAA/A-1+
Newalta Corporation	187,297	0.8	1.1	4.8	N/A
Aviva Canada Inc.	335,900	1.4	1.1	3.1	A+
Borell Management	124,795	0.5	1.0	2.0	N/A
Loyalty Management	194,018	0.8	1.0	2.8	N/A
SNC-Lavalin Inc.	207,351	0.9	0.8	5.4	BBB
Miller Thomson	137,149	0.6	0.8	8.7	N/A
Government of NW Territories	142,202	0.6	0.8	6.9	N/A
Cenovus Energy	140,605	0.6	0.8	8.5	A-1/BBB+
Winners Merchants International	219,685	0.9	0.8	1.2	N/A
Total	7,523,427	31.3	36.5	5.3	

(1) Credit ratings obtained from Standard & Poor's and may reflect the parent's or a guarantor's credit rating.

N/A – not applicable

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

As at December 31, 2014, the value of our investment property comparative portfolio, which includes investment in joint ventures and excludes redevelopment properties, properties sold and assets held for sale, was $7,192 million (September 30, 2014 – $7,226 million; December 31, 2013 – $7,238 million).

Fair values were determined using the direct capitalization method. The direct capitalization method applies a capitalization rate ("cap rate") to stabilized NOI (non-GAAP measure) and incorporates allowances for vacancy and management fees. The resulting capitalized value is further adjusted for non-recurring costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties across our comparative portfolio were valued using weighted average cap rates in the range of 5.15% to 8.75% as at December 31, 2014.

The fair value of our investment properties, including investment in joint ventures, is set out below:

			Total portfolio
	December 31, 2014	September 30, 2014[1]	December 31, 2013[1]
Western Canada	**$ 1,395,943**	$ 1,412,491	$ 1,445,127
Calgary – downtown	**1,162,981**	1,193,046	1,203,684
Calgary – suburban	**183,969**	184,830	183,927
Toronto – downtown	**2,409,667**	2,398,996	2,365,230
Toronto – suburban	**962,942**	961,250	967,882
Eastern Canada	**1,076,344**	1,075,837	1,072,085
Total comparative portfolio[1]	**7,191,846**	7,226,450	7,237,935
Add:			
Redevelopment properties	**10,000**	10,000	10,000
Assets held for sale/sold properties	**2,750**	2,750	75,667
Total portfolio	**$ 7,204,596**	$ 7,239,200	$ 7,323,602
Less:			
Investment in joint ventures	**1,062,776**	1,062,212	1,061,436
Assets held for sale – joint ventures	**2,750**	2,750	20,481
Total per consolidated balance sheets	**$ 6,139,070**	$ 6,174,238	$ 6,241,685

(1) Comparative figures have been reclassified to exclude sold properties.

The carrying value of our total portfolio decreased by approximately $34.6 million during the quarter, mainly due to a $67.3 million decrease in fair value, offset by $32.2 million of building improvements, initial direct leasing costs and lease incentive additions, and $0.5 million related to the amortization of lease incentives, foreign exchange and other adjustments.

The $67.3 million fair value loss recognized during the quarter was mainly driven by externally appraised properties in Western Canada and Calgary, where the external appraisers assumed lowered market rents and increased downtimes in selected assets. Other factors which contributed to the fair value decline included changes in rental rates and leasing assumptions, mainly in Western Canada and Calgary downtown properties with previously identified future tenant vacancies.

The weighted average cap rate across our total comparative portfolio compressed by 2 bps to 6.16% when compared to September 30, 2014 and December 31, 2013. The overall decrease in cap rates was mainly experienced in Toronto downtown and Eastern Canada, offset by modest increases in the other regions.

Changes in the value of our investment properties by region for the three months ended December 31, 2014 are summarized in the table below as follows:

					Three months ended
	September 30, 2014[1]	Building improvements	Initial direct leasing costs and lease incentives	Fair value adjustments	Amortization of lease incentives, foreign exchange and other adjustments	**December 31, 2014**
Western Canada	$ 1,412,491	$ 3,123	$ 2,849	$ (22,000)	$ (520)	**$ 1,395,943**
Calgary – downtown	1,193,046	2,340	4,667	(36,300)	(772)	**1,162,981**
Calgary – suburban	184,830	569	296	(1,600)	(126)	**183,969**
Toronto – downtown	2,398,996	3,711	3,236	4,200	(476)	**2,409,667**
Toronto – suburban	961,250	1,617	3,483	(2,900)	(508)	**962,942**
Eastern Canada	1,075,837	2,807	3,450	(8,700)	2,950	**1,076,344**
Total comparative portfolio[1]	7,226,450	14,167	17,981	(67,300)	548	**7,191,846**
Add:						
Redevelopment properties	10,000	-	-	-	-	**10,000**
Assets held for sale/sold properties	2,750	-	15	-	(15)	**2,750**
Total portfolio	$ 7,239,200	$ 14,167	$ 17,996	$ (67,300)	$ 533	**$ 7,204,596**
Less:						
Investment in joint ventures	1,062,212	459	345	(200)	(40)	**1,062,776**
Assets held for sale	2,750	-	6	-	(6)	**2,750**
Total investment properties (per consolidated balance sheet)	$ 6,174,238	$ 13,708	$ 17,645	$ (67,100)	$ 579	**$ 6,139,070**

(1) Opening balances have been reclassified to exclude sold properties.

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

							Year ended
	January 1, 2014[1]	Property dispositions	Building improvements	Initial direct leasing costs and lease incentives	Fair value adjustments	Amortization of lease incentives, foreign exchange and other adjustments	**December 31, 2014**
Western Canada	$ 1,445,127	$ -	$ 7,118	$ 6,071	$ (60,444)	$ (1,929)	**$ 1,395,943**
Calgary – downtown	1,203,684	-	8,194	9,491	(55,247)	(3,141)	**1,162,981**
Calgary – suburban	183,927	-	930	1,202	(1,595)	(495)	**183,969**
Toronto – downtown	2,365,230	-	6,841	10,233	28,868	(1,505)	**2,409,667**
Toronto – suburban	967,882	-	3,484	11,008	(17,579)	(1,853)	**962,942**
Eastern Canada	1,072,085	-	7,346	10,127	(20,206)	6,992	**1,076,344**
Total comparative portfolio[1]	7,237,935	-	33,913	48,132	(126,203)	(1,931)	**7,191,846**
Add:							
Redevelopment properties	10,000	-	-	-	-	-	**10,000**
Assets held for sale/sold properties	75,667	(71,780)	45	1,110	(2,253)	(39)	**2,750**
Total portfolio	$ 7,323,602	$ (71,780)	$ 33,958	$ 49,242	$ (128,456)	$ (1,970)	**$ 7,204,596**
Less:							
Investment in joint ventures	1,061,436	-	3,934	1,154	(3,596)	(152)	**1,062,776**
Assets held for sale	20,481	(17,833)	45	674	(557)	(60)	**2,750**
Total investment properties (per consolidated balance sheet)	$ 6,241,685	$ (53,947)	$ 29,979	$ 47,414	$ (124,303)	$ (1,758)	**$ 6,139,070**

(1) Opening balances have been reclassified to exclude sold properties.

Cap rates are a key metric used to value our investment properties, and are set out in the table below by region:

	Capitalization rates					
	Total portfolio					
	December 31, 2014		September 30, 2014[1]		December 31, 2013[1]	
	Range (%)	**Weighted average (%)**	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Western Canada	**5.75–8.75**	**6.66**	5.75–8.75	6.63	5.75–8.75	6.56
Calgary – downtown	**5.50–7.50**	**6.16**	5.50–7.50	6.16	5.50–7.50	6.13
Calgary – suburban	**6.25–7.25**	**6.81**	6.25–7.25	6.81	6.25–7.25	6.78
Toronto – downtown	**5.15–7.00**	**5.42**	5.15–7.00	5.43	5.15–7.00	5.53
Toronto – suburban	**5.75–7.50**	**6.55**	5.75–7.50	6.55	5.75–7.25	6.46
Eastern Canada	**5.75–8.50**	**6.72**	5.75–9.00	6.80	6.00–9.00	6.77
Total before redevelopment properties and assets held for sale/sold properties	**5.15–8.75**	**6.16**	5.15–9.00	6.18	5.15–9.00	6.18
Redevelopment properties	**N/A**	**9.00**	N/A	9.00	N/A	9.00
Assets held for sale/sold properties	**N/A**	**8.00**	N/A	8.00	6.25–8.00	6.92
Total portfolio	**5.15–9.00**	**6.17**	5.15–9.00	6.18	5.15–9.00	6.19

(1) Comparative figures have been reclassified to exclude sold properties.
N/A – not applicable

Investing activities

Our investing activities are summarized as follows:

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Investing activities[1]				
Acquisition of investment properties[2]	**$ -**	$ 8,481	**$ -**	$ 604,931
Building improvements	**14,167**	11,737	**33,958**	36,229

(1) Includes investments in joint ventures and properties held for sale.

(2) Amount represents purchase price including transaction costs.

Acquisitions

For the year ended December 31, 2014, there were no acquisitions completed. For the year ended December 31, 2013, the following acquisitions were completed:

	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price[1]	Date acquired
Broadmoor Plaza, Edmonton	office	100.0	371,561	98.5	$ 84,892	March 15, 2013
887 Great Northern Way, Vancouver (Discovery Parks)	office	100.0	164,364	100.0	68,068	April 8, 2013
340–350 3rd Avenue North, Saskatoon (T&T Towers) and 14505–14555 Bannister Road, Calgary (Parke at Fish Creek)	office	100.0	191,147	99.1	62,610	April 12, 2013
20 Toronto Street and 137 Yonge Street, Toronto	office	100.0	422,990	99.4	145,983	April 30, 2013
212 King Street West, Toronto	office	100.0	73,277	100.0	38,730	May 24, 2013
100 Yonge Street, Toronto	office	66.7	161,525	99.4	56,273	June 26, 2013
IBM Corporate Park, Calgary	office	66.7	238,171	98.1	124,377	August 13, 2013
4561 Parliament Avenue, Regina (Harbour Landing Business Park)	office	100.0	38,975	100.0	15,517	September 16, 2013
83 Yonge Street, Toronto	office	100.0	11,521	71.2	8,481	December 2, 2013
Total			1,673,531	98.9	$ 604,931	

(1) Includes $14.7 million in transaction costs.

Building improvements

Building improvements represent investments made to ensure optimal building performance. For the three and twelve months ended December 31, 2014, we incurred $14.2 million and $34.0 million, respectively, in expenditures related to building improvements, substantially all of which are recoverable from tenants.

Recurring recoverable building improvements for the three and twelve months ended December 31, 2014 were $6.9 million and $13.3 million, respectively, and included elevator, roof and heating, ventilation and air conditioning replacements as well as parking upgrades. Recurring recoverable enhancement projects include lobby and common area upgrades and exterior enhancements. For the three and twelve months ended December 31, 2014, recurring recoverable enhancement projects were $4.6 million and $11.1 million, respectively. For the three and twelve months ended December 31, 2014, approximately $1.1 million and $1.8 million, respectively, were spent on sustainability and environmental initiatives, substantially all of which are recovered from tenants. Non-recurring building improvements included capital expenditures that generally would not be expected to recur over the useful life of the building.

The table below represents amounts either paid or accrued during the period:

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Building improvements[1]				
Recurring recoverable	**$ 6,912**	$ 2,429	**$ 13,286**	$ 10,190
Recurring recoverable enhancement projects	**4,558**	8,088	**11,056**	14,023
Sustainability and environmental initiatives	**1,120**	906	**1,760**	4,124
Recoverable – identified upon acquisition	**866**	202	**5,402**	6,005
Recurring non-recoverable	**654**	78	**1,182**	1,344
Non-recurring and non-recoverable	**57**	34	**1,272**	543
Total	**$ 14,167**	$ 11,737	**$ 33,958**	$ 36,229

(1) Includes investment in joint ventures that are equity accounted and properties held for sale.

Dispositions

Pursuant to our strategy of divesting non-core assets, we completed the following dispositions for the year ended December 31, 2014:

	Property type	Ownership (%)	Disposed GLA (sq. ft.)	Gross proceeds[1]	Carrying value	Cost of sales[2]	Loss on sale	Mortgages discharged	Date disposed
Riverbend Atrium, Calgary[3]	office	25%	22,055	$ 4,850	$ 5,009	$ 89	$ (248)	$ 1,173	June 3, 2014
Stockman Centre, Calgary[3]	office	25%	15,656	3,375	3,324	63	(12)	577	June 3, 2014
Plaza 124, Edmonton[3]	office	25%	38,590	9,275	9,601	172	(498)	3,569	June 3, 2014
9705 Horton Road, Calgary	office	100%	55,363	9,150	9,022	301	(173)	5,919	June 12, 2014
26229 Township Road 531, Edmonton[4]	flex	100%	89,165	12,084	12,144	8	(68)	5,529	September 9, 2014
11404 Winterburn Rd NW, Edmonton[4]	flex	100%	81,917	10,489	10,489	24	(24)	5,599	September 9, 2014
16134 - 114th Avenue NW, Edmonton[4]	flex	100%	48,353	3,938	3,938	44	(44)	2,651	September 9, 2014
16104 - 114th Avenue NW, Edmonton[4]	flex	100%	28,759	6,281	6,281	5	(5)	2,030	September 9, 2014
St. Albert Trail Centre, Edmonton	office	50%	48,402	12,075	12,073	426	(424)	6,389	September 15, 2014
Total			428,260	$ 71,517	$ 71,881	$ 1,132	$ (1,496)	$ 33,436	

(1) Gross proceeds before transaction costs.
(2) Cost of sales includes mainly the write-off of financing costs and fair value adjustments associated with the debt discharged, transaction costs and the write-off of goodwill associated with the cash-generating unit.
(3) The Trust held a 25% interest in the property through a partnership interest and accounted for this as a joint venture.
(4) These investment properties were sold to Dream Industrial REIT.

On September 9, 2014, the Trust completed the sale of four investment properties to Dream Industrial REIT for a sale price of $33 million, net of mark-to-market adjustments on mortgages assumed by Dream Industrial REIT. The sale price was satisfied by receipt of 2,269,759 Class B limited partnership units of Dream Industrial LP (a subsidiary of Dream Industrial REIT) at $9.40 per unit, which are exchangeable for units of Dream Industrial REIT, offset by mortgages assumed on disposition.

We completed the following dispositions of non-core assets for the year ended December 31, 2013:

	Property type	Disposed GLA (sq. ft.)	Gross proceeds[1]	Loss on sale[2]	Mortgages discharged	Date disposed
625 University Park Drive, Regina	office	17,145	$ 5,182	$ (68)	$ -	January 31, 2013
2640, 2510–2550 Quance Street, Regina	office	69,554	16,300	(215)	8,767	January 31, 2013
Total		86,699	$ 21,482	$ (283)	$ 8,767	

(1) Gross proceeds before transaction costs.
(2) Loss on sales includes mainly the write-off of financing costs and fair value adjustments associated with the debt discharged, transaction costs and the write-off of goodwill associated with the cash-generating unit.

OUR FINANCING

Liquidity and capital resources

Dream Office REIT's primary sources of capital are cash generated from operating activities, credit facilities, mortgage financing and refinancing, and equity and debt issuances. Our primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, major property improvements, debt principal repayments, interest payments and property acquisitions. We expect to meet all of our ongoing obligations with current cash and cash equivalents, cash flows generated from operations, credit facilities, conventional mortgage refinancing and, as growth requires and when appropriate, new equity or debt issuances.

In our consolidated financial statements, our current liabilities exceeded our current assets by $424.3 million. Typically, real estate entities seek to address liquidity needs by having a balanced debt maturity schedule, undrawn credit facilities, and a pool of unencumbered assets. We are able to use our credit facilities on short notice which eliminates the need to hold significant amounts of cash and cash equivalents on hand. Working capital balances fluctuate significantly from period to period depending on the timing of receipts and payments. Debt obligations that are due within one year include debt maturities of $365.9 million (excluding debt related to investment in joint ventures which are equity accounted), which we typically refinance with mortgages and debt issuances of terms between five and ten years. Amounts payable balance outstanding at the end of any reporting period depends primarily on the timing of leasing costs, capital expenditures incurred, as well as the impact of transaction costs incurred on any acquisitions completed during the reporting period. Our unencumbered assets pool as at December 31, 2014 is approximately $796 million.

We endeavour to maintain high levels of liquidity to ensure that we can meet distribution requirements and react quickly to potential investment opportunities.

Our discussion of financing activities will be based on the debt balances, which include debt related to investment in joint ventures that are equity accounted, at our proportionate ownership, and debt associated with assets held for sale.

	December 31, 2014	September 30, 2014	December 31, 2013
Debt	**$ 3,594,341**	$ 3,567,775	$ 3,662,543
Less debt related to:			
Investment in joint ventures	**496,980**	502,100	508,088
Assets held for sale	**-**	-	5,439
Debt (per consolidated financial statements)	**$ 3,097,361**	$ 3,065,675	$ 3,149,016

A summary of debt

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

	December 31, 2014	September 30, 2014	December 31, 2013
Financing and liquidity metrics			
Weighted average effective interest rate (year-end)(1)	**4.15%**	4.20%	4.18%
Weighted average face rate of interest (year-end)(2)	**4.18%**	4.21%	4.22%
Interest coverage ratio (times)(3)	**2.9**	2.9	2.9
Net average debt-to-EBITDFV (years)(3)	**7.8**	7.8	8.0
Net debt-to-adjusted EBITDFV (years)(3)	**7.9**	7.8	8.0
Level of debt (net debt-to-gross book value)(3)	**47.5%**	46.9%	47.6%
Level of debt (net secured debt-to-gross book value)(3)	**40.4%**	39.9%	42.5%
Secured debt to total investment properties(4)	**42.5%**	41.9%	44.7%
Debt – average term to maturity (years)	**4.4**	4.2	4.6
Variable rate debt as percentage of total debt	**7.6%**	7.7%	8.7%
Secured debt	**$ 3,060,481**	$ 3,033,980	$ 3,277,011
Unsecured convertible and non-convertible debentures	**533,860**	533,795	385,532
Unencumbered assets	**796,000**	794,000	622,000
Cash and cash equivalents on hand	**20,889**	13,251	33,879
Undrawn demand revolving credit facilities	**251,540**	248,508	161,175

(1) Weighted average effective interest rate is calculated as the weighted average face rate of interest net of amortization of fair value adjustments and financing costs of all interest bearing debt, including debt related to investment in joint ventures, which are equity accounted.

(2) Weighted average face rate of interest includes debt related to investment in joint ventures that are equity accounted.

(3) The calculation of the following non-GAAP measures, interest coverage ratio, net average debt-to-EBITDFV, net debt-to-adjusted EBITDFV and levels of debt, are included in the "Non-GAAP measures and other disclosures" section of the MD&A.

(4) Secured debt to total investment properties (non-GAAP measure) is calculated as secured debt divided by total investment properties. Management believes this non-GAAP measurement is an important measure of our secured debt levels.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio is 2.9 times, demonstrating our ability to more than adequately cover interest expense requirements. We also monitor our debt-to-EBITDFV ratio to gauge our ability to repay existing debt. Our current net average debt-to-EBITDFV ratio is 7.8 years. Our weighted average face rate of interest is 4.18% at December 31, 2014, down 3 bps when compared to September 30, 2014 and down 4 bps when compared to December 31, 2013. After accounting for fair value adjustments and financing costs, the weighted average effective interest rate for outstanding debt is 4.15% at December 31, 2014, down 5 bps when compared to September 30, 2014 and down 3 bps when compared to December 31, 2013. The decline in both the weighted average face rate and effective interest rates was mainly driven by the interest savings from disposed properties during the year and interest rate savings upon refinancing of maturing debt.

Financing activities during the quarter

During the quarter, we refinanced the Adelaide Place mortgage for $200 million at a fixed face rate of 3.59% per annum for a ten-year term, with only interest payable for the first five years.

During the quarter, we discharged $151.4 million of debt at an average face rate of 4.29%.

The table below summarizes the debt discharged during the three months ended December 31, 2014:

Discharges	Properties	Date discharged	Amount	Face rate	Type
Discharged	Adelaide Place	December 18, 2014	$ 143,923	4.28%	Fixed
Discharged	Airway Centre 1 and 2–4	December 22, 2014	7,500	4.52%	Fixed
Total			$ 151,423	4.29%	

Composition of debt

As at December 31, 2014, variable rate debt as a percentage of total debt decreased to 7.6% from 8.7% at December 31, 2013, primarily due to the net repayment of one of the demand revolving credit facilities offset by the expiry of the three-year interest rate swap on the notional balance of $53.7 million during the year ended December 31, 2014.

	December 31, 2014			December 31, 2013		
	Fixed	**Variable**	**Total[(1)]**	Fixed	Variable	Total[(1)]
Mortgages	**$ 2,781,344**	**$ 96,344**	**$ 2,877,688**	$ 2,901,120	$ 89,590	$ 2,990,710
Term debt	**533**	**-**	**533**	825	-	825
Demand revolving credit facilities	**-**	**-**	**-**	-	103,946	103,946
Term loan facility	**128,948**	**53,312**	**182,260**	181,530	-	181,530
Convertible debentures	**51,160**	**-**	**51,160**	51,885	-	51,885
Debentures	**358,144**	**124,556**	**482,700**	209,312	124,335	333,647
Total	**$ 3,320,129**	**$ 274,212**	**$ 3,594,341**	$ 3,344,672	$ 317,871	$ 3,662,543
Percentage of total debt	**92.4%**	**7.6%**	**100.0%**	91.3%	8.7%	100.0%
In-place face rate (period-end)	**4.26%**	**3.13%**	**4.18%**	4.33%	3.07%	4.22%
Average term to maturity	**4.6**	**1.8**	**4.4**	4.8	2.0	4.6

(1) Includes debt related to investment in joint ventures, which are equity accounted, and assets held for sale.

Demand revolving credit facilities

		Secured investment properties			**December 31, 2014**		December 31, 2013	
	Maturity date	First-ranking mortgages	Second-ranking mortgages	Face interest rate	**Amount available**	**Amount drawn**	Amount available	Amount drawn
Formula-based maximum not to exceed $171,500	March 5, 2016	9	-	3.75%[(1)]	**$ 171,500**	**$ -**	$ 67,500	$ 104,000
Formula-based maximum not to exceed $27,690	April 30, 2015	2	-	3.85%[(2)]	**27,247[(3)]**	**-**	26,156[(3)]	-
Formula-based maximum not to exceed $35,000	April 30, 2015	-	2	3.75%[(1)]	**34,850[(4)]**	**-**	32,819[(4)]	-
Formula-based maximum not to exceed $35,000	April 30, 2015	1	1	3.75%[(1)]	**17,943[(5)]**	**-**	34,700[(5)]	-
		12	3	3.76%	**$ 251,540**	**$ -**	$ 161,175	$ 104,000

(1) In the form of rolling one-month bankers' acceptances ("BAs") bearing interest at the BA rate plus 1.75% or at the bank's prime rate (3.0% as at December 31, 2014) plus 0.75%.

(2) This facility matured on April 30, 2014 and was extended to April 30, 2015 in the form of rolling one-month BAs bearing interest at BA rate plus 1.85% or at the bank's prime rate plus 0.85%.

(3) Formula-based amount available under this facility was $27,690 less $443 in the form of a letter of credit ("LOC") as at December 31, 2014 and less $1,534 (LOC) as at December 31, 2013.

(4) Formula-based amount available under this facility was $35,000 less $150 in the form of LOC as at December 31, 2014 and $35,000 less $2,181 (LOC) as at December 31, 2013.

(5) Formula-based amount available under this facility was $35,000 less $17,057 in the form of LOC as at December 31, 2014 and $35,000 less $300 (LOC) as at December 31, 2013.

Changes in debt levels, including debt related to investment in joint ventures that are equity accounted and assets held for sale for the three and twelve months ended December 31, 2014, are as follows:

Three months ended December 31, 2014	Mortgages	Term debt	Demand revolving credit facilities	Term loan facility	Convertible debentures	Debentures	Total
Debt as at September 30, 2014	$ 2,851,313	$ 606	$ -	$ 182,061	$ 51,218	$ 482,577	$ 3,567,775
New debt placed	200,000	-	26,107	-	-	-	226,107
Scheduled repayments	(22,094)	(73)	-	-	-	-	(22,167)
Lump sum repayments	(151,423)	-	(26,107)	-	-	-	(177,530)
Foreign exchange	1,286	-	-	-	-	-	1,286
Other adjustments[1]	(1,394)	-	-	199	(58)	123	(1,130)
Debt as at December 31, 2014	$ 2,877,688	$ 533	$ -	$ 182,260	$ 51,160	$ 482,700	$ 3,594,341

(1) Other adjustments include financing costs on new debt placed, fair value adjustments, amortization of financing costs and amortization of fair value adjustments.

Year ended December 31, 2014	Mortgages	Term debt	Demand revolving credit facilities	Term loan facility	Convertible debentures	Debentures	Total
Debt as at December 31, 2013	$ 2,990,710	$ 825	$ 103,946	$ 181,530	$ 51,885	$ 333,647	$ 3,662,543
New debt placed	231,707	-	78,347	-	-	150,000	460,054
Scheduled repayments	(78,651)	(292)	-	-	-	-	(78,943)
Lump sum repayments	(234,085)	-	(182,347)	-	-	-	(416,432)
Lump sum repayments related to assets held for sale	(16,389)	-	-	-	-	-	(16,389)
Debt assumed by purchaser upon disposition of investment properties	(17,047)	-	-	-	-	-	(17,047)
Conversion of debentures	-	-	-	-	(500)	-	(500)
Foreign exchange	4,743	-	-	-	-	-	4,743
Other adjustments[1]	(3,300)	-	54	730	(225)	(947)	(3,688)
Debt as at December 31, 2014	$ 2,877,688	$ 533	$ -	$ 182,260	$ 51,160	$ 482,700	$ 3,594,341

(1) Other adjustments include financing costs on new debt placed, fair value adjustments, amortization of financing costs and amortization of fair value adjustments.

Our current debt profile is balanced with staggered maturities over the next 14 years. The following tables summarize our debt maturity profile as at December 31, 2014:

Debt maturities	Outstanding balance	Scheduled principal repayments on non-matured debt	Amount[(1)]	%	Weighted average effective interest rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2015	$ 303,023	$ 74,907	$ 377,930	10.5%	3.60%	4.08%
2016	567,366	65,420	632,786	17.6%	4.37%	4.40%
2017	438,014	55,495	493,509	13.7%	4.18%	4.45%
2018	374,861	49,358	424,219	11.8%	4.00%	3.93%
2019	426,024	36,276	462,300	12.8%	3.64%	3.33%
2020–2028	1,096,303	111,249	1,207,552	33.6%	4.44%	4.39%
Subtotal before undernoted item	3,205,591	392,705	3,598,296	100.0%	4.15%	4.18%
Demand revolving credit facilities						
2016	-	-	-	0.00%	0.00%	0.00%
Subtotal	$ 3,205,591	$ 392,705	$ 3,598,296	100.0%	4.15%	4.18%
Financing costs			(14,240)			
Fair value adjustments			10,285			
Total			$ 3,594,341			

(1) Includes debt related to investment in joint ventures, which are equity accounted, and assets held for sale.

Debt maturities	Mortgages[(1)]	Term debt	Term loan facility	Convertible debentures	Debentures	Total
2015	$ 377,633	$ 297	$ -	$ -	$ -	$ 377,930
2016	414,097	236	183,453	-	35,000	632,786
2017	317,881	-	-	50,628	125,000	493,509
2018	249,219	-	-	-	175,000	424,219
2019	462,300	-	-	-	-	462,300
2020 and thereafter	1,057,552	-	-	-	150,000	1,207,552
	2,878,682	533	183,453	50,628	485,000	3,598,296
Financing costs	(10,317)	-	(1,193)	-	(2,730)	(14,240)
Fair value adjustments	9,323	-	-	532	430	10,285
Total	$ 2,877,688	$ 533	$ 182,260	$ 51,160	$ 482,700	$ 3,594,341

(1) Includes debt related to investment in joint ventures, which are equity accounted, and assets held for sale.

Convertible debentures

The total principal amounts outstanding for the convertible debentures are as follows:

	Date issued	Maturity date	**Outstanding principal December 31, 2014**	Outstanding principal February 19, 2015	REIT A Units if converted February 19, 2015
5.5% Series H Debentures	December 9, 2011	March 31, 2017	**$ 50,628**	$ 50,628	$ 1,379,941

The fair value of the conversion features of the convertible debentures is remeasured each period, with changes in fair value being recorded in comprehensive income. At December 31, 2014, the conversion feature amounted to a $0.8 million financial asset (December 31, 2013 – $0.3 million financial asset).

Debentures

The total principal amounts outstanding for debentures as at December 31, 2014 are as follows:

Debentures	Date issued	Maturity date	Type	Interest rate		Outstanding principal December 31, 2014
Series A	June 13, 2013	June 13, 2018	Fixed	3.42%	$	175,000
Series B	October 9, 2013	January 9, 2017	Variable	2.97%[(1)]		125,000
Series C	January 21, 2014	January 21, 2020	Fixed	4.07%		150,000
Series K	April 26, 2011	April 26, 2016	Fixed	5.95%		25,000
Series L	August 8, 2011	September 30, 2016	Fixed	5.95%		10,000
Total					$	485,000

(1) Variable interest rate at three-month Canadian Dealer Offered Rate ("CDOR") plus 1.7%.

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.

The Trust has entered into lease agreements that may require tenant improvement costs of approximately $26.4 million.

In an effort to manage the volatility of electricity prices mainly in the Western Canada and Calgary regions, the Trust entered into fixed price contracts to purchase electricity for 60 properties over the next three years.

Dream Office REIT's finance leases, fixed price contracts to purchase electricity, and future minimum commitments under operating leases are as follows:

	Minimum payments due							
		< 1 year		1–5 years		> 5 years		Total
Operating lease payments	$	1,019	$	1,183	$	8,288	$	10,490
Finance lease payments		28		35		-		63
Electricity		5,788		2,873		-		8,661
Total	$	6,835	$	4,091	$	8,288	$	19,214

OUR EQUITY

Our discussion of equity includes LP B Units (or subsidiary redeemable units), which are economically equivalent to REIT Units. Pursuant to IFRS, the LP B Units are classified as a liability in our consolidated financial statements.

	Unitholders' equity					
	December 31, 2014			December 31, 2013		
	Number of Units		**Amount**	Number of Units		Amount
REIT Units, Series A	**107,936,575**	**$**	**3,171,794**	103,420,221	$	3,039,189
Retained earnings	**-**		**601,495**	-		682,265
Accumulated other comprehensive income	**-**		**4,228**	-		1,684
	107,936,575		**3,777,517**	103,420,221		3,723,138
Add: LP B Units	**602,434**		**15,151**	3,538,457		101,978
Total	**108,539,009**	**$**	**3,792,668**	106,958,678	$	3,825,116

Our Declaration of Trust authorizes the issuance of an unlimited number of the following classes of units: REIT Units and Special Trust Units. The Special Trust Units may only be issued to holders of LP B Units, are not transferable separately from these Units, and are used to provide voting rights with respect to Dream Office REIT to persons holding LP B Units. The LP B Units are held by Dream Unlimited Corp., directly and indirectly through its subsidiaries, related parties to Dream Office REIT and one other holder. Both the REIT Units and Special Trust Units entitle the holder to one vote for each Unit at all meetings of the unitholders. The LP B Units are exchangeable on a one-for-one basis for REIT B Units at the option of the holder, which can then be converted into REIT A Units. The LP B Units and corresponding Special Trust Units together have economic and voting rights equivalent in all material respects to REIT A Units. The REIT A Units and REIT B Units have economic and voting rights equivalent in all material respects to each other.

At December 31, 2014, Dream Unlimited Corp., directly and indirectly through its subsidiaries, held 773,939 REIT A Units and 383,823 LP B Units for a total ownership interest of approximately 1.1%.

The following table summarizes the changes in our outstanding equity:

	REIT A Units	LP B Units	Total
Total Units issued and outstanding on January 1, 2014	103,420,221	3,538,457	106,958,678
Units issued pursuant to DRIP	2,236,530	-	2,236,530
Units issued pursuant to the Unit Purchase Plan	4,765	-	4,765
Units issued pursuant to Deferred Unit Incentive Plan (“DUIP”)	157,608	-	157,608
LP B Units surrendered and exchanged for REIT A Units	2,936,023	(2,936,023)	-
Cancellation of REIT A Units	(832,200)	-	(832,200)
Conversion of Series H Debentures	13,628	-	13,628
Total Units outstanding on December 31, 2014	107,936,575	602,434	108,539,009
Percentage of all Units	99.4%	0.6%	100.0%
Units issued pursuant to DRIP on January 15, 2015	228,186	-	228,186
Units issued pursuant to DRIP on February 15, 2015	252,044	-	252,044
Units issued pursuant to Unit Purchase Plan	545	-	545
Cancellation of REIT A Units	(835,000)	-	(835,000)
Total Units outstanding on February 19, 2015	107,582,350	602,434	108,184,784
Percentage of all Units	99.4%	0.6%	100.0%

Exchange of REIT B Units for REIT A Units

On July 23, 2014, one of the holders of the subsidiary redeemable units surrendered 2,936,023 subsidiary redeemable units and received 2,936,023 REIT B Units. On July 24, 2014, 2,936,023 REIT B Units were exchanged for 2,936,023 REIT A Units.

Short form base shelf prospectus

On November 26, 2012, the Trust issued a short form base shelf prospectus, which is valid for a 25-month period, during which time the Trust may offer and issue, from time to time, units and debt securities convertible into or exchangeable for Units of the Trust, or any combination thereof, with an aggregate offering price of up to $2.0 billion. The short form base shelf prospectus expired on December 26, 2014, and has not yet been renewed.

For the year ended December 31, 2014, the Trust completed the issuance of $150 million (December 31, 2013 – $300 million) aggregate principal amount of senior unsecured debentures under the short form base shelf prospectus.

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on June 20, 2014 and will remain in effect until the earlier of June 19, 2015 or the date on which the Trust has purchased the maximum number of REIT A Units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 10,298,296 REIT A Units (representing 10% of the Trust’s public float of 102,982,963 REIT A Units at the time of entering the bid through the facilities of the TSX). For the year ended December 31, 2014, 832,200 REIT A Units had been purchased and subsequently cancelled under the bid for a total cost of $20.9 million (December 31, 2013 – 2,134,800 REIT A Units had been purchased and subsequently cancelled under the previous bid for a total cost of $60.7 million).

Subsequent to year-end, the Trust purchased an additional 835,000 REIT A Units at a total cost of approximately $22.3 million.

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, 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. The Trust determines the distribution rate by, among other considerations, its assessment of cash flow as determined using adjusted cash flows from operating activities (a non-GAAP measure), which includes cash flows from operating activities of our investments in joint ventures that are equity accounted and excludes the fluctuations in non-cash working capital, transaction costs on business combinations and investment in lease incentives and initial direct leasing costs. As such, the Trust believes the cash distributions are not an economic return of capital, but a distribution of sustainable adjusted cash flow from operating activities. Based on current facts and assumptions, the Trust does not anticipate cash distributions will be reduced or suspended in the foreseeable future.

The table below summarizes the distributions for the three and twelve months ended December 31, 2014:

	Three months ended December 31, 2014			Year ended December 31, 2014		
	Declared distributions	4% bonus distributions[1]	Total	Declared distributions	4% bonus distributions[1]	Total
2014 distributions[2]						
Paid in cash or reinvested in units	$ 42,363	$ 479	$ 42,842	$ 221,961	$ 2,232	$ 224,193
Payable at December 31, 2014	20,259	246	20,505	20,259	246	20,505
Total distributions	62,622	725	63,347	242,220	2,478	244,698
2014 reinvestment[2]						
Reinvested to December 31, 2014	11,987	479	12,466	55,788	2,232	58,020
Reinvested on January 15, 2015	5,891	236	6,127	5,891	236	6,127
Total distributions reinvested	$ 17,878	$ 715	$ 18,593	$ 61,679	$ 2,468	$ 64,147
Distributions paid in cash[2]	$ 44,744			$ 180,541		
Reinvestment to distribution ratio	28.5%			25.5%		
Cash payout ratio	71.5%			74.5%		

(1) Unitholders who participate in the DRIP receive an additional distribution of units equal to 4% of each cash distribution that was reinvested.

(2) Includes distributions on LP B Units.

Distributions declared for the three months ended December 31, 2014 were $62.6 million, up $2.6 million over the prior year comparative quarter. Distributions declared for the year ended December 31, 2014 were $242.2 million, up $6.5 million over the prior year. The increase mainly reflects a larger number of Units outstanding as a result of the equity issuance completed in 2013, distributions reinvested in additional Units and vested deferred trust units exchanged for REIT A Units, as well as an increase in the distribution rate commencing Q2 2013, offset by REIT A Units buyback. Of the distributions declared for the three months ended December 31, 2014, $17.9 million, or approximately 28.5%, was reinvested in additional REIT A Units (year ended December 31, 2014 – $61.7 million, or approximately 25.5%, was reinvested in additional REIT A Units), resulting in the three months ended December 31, 2014 cash payout ratio of 71.5% (year ended December 31, 2014 – 74.5%).

OUR RESULTS OF OPERATIONS

Basis of accounting

Our discussion of results of operations in the table below includes our share of income from investment in joint ventures.

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Investment properties revenue	**$ 205,186**	$ 208,418	**$ 817,995**	$ 800,531
Investment properties operating expenses	**(91,015)**	(92,171)	**(356,045)**	(347,643)
Net rental income	**114,171**	116,247	**461,950**	452,888
Other income				
Share of net income and dilution gain (loss) from investment in Dream Industrial REIT	**3,699**	3,027	**15,965**	15,697
Interest and fee income	**908**	942	**3,234**	4,690
	4,607	3,969	**19,199**	20,387
Other expenses				
General and administrative	**(5,882)**	(6,155)	**(24,396)**	(24,061)
Interest:				
Debt	**(37,825)**	(38,365)	**(152,677)**	(148,369)
Subsidiary redeemable units	**(338)**	(1,981)	**(4,638)**	(7,897)
Amortization of external management contracts and depreciation on property and equipment	**(800)**	(693)	**(2,970)**	(2,531)
	(44,845)	(47,194)	**(184,681)**	(182,858)
Fair value adjustments, net gains (losses) on transactions and other activities				
Fair value adjustments to investment properties	**(67,300)**	(12,627)	**(128,456)**	127,453
Fair value adjustments to financial instruments	**2,689**	251	**2,749**	34,840
Net gains (losses) on transactions and other activities	**(1,716)**	(1,755)	**(10,833)**	(7,355)
	(66,327)	(14,131)	**(136,540)**	154,938
Income before income taxes	**7,606**	58,891	**159,928**	445,355
Deferred income taxes	**(300)**	865	**(638)**	(344)
Net income for the period	**7,306**	59,756	**159,290**	445,011
Other comprehensive income (loss)				
Unrealized gain (loss) on interest rate swaps	**(323)**	(480)	**(666)**	39
Unrealized foreign currency translation gain	**1,675**	1,085	**3,210**	1,942
	1,352	605	**2,544**	1,981
Comprehensive income for the period	**$ 8,658**	$ 60,361	**$ 161,834**	$ 446,992

Investment properties revenue

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

Investment properties revenue for the quarter was $205.2 million, a decrease of $3.2 million, or 1.6%, over the prior year comparative quarter, mainly due to lower in-place occupancy, decline in straight-line rent, increase in amortization of lease incentives and dispositions during 2014, offset by acquisitions completed in 2013. For the year ended December 31, 2014, investment properties revenue was $818.0 million, an increase of $17.5 million, or 2.2%, over the prior year. The increase was mainly attributable to the acquisitions completed in 2013, offset by the explanations noted previously.

Investment properties operating expenses

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

Investment properties operating expenses for the quarter was $91.0 million, a decrease of $1.2 million, or 1.3%, over the prior year comparative quarter, mainly due to lower in-place occupancy and dispositions during 2014, offset by acquisitions completed in 2013. For the year ended December 31, 2014, investment properties operating expenses were $356.0 million, an increase of $8.4 million, or 2.4%, over the prior year. The increase was mainly attributable to the acquisitions completed in 2013, offset by dispositions during 2014.

Interest and fee income

Interest and fee income comprises fees earned from third-party property management, including management, construction and leasing fees, and interest earned on bank accounts and related fees. Except for the third-party property management fees, the income included in interest and fee income is not necessarily of a recurring nature and the amounts may vary quarter-over-quarter.

Interest and fee income for the quarter remained relatively flat at $0.9 million when compared to the prior year comparative quarter (for the year ended December 31, 2014 – $3.2 million, a decrease of $1.5 million, or 31.0%, over the prior year). The decrease was mainly attributable to the decrease in property management fees subsequent to the acquisition of our joint venture's two-third interest in IBM Corporate Park, and the higher interest income earned on the excess cash on hand during the prior year.

General and administrative expenses

The following table summarizes the nature of expenses included:

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Asset management fees	**$ 4,244**	$ 4,286	**$ 17,093**	$ 16,568
Deferred compensation expense	**787**	943	**3,707**	4,087
Other[1]	**851**	926	**3,596**	3,406
General and administrative expenses	**$ 5,882**	$ 6,155	**$ 24,396**	$ 24,061

(1) Other comprises corporate management, Board of Trustees' fees and expenses, and investor relations expenses.

General and administrative expenses for the quarter were $5.9 million, a decrease of $0.3 million, or 4.4%, over the prior year comparative quarter, mainly attributable to fair value adjustments to vested DUIP units during the quarter and lower professional fees. For the year ended December 31, 2014, general and administrative expenses were $24.4 million, an increase of $0.3 million, or 1.4%, over the prior year. The increase was mainly driven by higher asset management fees related to acquisitions completed in 2013, along with higher general corporate costs resulting from the growth of the portfolio and more DUIP units vesting, offset by fair value adjustments to vested DUIP units during the year.

Interest expense – debt

Interest expense on debt for the three months ended December 31, 2014 was $37.8 million, a decrease of $0.5 million, or 1.4%, over the prior year comparative quarter, primarily due to interest expense savings from the refinancing of maturing debt at lower interest rates in 2013 and in 2014 and higher rate mortgages assumed by the purchaser upon disposition of certain investment properties sold during 2014.

Interest expense on debt for the year ended December 31, 2014 was $152.7 million, an increase of $4.3 million, or 2.9%, over the prior year. The increase in interest expense on debt for the year resulted mainly from carrying more debt from acquisitions in 2013 and through Units buyback predominantly during this quarter, offset by interest expense savings from the refinancing of maturing debt at lower interest rates in 2013 and in 2014 and mortgages assumed by the purchaser upon disposition of certain investment properties sold during 2014.

Interest expense – subsidiary redeemable units

Interest expense on subsidiary redeemable units for the quarter was $0.3 million, a decrease of $1.6 million, or 82.9%, over the prior year comparative quarter (for the year ended December 31, 2014 – $4.6 million, a decrease of $3.3 million, or 41.3%, over the prior year). The decrease was mainly attributable to one of the holders of the subsidiary redeemable units surrendering 2,936,023 subsidiary redeemable units and receiving 2,936,023 REIT A Units.

Amortization of external management contracts and depreciation on property and equipment

Amortization of external management contracts and depreciation on property and equipment expense for the quarter was $0.8 million, an increase of $0.1 million, or 15.4%, over the prior year comparative quarter (for the year ended December 31, 2014 – $3.0 million, an increase of $0.4 million, or 17.3%, over the prior year). The increase was primarily due to an increase in property and equipment.

Fair value adjustments to investment properties

Fair value adjustments to investment properties for the quarter resulted in a loss of $67.3 million (for the year ended December 31, 2014 – a loss of $128.5 million), mainly driven by externally appraised properties in Western Canada and Calgary, where the external appraisers assumed lowered market rents and increased downtimes in selected assets. Other factors which contributed to the fair value decline included changes in rental rates and leasing assumptions, mainly in Western Canada and Calgary downtown properties with previously identified future tenant vacancies.

The weighted average cap rate across our total portfolio before redevelopment properties, assets held for sale and sold properties compressed by 2 bps to 6.16% when compared to September 30, 2014 and December 31, 2013. The overall decrease in cap rates was mainly experienced in Toronto downtown and Eastern Canada, offset by modest increases in other regions.

Fair value adjustments to financial instruments

Fair value adjustments to financial instruments include remeasurement on the conversion feature of the convertible debenture, remeasurement of the carrying value of subsidiary redeemable units and remeasurement of deferred trust units.

Our remeasurement of the conversion feature of the convertible debenture resulted in a loss of $0.3 million during the quarter (gain of $0.5 million for the year ended December 31, 2014), mainly as a result of fluctuations in the unit price, credit spread and historical volatility inputs used to value the conversion feature of the convertible debenture.

Our remeasurement of the carrying value of subsidiary redeemable units resulted in a gain of $1.7 million during the quarter (gain of $1.5 million for the year ended December 31, 2014), mainly as a result of a decrease in the unit price during the quarter and for the year ended December 31, 2014.

The remeasurement of the deferred trust units resulted in a gain of $1.3 million during the quarter (gain of $0.8 million for the year ended December 31, 2014), mainly as a result of a decrease in the unit price during the quarter and for the year ended December 31, 2014.

Net gains (losses) on transactions and other activities

The following table summarizes the nature of expenses included:

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Debt settlement costs	**$ (683)**	$ -	**$ (1,892)**	$ (241)
Net loss on sale of investment properties	**-**	-	**(1,496)**	(283)
Internal leasing costs	**(758)**	(1,755)	**(6,345)**	(6,831)
Business transformation costs	**(275)**	-	**(1,100)**	-
Total	**$ (1,716)**	$ (1,755)	**$ (10,833)**	$ (7,355)

Net losses on transactions and other activities for the quarter remained flat at $1.7 million over the prior year comparative quarter (for the year ended December 31, 2014 – $10.8 million, an increase of $3.5 million, or 47.2%, over the prior year). During the quarter, the Trust incurred $0.7 million of debt settlement costs related to the early discharge of mortgages associated with Adelaide Place and Airway Centre 1 and 2–4. Included within internal leasing costs during the quarter is a one-time cost recovery of $1.4 million from third-party managed properties related to leasing services provided prior to 2014.

For the year ended December 31, 2014, the overall increase in net losses on transactions and other activities was mainly driven by an increase in debt settlement costs, increase in net loss on sale due to the sale of nine investment properties for the year compared to two properties in the prior year, and business transformation costs incurred in the year as part of the Shared Services and Cost Sharing Agreement entered into with Dream Asset Management Corp. ("DAM"), formerly known as Dundee Realty Corporation, a subsidiary of Dream Unlimited Corp., in December 2013. The business transformation costs relate to process and technology improvement costs. We are presently in the early stages of a new initiative that will transform our operating platform to allow us to improve data integrity, realize operating efficiencies, establish business analytic tools and ultimately generate better business outcomes. This initiative will form the foundation of our continuous improvement culture.

Related party transactions

From time to time, the Trust and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms.

Asset Management Agreement with DAM

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 0.25% of the gross asset value of properties, defined as the fair value of the properties at August 23, 2007 (the date of the sale of our portfolio of properties in Eastern Canada) plus the purchase price of properties acquired subsequent to that date, adjusted for any properties sold;
- incentive fee equal to 15% of Dream Office REIT's adjusted funds from operations per unit in excess of $2.65 per unit;
- capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1 million, excluding work done on behalf of tenants or any maintenance capital expenditures;
- acquisition fee, calculated over a fiscal year based on the anniversary date of the Asset Management Agreement, equal to: (i) 1.0% of the purchase price of a property on the first $100 million of properties acquired; (ii) 0.75% of the purchase price of a property on the next $100 million of properties acquired; and (iii) 0.50% of the purchase price of a property acquired in excess of $200 million of properties acquired; and
- financing fee equal to the lesser of actual expenses incurred by DAM in supplying services relating to financing transactions and 0.25% of the debt and equity of all financing transactions completed on behalf of Dream Office REIT.

Pursuant to the Asset Management Agreement with DAM, the following is a summary of fees incurred for the three and twelve months ended December 31, 2014 and December 31, 2013:

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Base annual management fee (included in general and administrative expenses)	**$ 4,244**	$ 4,287	**$ 17,093**	$ 16,568
Acquisition fee (included in investment properties)	**-**	81	**-**	3,201
Expense reimbursements (recovery) related to financing arrangements (included in debt)	**(245)**	185	**319**	825
Total incurred under the Asset Management Agreement	**$ 3,999**	$ 4,553	**$ 17,412**	$ 20,594

Shared Services and Cost Sharing Agreement with DAM

Pursuant to the Shared Services and Cost Sharing Agreement with DAM, the following is a summary of fees incurred for the three and twelve months ended December 31, 2014 and December 31, 2013:

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Business transformation costs	**$ 275**	$ -	**$ 1,100**	$ -
Strategic services and other	**97**	-	**405**	-
Total costs incurred under the Shared Services and Cost Sharing	**$ 372**	$ -	**$ 1,505**	$ -

Services Agreement with Dream Industrial REIT

The following is a summary of the cost recoveries from Dream Industrial REIT for the three and twelve months ended December 31, 2014 and December 31, 2013:

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Cost recoveries charged to Dream Industrial REIT:				
Services Agreement with Dream Industrial REIT	**$ 1,640**	$ 2,177	**$ 5,999**	$ 5,130
Total cost recoveries from Dream Industrial REIT	**$ 1,640**	$ 2,177	**$ 5,999**	$ 5,130

Deferred income taxes expense

Deferred income taxes expense for the three and twelve months ended December 31, 2014 were $0.3 million and $0.6 million, respectively, which related to the two investment properties located in the United States ("U.S.").

Other comprehensive income (loss)

Other comprehensive income (loss) comprises unrealized gain (loss) on interest rate swaps and unrealized foreign currency translation gain related to the two properties located in the United States. For the three and twelve months ended December 31, 2014, other comprehensive income amounted to $1.4 million and $2.5 million, respectively. The increase in overall comprehensive income (loss) for the three and twelve months ended December 31, 2014 was mainly driven by the strong U.S. dollar in relation to the Canadian dollar throughout 2014.

Net operating income ("NOI")

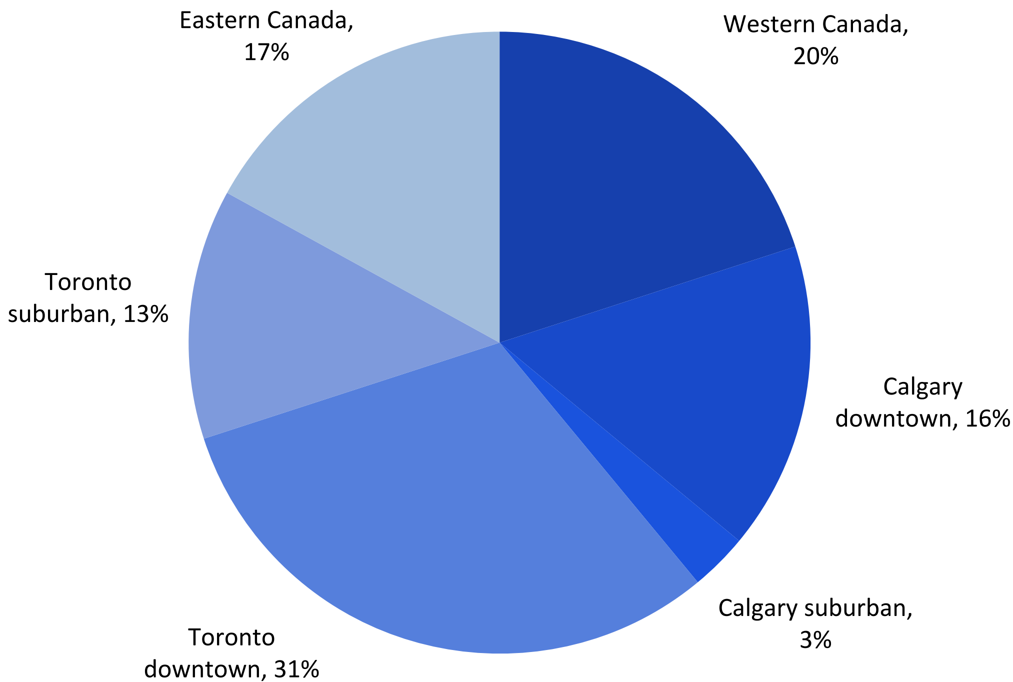
We define NOI as the total of net rental income, including the share of net rental income from investment in joint ventures and property management income, excluding net rental income from properties sold and assets held for sale.

NOI is an important measure used by management in evaluating property operation; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", NOI has been reconciled to net rental income in the "Non-GAAP measures and other disclosures" section of the MD&A.

The following pie chart illustrates NOI by region as a percentage of total NOI excluding properties sold and properties held for sale for the three months ended December 31, 2014.

NOI BY REGION

(Three months ended December 31, 2014)



NOI comparative portfolio

NOI shown below details comparative and non-comparative items to assist in understanding the impact each component has on NOI. The comparative properties disclosed in the following table are properties acquired prior to January 1, 2013. Income from, properties sold and properties held for sale contributing to NOI in comparative periods are shown separately. Comparative NOI and NOI attributed to acquisitions exclude lease termination fees, bad debt expense, one-time property adjustments, straight-line rents and amortization of lease incentives.

For the year ended December 31, 2014, NOI from comparative properties increased by 0.5%, or $2.2 million, over the prior year, with increases across all regions, except for Calgary suburban and Toronto suburban. The overall increase was mainly driven by higher rental rates achieved on new leasing completed during the period and over the past year and the benefit of step rents, offset by lower occupancy. On a quarterly basis, NOI from comparative properties increased by 0.7%, or $0.7 million, over the prior year comparative quarter, with increases across all regions, except for Calgary downtown and Toronto suburban.

	Three months ended December 31,				Year ended December 31,			
			Growth				Growth	
	2014	2013	Amount	%	**2014**	2013	Amount	%
Western Canada	**$ 20,993**	$ 20,616	$ 377	1.8	**$ 83,807**	$ 82,015	$ 1,792	2.2
Calgary – downtown	**16,341**	17,383	(1,042)	(6.0)	**68,931**	68,434	497	0.7
Calgary – suburban	**2,740**	2,547	193	7.6	**10,283**	10,397	(114)	(1.1)
Toronto – downtown	**30,920**	29,500	1,420	4.8	**120,508**	118,399	2,109	1.8
Toronto – suburban	**15,487**	16,069	(582)	(3.6)	**63,324**	65,866	(2,542)	(3.9)
Eastern Canada	**19,334**	19,004	330	1.7	**77,084**	76,631	453	0.6
Comparative properties	**105,815**	105,119	696	0.7	**423,937**	421,742	2,195	0.5
Lease termination fees and other	**546**	621	(75)		**1,869**	2,127	(258)	
Properties held for redevelopment	**(126)**	(113)	(13)		**(468)**	(532)	64	
Acquisitions	**9,877**	9,319	558		**38,846**	22,978	15,868	
Straight-line rent	**778**	1,848	(1,070)		**4,612**	7,415	(2,803)	
Amortization of lease incentives	**(2,726)**	(1,921)	(805)		**(9,952)**	(6,343)	(3,609)	
NOI	**114,164**	114,873	(709)	(0.6)	**458,844**	447,387	11,457	2.6
NOI from properties sold and properties held for sale[1]	**7**	1,374	(1,367)		**3,106**	5,501	(2,395)	
NOI including income from properties sold and assets held for sale	**$ 114,171**	$ 116,247	$ (2,076)	(1.8)	**$ 461,950**	$ 452,888	$ 9,062	2.0

(1) Includes straight-line rents and amortization of lease incentives.

Western Canada increased by 1.8%, or $0.4 million, over the prior year comparative quarter (for the year ended December 31, 2014 – an increase of 2.2%, or $1.8 million, over the prior year), largely due to higher rents on renewals and step-up in rental rates for certain tenants, offset by a decline in weighted average in-place occupancy of approximately 70,000 square feet.

Calgary downtown decreased by 6.0%, or $1.0 million, over the prior year comparative quarter, primarily due to a decline in weighted average in-place occupancy, mainly attributed to the 100,000 square feet of previously identified vacates taking effect in the prior quarter. For the year ended December 31, 2014, the increase of 0.7%, or $0.5 million, over the prior year was mainly attributable to higher rents on renewals and step-up in rental rates and recoveries for certain tenants, offset by a decline in weighted average in-place occupancy, mainly attributed to the 100,000 square feet of previously identified vacates taking effect in the prior quarter.

Calgary suburban increased by 7.6%, or $0.2 million, over the prior year comparative quarter, mainly due to higher rents on renewals, step-up in rental rates for certain tenants, lower non-recoverable expenses and savings in operating expenses related to certain government tenants. For the year ended December 31, 2014, the decrease of 1.1%, or $0.1 million, over the prior year was mainly attributable to a decline in weighted average in-place occupancy.

Toronto downtown increased by 4.8%, or $1.4 million, over the prior year comparative quarter (for the year ended December 31, 2014 – an increase of 1.8%, or $2.1 million, over the prior year), mainly due to higher rents on renewals, step-up in rental rates for certain tenants and higher weighted average in-place occupancy of approximately 27,000 square feet.

Toronto suburban decreased by 3.6%, or $0.6 million, over the prior year comparative quarter (for the year ended December 31, 2014 – a decrease of 3.9%, or $2.5 million, over the prior year), mainly due to a decline in weighted average in-place occupancy of approximately 210,000 square feet, offset by higher rents on renewals and step-up in rental rates for certain tenants.

Eastern Canada increased by 1.7%, or $0.3 million, over the prior year comparative quarter (for the year ended December 31, 2014 – an increase of 0.6%, or $0.5 million, over the prior year), mainly due to higher rents on renewals and step-up in rental rates for certain tenants, and favourable foreign exchange adjustments in our U.S. properties of $0.4 million throughout the period. This was offset by a decline in weighted average in-place occupancy of approximately 73,000 square feet.

For the three and twelve months ended December 31, 2014, we recognized lease termination fees and other adjustments of $0.5 million and $1.9 million, respectively (three and twelve months ended December 31, 2013 – $0.6 million and $2.1 million, respectively).

NOI prior quarter comparison

The comparative properties disclosed in the following table include properties acquired prior to January 1, 2014.

	Three months ended			
			Growth	
	December 31, 2014	September 30, 2014	Amount	%
Western Canada	**$ 24,319**	$ 24,270	$ 49	0.2
Calgary – downtown	**18,309**	19,485	(1,176)	(6.0)
Calgary – suburban	**3,107**	3,011	96	3.2
Toronto – downtown	**35,136**	34,424	712	2.1
Toronto – suburban	**15,487**	15,472	15	0.1
Eastern Canada	**19,334**	19,300	34	0.2
Comparative properties	**115,692**	115,962	(270)	(0.2)
Lease termination fees and other	**546**	97	449	
Properties held for redevelopment	**(126)**	(70)	(56)	
Straight-line rent	**778**	513	265	
Amortization of lease incentives	**(2,726)**	(2,717)	(9)	
NOI	**114,164**	113,785	379	0.3
NOI from properties sold and properties held for sale[(1)]	**7**	635	(628)	
NOI including income from properties sold and assets held for sale	**$ 114,171**	$ 114,420	$ (249)	(0.2)

(1) Includes straight-line rents and amortization of lease incentives.

Comparative properties NOI decreased by 0.2%, or $0.3 million, over the prior quarter.

Calgary downtown decreased by 6.0%, or $1.2 million, over the prior quarter, mainly due to a tenant that vacated approximately 100,000 square feet in the previous quarter and lower average in-place rents.

Calgary suburban increased by 3.2%, or $0.1 million, over the prior quarter, mainly due to an increase in weighted average in-place occupancy and higher rents on renewals and step-up in rental rates for certain tenants.

Toronto downtown increased by 2.1%, or $0.7 million, over the prior quarter, mainly due to an increase in weighted average in-place occupancy of approximately 39,000 square feet and higher rents on renewals and step-up in rental rates for certain tenants.

Western Canada, Toronto suburban and Eastern Canada remained relatively flat over the prior quarter.

For the three months ended December 31, 2014, we recognized lease termination fees and other adjustments of $0.5 million (three months ended September 30, 2014 – $0.1 million).

Funds from operations and adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Net income for the period	**$ 7,306**	$ 59,756	**$ 159,290**	$ 445,011
Add (deduct):				
Share of net income and dilution gain (loss) from investment in Dream Industrial REIT	**(3,699)**	(3,027)	**(15,965)**	(15,697)
Share of FFO from investment in Dream Industrial REIT	**4,565**	3,860	**16,412**	15,104
Depreciation and amortization	**3,526**	2,629	**12,922**	8,878
Loss on sale of investment properties	**-**	-	**1,496**	283
Interest expense on subsidiary redeemable units	**338**	1,981	**4,638**	7,897
Fair value adjustments to investment properties	**67,300**	12,627	**128,456**	(127,453)
Fair value adjustments to financial instruments and DUIP included in general and administrative expenses ("G&A")	**(2,918)**	(417)	**(3,441)**	(35,070)
Debt settlement costs	**683**	-	**1,892**	241
Internal leasing costs	**758**	1,755	**6,345**	6,831
Deferred income taxes expense (recovery)	**300**	(865)	**638**	344
Lease termination write-offs	**-**	-	**336**	45
Other	**(10)**	(57)	**(190)**	(167)
FFO	**$ 78,149**	$ 78,242	**$ 312,829**	$ 306,247
Funds from operations	**$ 78,149**	$ 78,242	**$ 312,829**	$ 306,247
Add (deduct):				
Share of FFO from investment in Dream Industrial REIT	**(4,565)**	(3,860)	**(16,412)**	(15,104)
Share of AFFO from investment in Dream Industrial REIT	**3,767**	3,116	**13,511**	12,052
Amortization of fair value adjustments on assumed debt	**(1,110)**	(1,370)	**(4,754)**	(6,633)
Deferred unit compensation expense	**1,016**	1,109	**4,399**	4,317
Straight-line rent	**(778)**	(1,848)	**(4,612)**	(7,415)
Business transformation costs	**275**	-	**1,100**	-
Other	**(54)**	(400)	**(433)**	(260)
	76,700	74,989	**305,628**	293,204
Deduct:				
Normalized initial direct leasing costs and lease incentives	**(8,130)**	(8,005)	**(32,568)**	(31,428)
AFFO	**$ 68,570**	$ 66,984	**$ 273,060**	$ 261,776

Funds from operations

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
FFO	**$ 78,149**	$ 78,242	**$ 312,829**	$ 306,247
FFO per unit – basic[1]	**$ 0.72**	$ 0.72	**$ 2.88**	$ 2.88
FFO per unit – diluted[1]	**$ 0.71**	$ 0.72	**$ 2.87**	$ 2.87

(1) The LP B Units are included in the calculation of basic and diluted FFO per unit.

Total FFO for the year ended December 31, 2014 was $312.8 million, an increase of $6.6 million, or 2.1%, over the prior year (FFO for the quarter was $78.1 million, a decrease of $0.1 million, or 0.1%, over the prior year comparative quarter).

Diluted FFO on a per unit basis for the year ended December 31, 2014 remained flat at $2.87 per unit over the prior year (diluted FFO on a per unit basis for the quarter decreased to $0.71 from $0.72 over the prior year comparative quarter).

The decrease in diluted FFO per unit over the prior year comparative quarter primarily resulted from the favourable points noted below offset by write-off of straight-line rent due to early lease terminations during 2014 and dispositions completed during 2014.

Adjusted funds from operations

	Three months ended December 31,				Year ended December 31,			
		2014		2013		**2014**		2013
AFFO	**$**	**68,570**	$	66,984	**$**	**273,060**	$	261,776
AFFO per unit – basic[1]	**$**	**0.63**	$	0.62	**$**	**2.52**	$	2.47

(1) The LP B Units are included in the calculation of basic AFFO per unit.

Total AFFO for the year ended December 31, 2014 was $273.1 million, an increase of $11.3 million, or 4.3%, over the prior year comparative period (AFFO for the quarter was $68.6 million, an increase of $1.6 million, or 2.4%, over the prior year comparative quarter).

Basic AFFO on a per unit basis for the year ended December 31, 2014 increased to $2.52 from $2.47 over the prior year comparative period (AFFO on a per unit basis for the quarter increased to $0.63 from $0.62 over the prior year comparative quarter).

The increase in basic AFFO per unit over the prior year and prior year comparative quarter resulted from:

- 0.5% and 0.7% growth in comparative properties NOI over the prior year and prior year comparative quarter, respectively;
- Incremental increase in AFFO from our investment in Dream Industrial REIT;
- A full year of NOI from accretive acquisitions completed in 2013; and
- Interest rate savings upon refinancing of maturing debt;

Offset by:

- Dispositions completed during 2014.

SELECTED ANNUAL INFORMATION

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

		2014		2013		2012
Investment properties revenue[1]	**$**	**817,995**	$	800,531	$	686,564
Income from continuing operations		**159,290**		445,011		266,174
Net income		**159,290**		445,011		291,073
Total assets[1]		**7,558,895**		7,667,742		6,913,744
Non-current debt[1]		**3,216,411**		3,380,891		2,960,313
Total debt[1]		**3,594,341**		3,662,543		3,314,594
Distributions declared		**242,220**		235,751		203,596
Distribution rate (per unit)		**2.24**		2.23		2.20
Units outstanding:						
REIT Units, Series A		**107,936,575**		103,420,221		97,618,625
REIT Units, Series B		**-**		-		16,316
LP Class B Units, Series 1		**602,434**		3,538,457		3,528,658

(1) Includes investment in joint ventures, which are equity accounted, and properties held for sale.

QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2013.

Key leasing, financing, portfolio and results of operations quarterly information

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Leasing								
Occupancy – including committed (period-end)	**93.0%**	93.0%	94.1%	94.2%	94.3%	94.6%	94.9%	94.7%
Occupancy – in place (period-end)	**91.4%**	91.1%	92.5%	92.5%	92.7%	93.6%	93.8%	93.7%
Occupancy – national industry average	**89.3%**	89.7%	89.6%	89.7%	90.3%	90.9%	91.3%	91.5%
Tenant retention ratio	**64.4%**	34.5%	54.8%	62.6%	67.8%	64.1%	61.5%	56.5%
Average in-place net rent per square foot (period-end)[1]	**$ 18.22**	$ 18.21	$ 18.14	$ 17.97	$ 17.83	$ 17.85	$ 17.54	$ 17.26
Market rent/in-place rent (%)[1]	**7.8%**	8.2%	8.0%	8.9%	8.9%	9.4%	10.8%	12.1%
Financing								
Weighted average effective interest rate on debt (period-end)	**4.15%**	4.20%	4.19%	4.19%	4.18%	4.22%	4.26%	4.33%
Weighted average face rate of interest on debt (period-end)	**4.18%**	4.21%	4.22%	4.23%	4.22%	4.28%	4.35%	4.49%
Interest coverage ratio (times)	**2.9**	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Net average debt-to-EBITDFV (years)	**7.8**	7.8	7.9	8.0	8.0	7.8	8.0	8.0
Level of debt (net debt-to-gross book value)	**47.5%**	46.9%	47.3%	47.6%	47.6%	47.0%	46.4%	47.3%
Debt – average term to maturity (years)	**4.4**	4.2	4.4	4.6	4.6	4.8	4.8	4.8
Unencumbered assets (in millions)	**$ 796**	$ 794	$ 793	$ 771	$ 622	$ 568	$ 377	$ 115
Portfolio								
Number of properties	**177**	177	182	186	186	185	184	177
GLA (millions of sq. ft.)[2]	**24.2**	24.2	24.5	24.6	24.6	24.5	24.2	23.3

(1) Comparative figures have been reclassified to conform to the current period presentation.
(2) Excludes redevelopment properties and properties held for sale.

Results of operations

(in thousands of Canadian dollars)

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment properties revenue	**$ 176,460**	$ 173,724	$ 176,432	$ 178,663	$ 179,574	$ 175,044	$ 170,589	$ 161,965
Investment properties operating expenses	**(77,702)**	(74,449)	(74,339)	(77,281)	(78,732)	(74,181)	(73,570)	(69,189)
Net rental income	**98,758**	99,275	102,093	101,382	100,842	100,863	97,019	92,776
Other income	**14,950**	12,784	14,363	14,678	9,380	17,416	42,862	35,056
Other expenses	**(40,108)**	(40,548)	(43,507)	(42,790)	(42,684)	(41,902)	(40,802)	(39,041)
Fair value adjustments, net gains (losses) on transactions and other activities	**(65,994)**	(16,608)	(26,226)	(22,574)	(8,647)	16,457	45,356	60,427
Income before income taxes	**7,606**	54,903	46,723	50,696	58,891	92,834	144,435	149,218
Deferred income taxes recovery (expense)	**(300)**	(36)	(155)	(147)	865	(475)	(182)	(552)
Net income for the period	**7,306**	54,867	46,568	50,549	59,756	92,359	144,253	148,666
Other comprehensive income (loss)	**1,352**	1,708	(1,523)	1,007	605	(1,350)	2,705	21
Comprehensive income for the period	**$ 8,658**	$ 56,575	$ 45,045	$ 51,556	$ 60,361	$ 91,009	$ 146,958	$ 148,687

Calculation of funds from operations

(in thousands of Canadian dollars except for unit and per unit amounts)

				2014				2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income for the period	**$ 7,306**	$ 54,867	$ 46,568	$ 50,549	$ 59,756	$ 92,359	$ 144,253	$ 148,666
Add (deduct):								
Share of net income and dilution gain (loss) from investment in Dream Industrial REIT	**(3,699)**	(3,291)	(5,386)	(3,589)	(3,027)	(3,454)	(2,884)	(6,332)
Share of FFO from investment in Dream Industrial REIT	**4,565**	4,070	3,946	3,831	3,860	3,932	3,780	3,532
Depreciation and amortization	**3,526**	3,515	3,065	2,817	2,629	2,173	2,259	1,817
Loss on disposal of investment properties	**-**	565	931	-	-	-	-	283
Interest expense on subsidiary redeemable units	**338**	337	1,982	1,981	1,981	1,982	1,986	1,948
Fair value adjustments to investment properties	**67,300**	17,644	25,197	18,315	12,627	(3,359)	(56,560)	(80,161)
Fair value adjustments to financial instruments and DUIP included in G&A	**(2,918)**	(2,285)	746	1,016	(417)	(16,548)	(18,894)	789
Debt settlement costs	**683**	-	-	1,209	-	-	241	-
Internal leasing costs	**758**	1,969	1,718	1,900	1,755	1,736	1,732	1,610
Deferred income taxes expense (recovery)	**300**	36	155	147	(865)	475	182	552
Other	**(10)**	(38)	265	(72)	(57)	2	(55)	(35)
FFO	**$ 78,149**	$ 77,389	$ 79,187	$ 78,104	$ 78,242	$ 79,298	$ 76,040	$ 72,669
FFO per unit – basic[(1)]	**$ 0.72**	$ 0.71	$ 0.73	$ 0.73	$ 0.72	$ 0.73	$ 0.72	$ 0.72
FFO per unit – diluted[(1)]	**$ 0.71**	$ 0.71	$ 0.73	$ 0.72	$ 0.72	$ 0.73	$ 0.71	$ 0.71

(1) The LP B Units are included in the calculation of basic and diluted FFO per unit.

Calculation of adjusted funds from operations

(in thousands of Canadian dollars except for unit and per unit amounts)

				2014				2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Funds from operations	$ **78,149**	$ 77,389	$ 79,187	$ 78,104	$ 78,242	$ 79,298	$ 76,040	$ 72,669
Add (deduct):								
Share of FFO from investment in Dream Industrial REIT	**(4,565)**	(4,070)	(3,946)	(3,831)	(3,860)	(3,932)	(3,780)	(3,532)
Share of AFFO from investment in Dream Industrial REIT	**3,767**	3,325	3,277	3,142	3,116	3,154	3,050	2,732
Amortization of fair value adjustments on assumed debt	**(1,110)**	(1,166)	(1,217)	(1,261)	(1,370)	(1,511)	(1,807)	(1,946)
Deferred unit compensation expense	**1,016**	1,016	1,307	1,060	1,109	1,108	1,129	971
Straight-line rent	**(778)**	(513)	(1,489)	(1,832)	(1,848)	(1,859)	(1,887)	(1,815)
Business transformation costs	**275**	275	274	276	-	-	-	-
Other	**(54)**	(55)	(69)	(255)	(400)	244	(53)	(57)
	76,700	76,201	77,324	75,403	74,989	76,502	72,692	69,022
Deduct:								
Normalized initial direct leasing costs and lease incentives	**(8,130)**	(8,141)	(8,185)	(8,112)	(8,005)	(8,204)	(7,812)	(7,407)
Adjusted funds from operations	$ **68,570**	$ 68,060	$ 69,139	$ 67,291	$ 66,984	$ 68,298	$ 64,880	$ 61,615
AFFO per unit – basic[1]	$ **0.63**	$ 0.63	$ 0.64	$ 0.62	$ 0.62	$ 0.63	$ 0.61	$ 0.61
Weighted average units outstanding for FFO and AFFO								
Basic (in thousands)	**109,232**	108,758	108,301	107,728	108,082	108,671	106,226	101,564
Diluted (in thousands)	**110,849**	110,375	109,938	109,231	109,691	110,290	107,861	103,171

(1) The LP B Units are included in the calculation of basic AFFO per unit.

NON-GAAP MEASURES AND OTHER DISCLOSURES

The following non-GAAP measures are important measures used by management in evaluating the Trust's underlying operating performance and debt management. These non-GAAP measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

Funds from operations ("FFO")

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

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

Adjusted funds from operations ("AFFO")

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

Our calculation of AFFO includes a deduction for an estimated amount of normalized initial direct leasing costs and lease incentives that we expect to incur based on our current portfolio, and expected average leasing activity. Our estimates of initial direct leasing costs and lease incentives are based on the average of our expected leasing activity multiplied by the average cost per square foot that we incurred and committed to during the period, adjusted for properties that have been acquired or sold.

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

NOI

NOI is defined by the Trust as the total investment property revenue less investment property operating expenses, including the share of net rental income from investment in joint ventures and property management 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. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", NOI has been reconciled to net rental income in the table below:

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Net rental income (per consolidated financial statements)	**$ 98,758**	$ 100,842	**$ 401,508**	$ 391,500
Add: Share of net rental income from investments in joint ventures	**15,413**	15,405	**60,442**	61,388
NOI	**114,171**	116,247	**461,950**	452,888
Less: NOI from properties sold and properties held for sale	**7**	1,374	**3,106**	5,501
NOI (excluding properties sold and properties held for sale)	**$ 114,164**	$ 114,873	**$ 458,844**	$ 447,387

Comparative properties NOI

Comparative properties NOI includes NOI of same properties owned by the Trust in the current and prior year comparative period and current and prior year, and excludes lease termination fees and property one-time adjustments, NOI of acquired properties and properties held for redevelopment, straight-line rents, bad debt expenses and amortization of lease incentives. Comparative properties NOI is an important non-GAAP measure used by management to evaluate the performance of the same properties owned by the Trust in the current, comparative period and prior quarter as presented. This non-GAAP measure is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

Stabilized NOI

Stabilized NOI for an individual property is defined by the Trust as investment property revenues less property operating expenses, including the share of net rental income from investment in joint ventures and property management income, adjusted for items such as average lease up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. This non-GAAP measurement is an important measure used by the Trust in determining the fair value of individual investment properties; 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 per unit calculations includes the weighted average number of all REIT Units, LP B Units, and vested but unissued deferred trust units and income deferred trust units. The diluted weighted average number of units for the three months and year ended December 31, 2014 assumes the conversion of the 5.5% Series H Debentures, as they are dilutive. Diluted FFO per unit for the three and twelve months ended December 31, 2014 excludes $0.7 million and $2.8 million, respectively, in interest related to convertible debentures (for the three and twelve months ended December 31, 2013 – $0.7 million and $2.9 million, respectively).

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Weighted average units outstanding for basic per unit amounts (in thousands)	**109,232**	108,082	**108,484**	106,164
Weighted average units outstanding for diluted per unit amounts (in thousands)	**110,849**	109,691	**110,100**	107,773

Adjusted cash flows from operating activities

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

Cash flows from operating activities (including investments in joint ventures)

When the Trust determines its cash available for distribution, it uses adjusted cash flows from operating activities. One of the components of adjusted cash flows from operating activities is cash flows from operating activities of our investments in joint ventures that are equity accounted. Management believes it is important to include cash flows from operating activities of our investments in joint ventures that are equity accounted as it forms part of the Trust's determination of its cash available for distribution. This non-GAAP measurement does not represent cash generated from (utilized in) operating activities (as per consolidated financial statements), as defined by GAAP.

Investment in joint ventures

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

Balance sheet reconciliation to consolidated financial statements

	December 31, 2014			December 31, 2013		
	Amounts per consolidated financial statements	Share from investment in joint ventures	Total	Amounts per consolidated financial statements	Share from investment in joint ventures	Total
Assets						
NON-CURRENT ASSETS						
Investment properties	**$ 6,139,070**	**$ 1,062,776**	**$ 7,201,846**	$ 6,241,685	$ 1,061,436	$ 7,303,121
Investment in Dream Industrial REIT	**191,691**	**-**	**191,691**	166,317	-	166,317
Investment in joint ventures	**553,141**	**(553,141)**	**-**	527,255	(527,255)	-
Other non-current assets	**106,803**	**8,507**	**115,310**	104,822	2,804	107,626
	6,990,705	**518,142**	**7,508,847**	7,040,079	536,985	7,577,064
CURRENT ASSETS						
Amounts receivable	**16,565**	**682**	**17,247**	28,476	2,520	30,996
Prepaid expenses and other assets	**8,593**	**351**	**8,944**	9,450	432	9,882
Cash and cash equivalents	**10,920**	**9,969**	**20,889**	31,017	2,862	33,879
	36,078	**11,002**	**47,080**	68,943	5,814	74,757
Assets held for sale	**2,968**	**-**	**2,968**	15,921	-	15,921
Total assets	**$ 7,029,751**	**$ 529,144**	**$ 7,558,895**	$ 7,124,943	$ 542,799	$ 7,667,742
Liabilities						
NON-CURRENT LIABILITIES						
Debt	**$ 2,731,506**	**$ 484,905**	**$ 3,216,411**	$ 2,884,481	$ 496,410	$ 3,380,891
Subsidiary redeemable units	**15,151**	**-**	**15,151**	101,978	-	101,978
Deferred Unit Incentive Plan	**17,082**	**-**	**17,082**	18,535	-	18,535
Deferred tax liabilities, net	**6,183**	**-**	**6,183**	5,167	-	5,167
Other non-current liabilities	**18,935**	**378**	**19,313**	18,867	235	19,102
	2,788,857	**485,283**	**3,274,140**	3,029,028	496,645	3,525,673
CURRENT LIABILITIES						
Debt	**365,855**	**12,075**	**377,930**	264,535	11,678	276,213
Amounts payable and accrued liabilities	**97,522**	**31,786**	**129,308**	108,242	34,476	142,718
	463,377	**43,861**	**507,238**	372,777	46,154	418,931
Total liabilities	**$ 3,252,234**	**$ 529,144**	**$ 3,781,378**	$ 3,401,805	$ 542,799	$ 3,944,604

Statement of comprehensive income to consolidated financial statements

	Three months ended December 31, 2014			2013		
	Amounts included in consolidated financial statements	**Share of income from investment in joint ventures**	**Total**	Amounts included in consolidated financial statements	Share of income from investment in joint ventures	Total
Investment properties revenue	**$ 176,460**	**$ 28,726**	**$ 205,186**	$ 179,574	$ 28,844	$ 208,418
Investment properties operating expenses	**(77,702)**	**(13,313)**	**(91,015)**	(78,732)	(13,439)	(92,171)
Net rental income	**98,758**	**15,413**	**114,171**	100,842	15,405	116,247
Other income						
Share of net income and dilution gain (loss) from investment in Dream Industrial REIT	**3,699**	**-**	**3,699**	3,027	-	3,027
Share of net income from investment in joint ventures	**10,343**	**(10,343)**	**-**	5,415	(5,415)	-
Interest and fee income	**908**	**-**	**908**	938	4	942
	14,950	**(10,343)**	**4,607**	9,380	(5,411)	3,969
Other expenses						
General and administrative	**(5,879)**	**(3)**	**(5,882)**	(6,155)	-	(6,155)
Interest:						
Debt	**(33,091)**	**(4,734)**	**(37,825)**	(33,857)	(4,508)	(38,365)
Subsidiary redeemable units	**(338)**	**-**	**(338)**	(1,981)	-	(1,981)
Amortization of external management contracts and depreciation on property and equipment	**(800)**	**-**	**(800)**	(691)	(2)	(693)
	(40,108)	**(4,737)**	**(44,845)**	(42,684)	(4,510)	(47,194)
Fair value adjustments, net gains (losses) on transactions and other activities						
Fair value adjustments to investment properties	**(67,100)**	**(200)**	**(67,300)**	(7,143)	(5,484)	(12,627)
Fair value adjustments to financial instruments	**2,689**	**-**	**2,689**	251	-	251
Net gains (losses) on transactions and other activities	**(1,583)**	**(133)**	**(1,716)**	(1,755)	-	(1,755)
	(65,994)	**(333)**	**(66,327)**	(8,647)	(5,484)	(14,131)
Income before income taxes	**7,606**	**-**	**7,606**	58,891	-	58,891
Deferred income tax recovery (expense)	**(300)**	**-**	**(300)**	865	-	865
Net income for the period	**7,306**	**-**	**7,306**	59,756	-	59,756
Other comprehensive income (loss)						
Unrealized loss on interest rate swaps	**(323)**	**-**	**(323)**	(480)	-	(480)
Unrealized foreign currency translation gain	**1,675**	**-**	**1,675**	1,085	-	1,085
	1,352	**-**	**1,352**	605	-	605
Comprehensive income for the period	**$ 8,658**	**$ -**	**$ 8,658**	$ 60,361	$ -	$ 60,361

	Year ended December 31, 2014			2013		
	Amounts per consolidated financial statements	**Share of income from investment in joint ventures**	**Total**	Amounts per consolidated financial statements	Share of income from investment in joint ventures	Total
Investment properties revenue	**$ 705,279**	**$ 112,716**	**$ 817,995**	$ 687,172	$ 113,359	$ 800,531
Investment properties operating expenses	**(303,771)**	**(52,274)**	**(356,045)**	(295,672)	(51,971)	(347,643)
Net rental income	**401,508**	**60,442**	**461,950**	391,500	61,388	452,888
Other income						
Share of net income and dilution gain (loss) from investment in Dream Industrial REIT	**15,965**	**-**	**15,965**	15,697	-	15,697
Share of net income from investment in joint ventures	**37,611**	**(37,611)**	**-**	84,382	(84,382)	-
Interest and fee income	**3,199**	**35**	**3,234**	4,635	55	4,690
	56,775	**(37,576)**	**19,199**	104,714	(84,327)	20,387
Other expenses						
General and administrative	**(24,393)**	**(3)**	**(24,396)**	(23,859)	(202)	(24,061)
Interest:						
Debt	**(134,952)**	**(17,725)**	**(152,677)**	(130,169)	(18,200)	(148,369)
Subsidiary redeemable units	**(4,638)**	**-**	**(4,638)**	(7,897)	-	(7,897)
Amortization of external management contracts and depreciation on property and equipment	**(2,970)**	**-**	**(2,970)**	(2,527)	(4)	(2,531)
	(166,953)	**(17,728)**	**(184,681)**	(164,452)	(18,406)	(182,858)
Fair value adjustments, net gains (losses) on transactions and other activities						
Fair value adjustments to investment properties	**(124,303)**	**(4,153)**	**(128,456)**	85,745	41,708	127,453
Fair value adjustments to financial instruments	**2,749**	**-**	**2,749**	34,840	-	34,840
Net gains (losses) on transactions and other activities	**(9,848)**	**(985)**	**(10,833)**	(6,992)	(363)	(7,355)
	(131,402)	**(5,138)**	**(136,540)**	113,593	41,345	154,938
Income before income taxes	**159,928**	**-**	**159,928**	445,355	-	445,355
Deferred income taxes	**(638)**	**-**	**(638)**	(344)	-	(344)
Net income for the year	**159,290**	**-**	**159,290**	445,011	-	445,011
Other comprehensive income (loss)						
Unrealized gain (loss) on interest rate swap	**(666)**	**-**	**(666)**	39	-	39
Unrealized foreign currency translation gain	**3,210**	**-**	**3,210**	1,942	-	1,942
	2,544	**-**	**2,544**	1,981	-	1,981
Comprehensive income for the year	**$ 161,834**	**$ -**	**$ 161,834**	$ 446,992	$ -	$ 446,992

Cash generated from operating activities to AFFO reconciliation

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the table below reconciles AFFO to cash generated from (utilized in) operating activities.

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Cash generated from (utilized in) operating activities	**$ 55,103**	$ 64,081	**$ 203,354**	$ 195,237
Add (deduct):				
Share of AFFO from investment in Dream Industrial REIT	**3,767**	3,116	**13,511**	12,052
Share of net income from investment in joint ventures	**10,343**	5,415	**37,611**	84,382
Initial direct leasing costs and lease incentives	**18,295**	5,489	**49,116**	31,034
Amortization of deferred financing costs	**(786)**	(820)	**(3,178)**	(3,034)
Internal leasing costs	**625**	1,755	**6,118**	6,468
Business transformation costs	**275**	-	**1,100**	-
Change in non-cash working capital	**(11,039)**	(6,815)	**(5,648)**	9,066
Adjustments for investment in joint ventures:				
Fair value adjustments to investment properties	**200**	5,484	**4,153**	(41,708)
Straight-line rent	**(174)**	170	**(683)**	648
Amortization of lease incentives	**57**	30	**59**	328
Internal leasing costs	**133**	-	**227**	363
Loss on sale of investment properties	**-**	-	**758**	-
Normalized initial direct leasing costs and lease incentives	**(8,130)**	(8,005)	**(32,568)**	(31,428)
Other	**(99)**	(2,916)	**(870)**	(1,632)
AFFO	**$ 68,570**	$ 66,984	**$ 273,060**	$ 261,776

Cash flows from operating activities and distributions declared

In any given period, actual distributions declared may differ from cash generated from (utilized in) operating activities, primarily due to seasonal fluctuations in non-cash working capital and the impact of leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. These seasonal or short-term fluctuations are funded with our cash and cash equivalents on hand and, if necessary, with our existing credit facilities. The Trust determines the distribution rate by, among other considerations, its assessment of cash flow as determined using adjusted cash flows from operating activities (a non-GAAP measure), which includes cash flows from operating activities of our investments in joint ventures that are equity accounted and excludes the fluctuations in non-cash working capital, transaction costs on business combinations, and investment in lease incentives and initial direct leasing costs. As such, the Trust believes the cash distributions are not an economic return of capital, but a distribution of sustainable adjusted cash flow from operating activities. Based on current facts and assumptions, the Trust does not anticipate cash distributions will be reduced or suspended in the foreseeable future.

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

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

When the Trust determines its cash available for distribution, it uses adjusted cash flows from operating activities (a non-GAAP measure) which includes cash flows from operating activities of our investments in joint ventures that are equity accounted and excludes fluctuations in working capital, transaction costs on business combinations and investment in lease incentives and initial direct leasing costs. Accordingly, the following table also outlines the differences between adjusted cash flow from operating activities and distributions declared.

	Three months ended December 31,		Year ended December 31,	
	2014	2013[(1)]	**2014**	2013[(1)]
Net income	**$ 7,306**	$ 59,756	**$ 159,290**	$ 445,011
Cash generated from (utilized in) operating activities (per consolidated financial statements)	**55,103**	64,081	**203,354**	195,237
Add:				
Investment in joint ventures' cash flows from operating activities	**3,091**	2,392	**37,596**	38,861
Cash flows from operating activities (including investment in joint ventures)	**58,194**	66,473	**240,950**	234,098
Add (deduct):				
Investment in lease incentives and initial direct leasing costs	**18,645**	5,027	**51,001**	29,180
Change in non-cash working capital	**(4,019)**	1,157	**(3,147)**	12,204
Adjusted cash flows from operating activities	**72,820**	72,657	**288,804**	275,482
Distributions declared	**62,622**	59,989	**242,220**	235,751
Adjusted cash flows from operating activities over distributions declared	**10,198**	12,668	**46,584**	39,731
Excess (shortfall) of net income over distributions declared	**(55,316)**	(233)	**(82,930)**	209,260
Excess (shortfall) of cash generated from (utilized in) operating activities (per consolidated financial statements) over distributions declared	**$ (7,519)**	$ 4,092	**$ (38,866)**	$ (40,514)

(1) Comparative figures have been reclassified to conform to the current period presentation.

For the three and twelve months ended December 31, 2014, adjusted cash flows from operating activities exceeded distributions declared by $10.2 million and $46.6 million, respectively (for the three and twelve months ended December 31, 2013 – $12.7 million and $39.7 million, respectively).

For the three and twelve months ended December 31, 2014, actual distributions declared exceeded cash generated from (utilized in) operating activities (per consolidated financial statements) by $7.5 million and $38.9 million, respectively. The shortfall of cash generated from (utilized in) operating activities over distributions declared is mainly due to the fact that cash flows from operating activities of our investments in joint ventures that are equity accounted are excluded from this calculation despite the fact that it forms part of the Trust's determination of its cash available for distribution. For the three and twelve months ended December 31, 2014, actual distributions declared exceeded cash flows from operating activities (including investment in joint ventures) by $4.4 million and $1.3 million, respectively. This shortfall was mainly driven by the short-term fluctuations in our investment in lease incentives and initial direct leasing costs incurred for the three months ended December 31, 2014, from $11.9 million at September 30, 2014 to $18.6 million at December 31, 2014. These investments were funded by cash and cash equivalents and our existing credit facilities. For the year ended December 31, 2013, actual distributions declared exceeded cash flows from operating activities (including investment in joint ventures) by $1.7 million. This shortfall was mainly driven by the short-term fluctuations in our investment in lease incentives and initial direct leasing costs incurred for the year ended December 31, 2013. These investments were funded by cash and cash equivalents and our existing credit facilities.

Of the distributions declared for the three and twelve months ended December 31, 2014, $17.9 million and $61.7 million, respectively, were reinvested in units pursuant to the DRIP. Cash generated from (utilized in) operating activities exceeded actual distributions declared (excluding the amount reinvested in units pursuant to the DRIP) by $10.4 million and $22.8 million, respectively. 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. Accordingly, the Trust believes this does not constitute an economic return of capital.

For the three and twelve months ended December 31, 2014, distributions declared exceeded net income by $55.3 million and $82.9 million, respectively, primarily due to non-cash components of net income, which include the fair value adjustments to investment properties of $67.1 million and $124.3 million, respectively, and fair value adjustments to financial instruments of $2.7 million for the three and twelve months ended December 31, 2014. For the three months ended December 31, 2013, distributions declared exceeded net income by $0.2 million, primarily due to non-cash components of net income, which include the fair value loss to investment properties of $12.6 million, and fair value gain to financial instruments of $0.3 million for the three months ended December 31, 2013. For the year ended December 31, 2013, net income exceeded distributions declared by $209.3 million, primarily due to non-cash components of net income, which include the fair value gain to investment properties of $127.5 million, and fair value gain to financial instruments of $34.8 million for the year ended December 31, 2013.

Level of debt (net total debt-to-gross book value and net secured debt-to-gross book value)

Management believes these non-GAAP measurements are important measures in the management of our debt levels. Net total debt-to-gross book value as shown below is determined as total debt (net of cash on hand), which includes debt related to investment in joint ventures that are equity accounted and debt related to assets held for sale, divided by total assets. Net secured debt-to-gross book value as shown below is determined as secured debt (net of unsecured debt and cash on hand), which includes debt related to investment in joint ventures that are equity accounted and debt related to assets held for sale, divided by total assets. Total assets include assets of investment in joint ventures that are equity accounted and the reversal of accumulated depreciation of property and equipment and cash on hand.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the following tables calculate the level of debt (net total debt-to-gross book value and net secured debt-to-gross book value) as at December 31, 2014 and December 31, 2013.

	As at December 31, 2014		
	Amounts per consolidated financial statements	**Share of amounts from investment in joint ventures**	**Total**
Non-current debt	**$ 2,731,506**	**$ 484,905**	**$ 3,216,411**
Current debt	**365,855**	**12,075**	**377,930**
Debt before undernoted items	**3,097,361**	**496,980**	**3,594,341**
Less: Cash on hand[1]	**(5,466)**	**-**	**(5,466)**
Total debt (net of cash on hand)	**3,091,895**	**496,980**	**3,588,875**
Less: Unsecured debt	**(533,860)**	**-**	**(533,860)**
Total secured debt (net of cash on hand)	**2,558,035**	**496,980**	**3,055,015**
Total assets	**7,029,751**[2]	**529,144**	**7,558,895**[3]
Add: Accumulated depreciation of property and equipment	**4,813**	**-**	**4,813**
Less: Cash on hand[1]	**(5,466)**	**-**	**(5,466)**
Total assets (excluding accumulated depreciation of property and equipment and cash on hand)	**$ 7,029,098**	**$ 529,144**	**$ 7,558,242**
Net total debt-to-gross book value			**47.5%**
Net secured debt-to-gross book value			**40.4%**

(1) Cash on hand represents cash at period-end, excluding cash held in joint ventures and co-owned properties.

(2) Includes net assets of investment in joint ventures that are equity accounted.

(3) Total assets are determined as total assets, including assets related to investment in joint ventures that are equity accounted and assets held for sale.

	As at December 31, 2013		
	Amounts per consolidated financial statements	Share of amounts from investment in joint ventures	Total
Non-current debt	$ 2,884,481	$ 496,410	$ 3,380,891
Current debt	264,535	11,678	276,213
Debt before undernoted items	3,149,016	508,088	3,657,104
Add: Debt related to assets held for sale	-	5,439	5,439
Less: Cash on hand[1]	(23,436)	-	(23,436)
Total debt (net of cash on hand)	3,125,580	513,527	3,639,107
Less: Unsecured debt	(385,532)	-	(385,532)
Total secured debt (net of cash on hand)	2,740,048	513,527	3,253,575
Total assets	7,124,943[2]	542,799	7,667,742[3]
Add: Accumulated depreciation of property and equipment	3,135	-	3,135
Less: Cash on hand[1]	(23,436)	-	(23,436)
Total assets (excluding accumulated depreciation of property and equipment and cash on hand)	$ 7,104,642	$ 542,799	$ 7,647,441
Net total debt-to-gross book value			47.6%
Net secured debt-to-gross book value			42.5%

(1) Cash on hand represents cash at year-end, excluding cash held in joint ventures and co-owned properties.

(2) Includes net assets of investment in joint ventures that are equity accounted.

(3) Total assets are determined as total assets, including assets related to investment in joint ventures that are equity accounted and assets held for sale.

Interest coverage ratio

Management believes this non-GAAP measurement is an important measure in determining our ability to cover interest expense based on our operating performance. Interest coverage ratio for the years ended December 31, 2014 and December 31, 2013 includes the results from investment in joint ventures that are equity accounted. Interest coverage ratio as shown below is calculated as net rental income plus interest and fee income, less general and administrative 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 following tables calculate the interest coverage ratio for the years ended December 31, 2014 and December 31, 2013.

						For the year ended December 31, 2014
		Amounts per consolidated financial statements		**Share of amounts from investment in joint ventures**		**Total**
Net rental income	**$**	**401,508**	**$**	**60,442**	**$**	**461,950**
Add: Interest and fee income		**3,199**		**35**		**3,234**
Less: General and administrative expenses		**(24,393)**		**(3)**		**(24,396)**
Total		**380,314**		**60,474**		**440,788**
Interest expense – debt	**$**	**134,952**	**$**	**17,725**	**$**	**152,677**
Interest coverage ratio (times)						**2.9**

						For the year ended December 31, 2013
		Amounts per consolidated financial statements		Share of amounts from investment in joint ventures		Total
Net rental income	$	391,500	$	61,388	$	452,888
Add: Interest and fee income		4,635		55		4,690
Less: General and administrative expenses		(23,859)		(202)		(24,061)
Total		372,276		61,241		433,517
Interest expense – debt	$	130,169	$	18,200	$	148,369
Interest coverage ratio (times)						2.9

Net average debt-to-EBITDFV

Management believes this non-GAAP measurement is an important measure in determining the time it takes the Trust, based on its historical operating performance, to repay our average debt.

Net average debt-to-EBITDFV as shown below is calculated as total average debt (net of cash on hand), which includes debt related to investment in joint ventures that are equity accounted and debt related to assets held for sale, divided by annualized EBITDFV for the current quarter. EBITDFV – annualized is calculated as net income for the period adjusted for: lease termination fees and other, non-cash items included in investment properties revenue, fair value adjustments to investment properties and financial instruments, share of net income and dilution gain (loss) from Dream Industrial REIT, distributions received from Dream Industrial REIT, interest expense, depreciation and amortization, net gains (losses) on transactions and other activities, and income taxes.

Net debt-to-adjusted EBITDFV

Management believes this non-GAAP measurement is an important measure in determining the time it takes the Trust, on a go forward basis, based on its normalized operating performance, to repay our debt.

Net debt-to-adjusted EBITDFV as shown below is calculated as total debt (net of cash on hand), which includes debt related to investment in joint ventures that are equity accounted and debt related to assets held for sale, divided by adjusted EBITDFV – annualized. Adjusted EBITDFV – annualized is calculated as EBITDFV – annualized plus normalized NOI of acquired properties for the quarter.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the following tables calculate the annualized net average debt-to-EBITDFV and annualized net debt-to-adjusted EBITDFV for the periods ended December 31, 2014 and December 31, 2013.

				December 31, 2014
	Amounts included in consolidated financial statements	Share of amounts from investment in joint ventures		Total
Non-current debt	$ 2,731,506	$ 484,905	$	3,216,411
Current debt	365,855	12,075		377,930
Debt before undernoted items	3,097,361	496,980		3,594,341
Less: Weighted average debt adjustment[1]	(41,386)	-		(41,386)
Less: Cash on hand[2]	(5,466)	-		(5,466)
Total weighted average debt (net of cash on hand)	**$ 3,050,509**	**$ 496,980**	**$**	**3,547,489**
Add-back: Weighted average debt adjustment[1]	41,386	-		41,386
Total debt (net of cash on hand)	**$ 3,091,895**	**$ 496,980**	**$**	**3,588,875**
Net income (loss) for the period	(3,037)	10,343		7,306
Lease termination fees and other	(546)	-		(546)
Non-cash items included in investment properties revenue[3]	2,065	(117)		1,948
Fair value adjustments to investment properties	67,100	200		67,300
Fair value adjustments to financial instruments	(2,689)	-		(2,689)
Share of net income and dilution gain (loss) from Dream Industrial REIT	(3,699)	-		(3,699)
Distributions received from Dream Industrial REIT	3,247	-		3,247
Interest – debt	33,091	4,734		37,825
Interest – subsidiary redeemable units	338	-		338
Amortization of external management contracts and depreciation on property and equipment	800	-		800
Net loss on transactions and other activities	1,583	133		1,716
Deferred income taxes	300	-		300
EBITDFV – quarterly	**$ 98,553**	**$ 15,293**	**$**	**113,846**
Normalized NOI of acquired properties for the quarter	-	-		-
Adjusted EBITDFV – quarterly	**$ 98,553**	**$ 15,293**	**$**	**113,846**
EBITDFV – annualized			**$**	**455,384**
Adjusted EBITDFV – annualized			**$**	**455,384**
Net average debt-to-EBITDFV (years)				**7.8**
Net debt-to-adjusted EBITDFV (years)				**7.9**

(1) Weighted average debt adjustment reflects outstanding debt at period-end, pro-rated for the number of days outstanding during the period.

(2) Cash on hand represents cash at period-end, excluding cash held in joint ventures and co-owned properties.

(3) Includes adjustments for straight-line rent and amortization of lease incentives.

	December 31, 2013		
	Amounts included in consolidated financial statements	Share of amounts from investment in joint ventures	Total
Non-current debt	$ 2,884,481	$ 496,410	$ 3,380,891
Current debt	264,535	11,678	276,213
Debt before undernoted items	3,149,016	508,088	3,657,104
Add: Debt related to assets held for sale	-	5,439	5,439
Less: Weighted average debt adjustment[1]	(5,249)	-	(5,249)
Less: Cash on hand[2]	(23,436)	-	(23,436)
Total weighted average debt (net of cash on hand)	$ 3,120,331	$ 513,527	$ 3,633,858
Add-back: Weighted average debt adjustment[1]	5,249	-	5,249
Total debt (net of cash on hand)	$ 3,125,580	$ 513,527	$ 3,639,107
Net income for the period	54,341	5,415	59,756
Lease termination fees and other	(621)	-	(621)
Non-cash items included in investment properties revenue[3]	(127)	200	73
Fair value adjustments to investment properties	7,208	5,419	12,627
Fair value adjustments to financial instruments	(253)	-	(253)
Share of net income and dilution gain (loss) from Dream Industrial REIT	(3,027)	-	(3,027)
Distributions received from Dream Industrial REIT	2,849	-	2,849
Interest – debt	33,857	4,508	38,365
Interest – subsidiary redeemable units	1,981	-	1,981
Amortization of external management contracts and depreciation on property and equipment	691	2	693
Net loss on transactions and other activities	1,690	65	1,755
Deferred income taxes recovery	(865)	-	(865)
EBITDFV – quarterly	$ 97,724	$ 15,609	$ 113,333
Normalized NOI of acquired properties for the quarter	98	-	98
Adjusted EBITDFV – quarterly	$ 97,822	$ 15,609	$ 113,431
EBITDFV – annualized			$ 453,332
Adjusted EBITDFV – annualized			$ 453,724
Net average debt-to-EBITDFV (years)			8.0
Net debt-to-adjusted EBITDFV (years)			8.0

(1) Weighted average debt adjustment reflects outstanding debt at period-end, pro-rated for the number of days outstanding during the period.

(2) Cash on hand represents cash at year-end, excluding cash held in joint ventures and co-owned properties.

(3) Includes adjustments for straight-line rent and amortization of lease incentives.

SECTION III – DISCLOSURE CONTROLS AND PROCEDURES

At December 31, 2014, financial year-end, the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers"), together with other members of management, have evaluated the design and operational effectiveness of Dream Office REIT's disclosure controls and procedures, as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"). The Certifying Officers have concluded that the disclosure controls and procedures are adequate and effective in order to provide reasonable assurance that material information has been accumulated and communicated to management, to allow timely decisions of required disclosures by Dream Office REIT and its consolidated subsidiary entities, within the required time periods.

Dream Office 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 consolidated financial statements for external purposes in accordance with IFRS. Using the framework established in "Risk Management and Governance: Guidance on Control (COCO Framework)", published by the Chartered Professional Accountants Canada, the Certifying Officers, together with other members of management, have evaluated the design and operation of Dream Office REIT's internal control over financial reporting. Based on that evaluation, the Certifying Officers have concluded that Dream Office REIT's internal control over financial reporting was effective as at December 31, 2014.

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

SECTION IV – RISKS AND OUR STRATEGY TO MANAGE

Dream Office REIT is exposed to various risks and uncertainties, many of which are beyond our control. For a full list and explanation of our risks and uncertainties, please refer to our 2013 Annual Report or our Annual Information Form dated March 31, 2014, filed on SEDAR (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 from operations and make distributions and interest payments.

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

ROLLOVER OF LEASES

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

CONCENTRATION OF PROPERTIES AND TENANTS

Currently, principally all of our properties are located in Canada and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in Canada. These factors may differ from those affecting the real estate markets in other regions. Due to the concentrated nature of our properties, a number of our properties could experience any of the same conditions at the same time. If real estate conditions in Canada decline relative to real estate conditions in other regions, our cash flows and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

FINANCING

We require access to capital to maintain our properties as well as to fund our growth strategy and significant capital expenditures. There is no assurance that capital will be available when needed or on favourable terms. Our access to third-party financing will be subject to a number of factors, including general market conditions; the market's perception of our growth potential; our current and expected future earnings; our cash flow and cash distributions, and cash interest payments; and the market price of our Units.

A significant portion of our financing is debt. Accordingly, we are subject to the risks associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest, and that, on maturities of such debt, we may not be able to refinance the outstanding principal under such debt or that the terms of such refinancing will be more onerous than those of the existing debt. If we are unable to refinance debt at maturity on terms acceptable to us or at all, we may be forced to dispose of one or more of our properties on disadvantageous terms, which may result in losses and could alter our debt-to-equity ratio or be dilutive to unitholders. Such losses could have a material adverse effect on our financial position or cash flows.

The degree to which we are leveraged could have important consequences to our operations. A high level of debt will reduce the amount of funds available for the payment of distributions to unitholders and interest payments on our debentures; limit our flexibility in planning for and reacting to changes in the economy and in the industry, and increase our vulnerability to general adverse economic and industry conditions; limit our ability to borrow additional funds, dispose of assets, encumber our assets and make potential investments; place us at a competitive disadvantage compared to other owners of similar real estate assets that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing; make it more likely that a reduction in our borrowing base following a periodic valuation (or redetermination) could require us to repay a portion of then outstanding borrowings; and impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general trust or other purposes.

CHANGES IN LAW

We are subject to applicable federal, provincial, municipal, local and common laws and regulations governing the ownership and leasing of real property, employment standards, environmental matters, taxes and other matters. It is possible that future changes in such laws or regulations, or changes in their application, enforcement or regulatory interpretation, could result in changes in the legal requirements affecting us (including with retroactive effect). In addition, the political conditions in the jurisdictions in which we operate are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely affect our investments. Any changes in the laws to which we are subject in the jurisdictions in which we operate could materially affect our rights and title in and to the properties and the revenues we are able to generate from our investments.

INTEREST RATES

When entering into financing agreements or extending such agreements, we depend on our ability to agree on terms for interest payments that will not impair our desired profit, and on amortization schedules that do not restrict our ability to pay distributions on our Units and interest payments on our debentures. In addition to existing variable rate portions of our financing agreements, we may enter into future financing agreements with variable interest rates. An increase in interest rates could result in a significant increase in the amount we pay to service debt, which could limit our ability to pay distributions to unitholders and could impact the market price of the Units and/or the debentures. We have implemented an active hedging program in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to unitholders and cash interest payments under the debentures should current variable interest rates increase. However, to the extent that we fail to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge increases in variable interest rates, our financial results, our ability to pay distributions to unitholders and cash interest payments under our financing arrangements, and the debentures and future financings may be negatively affected. Hedging transactions involve inherent risks. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, could have a significant negative effect on our ability to sell any of our properties.

ENVIRONMENTAL RISK

As an owner of real property, we are subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide a range of potential liability, including potentially significant penalties, and potential liability for the costs of removal or remediation of certain hazardous substances. The presence of such substances, if any, could adversely affect our ability to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against us. In order to obtain financing for the purchase of a new property through traditional channels, we may be requested to arrange for an environmental audit to be conducted. Although such an audit provides us and our lenders with some assurance, we may become subject to liability for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we may elect not to insure where premium costs are disproportionate to our perception of relative risk.

We have formal policies and procedures to review and monitor environmental exposure. These policies include the requirement to obtain a Phase I Environmental Site Assessment, conducted by an independent and qualified environmental consultant, before acquiring any real property or any interest therein.

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.

COMPETITION

The real estate market in Canada 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 in better locations, of better quality or less leveraged than the properties owned by us, they may be in a better position to attract tenants who might otherwise lease space in our properties. To the extent that our competitors are better capitalized or financially stronger, they would be in a better position to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on our ability to lease space in our properties and on the rents charged or concessions granted, and could materially and adversely affect our cash flows, operating results and financial condition.

INSURANCE

We carry general liability, umbrella liability and excess liability insurance with limits that are typically obtained for similar real estate portfolios in Canada and 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 amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Critical accounting judgments

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

Investment properties

Critical judgments are made in respect of the fair values of investment properties and the investment properties held in equity accounted investments. The fair values of these investments are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of office buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of properties, determined on a rotational basis, will be valued by qualified valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

The Trust makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying amount of the development property.

Business combinations

Accounting for business combinations under IFRS 3, "Business Combinations" ("IFRS 3"), only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgment is used by management in determining whether the acquisition of an individual property qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

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

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

In particular, the Trust considers the following:

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

Currently, when the Trust acquires properties or a portfolio of properties and not legal entities, 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 assesses the possibility and amount of any impairment loss or write-down as it relates to the Investment in Dream Industrial REIT, amounts receivable, property and equipment, external management contracts, and goodwill.

IAS 39, "Financial instruments: Recognition and measurement", requires management to use judgment in determining if the Trust's financial assets are impaired. In making this judgment, the Trust evaluates, among other factors, the duration and extent to which the fair value of the investment is less than its carrying amount; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

IAS 36, "Impairment of Assets" ("IAS 36"), requires management to use judgment in determining the recoverable amount of assets and equity accounted investments that are tested for impairment, including goodwill and the investment in Dream Industrial REIT. Judgment is involved in estimating the fair value less cost to sell or value-in-use of the cash-generating units ("CGUs") to which goodwill has been allocated, including estimates of growth rates, discount rates and terminal rates. Judgment is also involved in estimating the value-in-use of the investment in Dream Industrial REIT, including estimates of future cash flows, discount rates and terminal rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

The Trust's goodwill balance is allocated to the office properties group of CGUs by geographical segment (herein referred to as the goodwill CGU). The recoverable amount of the Trust's goodwill CGU is determined based on the value-in-use approach. For the purpose of this impairment test, the Trust uses cash flow projections forecasted out for a ten-year period, consistent with the internal financial budgets approved by management on a property-by-property basis. The key assumptions used in determining the value-in-use of the goodwill CGU are the estimated growth rate, discount rate and terminal rate. In arriving at the growth rate, the Trust considers past experience and inflation, as well as industry trends. The Trust utilizes weighted average cost of capital ("WACC") to determine the discount rate and terminal rate. The WACC reflects specific risks that would be attributable to the Trust. As the Trust is not subject to taxation, no adjustment is required to adjust the WACC on a pre-tax basis.

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 earnings for the period. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the consolidated financial statements relate to the following:

Valuation of investment properties

Critical assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates, and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

Valuation of financial instruments

The Trust makes estimates and assumptions relating to the fair value measurement of the subsidiary redeemable units, the deferred trust units, the convertible debenture conversion feature, interest rate swaps and the fair value disclosure of the convertible debentures, mortgages and term debt. The critical assumptions underlying the fair value measurements and disclosures include the market price of REIT Units, market interest rates for mortgages, term debt and unsecured debentures, and assessment of the effectiveness of hedging relationships.

For certain financial instruments, including cash and cash equivalents, promissory notes receivable, amounts receivable, amounts payable and accrued liabilities, deposits and distributions payable, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of mortgages, term debt and interest rate swaps are determined based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair value of convertible debentures is determined by reference to quoted market prices from an active market.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE AND FUTURE ACCOUNTING POLICY CHANGES

Changes in accounting policies and disclosures

The Trust has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

Consolidated financial statements

Amendments to IFRS 10, “Consolidated Financial Statements”, IFRS 12, “Disclosure of Interests in Other Entities” (“IFRS 12”) and IAS 27, “Separate financial statements – Investment entities” (“IAS 27”): The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These investments require an investment entity to measure those subsidiaries at fair value through profit or loss, in accordance with IFRS 9, “Financial Instruments”, in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. The Trust is not considered to be an investment entity and thus, the Trust adopted these amendments without impact to the consolidated financial statements or note disclosures effective January 1, 2014.

Segment reporting

A reportable operating segment is a distinguishable component of the Trust that is engaged either in providing related rental space or services (business segment) or in providing rental space or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other reportable segments. The Trust’s reportable operating segments include Western Canada, Calgary downtown, Calgary suburban, Toronto downtown, Toronto suburban, and Eastern Canada, which are based on internal reporting structure to management. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, determined to be the Chief Executive Officer (“CEO”) of the Trust.

Prior to January 1, 2014, the Trust analyzed its operations as a single office portfolio. Beginning January 1, 2014, the CEO analyzed the portfolio based on the aforementioned geographical segments. The comparative amounts have been reclassified to conform to the current year’s presentation.

Accounting for levies imposed by governments

IFRIC 21, “Levies” (“IFRIC 21”), provides guidance on accounting for levies in accordance with IAS 37, “Provisions, Contingent Liabilities and Contingent Assets”. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Trust adopted this new interpretation effective January 1, 2014 and it was applied retrospectively. This new interpretation had no material impact on the amounts recognized in the Trust’s consolidated financial statements or note disclosures for the year ended December 31, 2014.

Accounting for internal leasing costs

Prior to January 1, 2014, the Trust capitalized costs of certain internal leasing costs within initial direct leasing costs to investment properties. These costs would not have been incurred if no leasing activity had taken place and are reasonably and directly attributable to the leasing activity. On April 2, 2014, IFRIC issued an agenda decision indicating that certain internal leasing costs such as salary costs of permanent staff involved in negotiating and arranging new leases do not qualify as incremental costs in accordance with IAS 17, “Leases”. As a result, the Trust has adopted an accounting policy effective January 1, 2014 of recognizing certain internal leasing costs involved in negotiating and arranging new leases in the consolidated statements of comprehensive income as incurred. This accounting policy has been applied retrospectively. The impact for the years ended December 31, 2014 and December 31, 2013 is an increase to internal leasing costs expense included as part of net gains (losses) on transactions and other activities of $6.1 million and $6.5 million, respectively, and a corresponding increase in fair value adjustments to investment properties of $6.1 million and $6.5 million, respectively. This change did not impact the consolidated balance sheets. External direct leasing costs continue to be capitalized to initial direct leasing costs within investment properties.

Future accounting policy changes

Revenue recognition

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

Financial instruments

The final version of IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model, and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Presentation of financial statements

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

Equity accounting for investments in associates and joint ventures

IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28") was amended by the IASB to allow an entity which is not an investment entity, but has interest in an associate or joint venture which is an investment entity, a policy choice when applying the equity method of accounting. The entity may choose to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture. The amendments to IAS 28 are effective for periods beginning on or after January 1, 2016. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Additional information

Additional information relating to Dream Office REIT, including the latest annual information form of Dream Office REIT, is available on SEDAR at www.sedar.com.

SECTION VI – SUPPLEMENTARY INFORMATION

The following tables within this section include supplementary information on our portfolio as at December 31, 2014.

Asset listing

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Total site area in acres	Owned share of site area in acres	Description of asset
HSBC Bank Place, Edmonton	100.0%	301,217	301,217	1981	1.6	1.6	19-storey downtown office building with commercial parkade
Enbridge Place, Edmonton	100.0%	262,456	262,456	1981	0.7	0.7	22-storey downtown office building
Saskatoon Square, Saskatoon	100.0%	228,312	228,312	1980	0.6	0.6	18-storey downtown office building
Station Tower, Surrey	100.0%	219,314	219,314	1994	1.0	1.0	18-storey office building with grade level retail
1900 Sherwood Place, Regina	100.0%	185,104	185,104	1992/2003	3.0	3.0	One 9-storey and one 2-storey downtown office building
Milner Building, Edmonton	100.0%	173,325	173,325	1957	0.9	0.9	12-storey downtown office building
887 Great Northern Way, Vancouver	100.0%	164,364	164,364	1999	2.3	2.3	8-storey office building
Victoria Tower, Regina	100.0%	144,165	144,165	1976	0.8	0.8	15-storey downtown government office building
Baker Centre, Edmonton	100.0%	143,994	143,994	1958	0.7	0.7	16-storey downtown office building with parkade
Princeton Tower, Saskatoon	100.0%	134,597	134,597	1988	0.6	0.6	11-storey downtown office building with grade level retail
340-450 3rd Avenue N., Saskatoon	100.0%	130,415	130,415	1980/1993	1.1	1.1	2-storey office building
HSBC Building, Edmonton	100.0%	118,406	118,406	1974	0.4	0.4	12-storey downtown office building with underground parking
4259-4299 Canada Way, Burnaby	100.0%	118,022	118,022	1973/1998	3.2	3.2	Two 2-storey suburban office buildings
13888 Wireless Way, Richmond	100.0%	116,530	116,530	2008	4.8	4.8	3-storey suburban office building
Highfield Place, Edmonton	100.0%	104,578	104,578	1978	0.3	0.3	10-storey downtown office building
Scotia Centre, Yellowknife	100.0%	107,797	107,797	1991	0.7	0.7	11-storey office building
Richmond Place, Richmond	100.0%	95,298	95,298	1986	0.9	0.9	9-storey suburban office building
4400 Dominion Street, Burnaby	100.0%	93,095	93,095	1977/2000 and 2006	1.9	1.9	5-storey suburban office building
2055 Premier Way, Strathcona County	100.0%	91,137	91,137	2007	4.3	4.3	2-storey flex office building
Precambrian Building, Yellowknife	100.0%	92,140	92,140	1976	0.8	0.8	11-storey office building
Northwest Tower, Yellowknife	100.0%	87,994	87,994	1991	0.3	0.3	11-storey office building
625 Agnes Street, New Westminster	100.0%	85,541	85,541	1981	0.6	0.6	5-storey suburban office building
2899 Broadmoor Blvd., Strathcona County	100.0%	82,817	82,817	1999	3.5	3.5	2-storey suburban office building
2693 Broadmoor Blvd., Strathcona County	100.0%	81,873	81,873	2007	4.1	4.1	2-storey suburban office building
1914 Hamilton Street, Regina	100.0%	82,264	82,264	1973	0.4	0.4	14-storey downtown office building
2665 Renfrew Street, Vancouver	100.0%	81,662	81,662	2009	3.3	3.3	2-storey suburban office building

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Total site area in acres	Owned share of site area in acres	Description of asset
350-450 Lansdowne Street, Kamloops	40.0%[(4)]	190,773	76,309	1970/2008	11.9	4.8	One 1-storey, one 2-storey and one 4-storey retail and office complex
2833 Broadmoor Blvd., Strathcona County	100.0%	75,254	75,254	2000	3.2	3.2	2-storey flex office building
2261 Keating Cross Road, Victoria	40.0%[(4)]	181,693	72,677	1999	4.9	2.0	One 2-storey and one 4-storey suburban office building
Financial Building, Regina	100.0%	65,764	65,764	1958/1992	0.6	0.6	8-storey downtown office building
4370 Dominion Street, Burnaby	100.0%	63,930	63,930	1983/1999	1.0	1.0	6-storey suburban office building
Preston Centre, Saskatoon	100.0%	61,867	61,867	1988/2003	3.1	3.1	3-storey suburban office building with grade level retail
960 Quayside Drive, New Westminster	100.0%	61,694	61,694	1988	1.8	1.8	4-storey suburban office building
2755 Broadmoor Blvd., Sherwood Park	100.0%	61,302	61,302	2005	2.9	2.9	2-storey suburban office building
2257 & 2301 Premier Way, Sherwood Park	100.0%	153,299	153,299	2003	8.7	8.7	2-storey suburban office building
2121 & 2181 Premier Way, Sherwood Park	100.0%	151,456	151,456	2005-2006	7.8	7.8	2-storey suburban office building
10199 - 101st Street NW, Edmonton	50.0%[(4)]	121,357	60,679	1985	0.7	0.4	5-storey downtown office building
2220 College Avenue, Regina	100.0%	59,590	59,590	1976	0.6	0.6	7-storey suburban office building
Morgex Building, Edmonton	100.0%	53,000	53,000	1982/1995	4.8	4.8	1-storey suburban office building
Gallery Building, Yellowknife	100.0%	50,150	50,150	2012	0.1	0.1	3-storey office building
Harbour Landing, Phase 2, Regina	100.0%	38,738	38,738	2013	2.3	2.3	3-storey suburban office building
13183 - 146th Street NW, Edmonton	100.0%	38,817	38,817	2005	2.6	2.6	2-storey suburban office building
2400 College Avenue, Regina	100.0%	35,528	35,528	1977	0.5	0.5	5-storey suburban office building
Royal Centre, Saskatoon	100.0%	32,116	32,116	1952	0.7	0.7	Retail component of office/ retail complex
2208 Scarth Street, Regina	100.0%	25,185	25,185	1974	3.2	3.2	2-storey suburban office building
Royal Centre, Saskatoon	100.0%	16,423	16,423	1952	0.3	0.3	4-storey downtown office/ retail complex
2445 - 13th Avenue, Regina	100.0%	16,096	16,096	1975	0.4	0.4	3-storey downtown office building
234 - 1st Avenue South, Saskatoon	100.0%	9,567	9,567	1971	0.7	0.7	4-storey parking garage with grade level retail
Western Canada	**94.4%**	**5,090,016**	**4,805,858**		**105.6**	**95.3**	
Telus Tower, Calgary	50.0%[(3)]	710,243	355,122	1983	1.7	0.9	28-storey downtown office building
IBM Corporate Park, Calgary	100.0%	357,277	357,277	2002	2.4	2.4	One 5-storey and two 6-storey downtown office buildings
840 - 7th Avenue SW, Calgary	100.0%	269,467	269,467	1979/2001	0.4	0.4	20-storey downtown office building
444 - 7th Building, Calgary	100.0%	251,931	251,931	1963/1998	0.8	0.8	10-storey downtown office building
McFarlane Tower, Calgary	100.0%	241,815	241,815	1979/2003	0.7	0.7	18-storey downtown office building
Life Plaza, Calgary	100.0%	236,709	236,709	1980/1992	0.5	0.5	18-storey downtown office building
Rocky Mountain Plaza, Calgary	100.0%	205,254	205,254	1972	0.9	0.9	14-storey downtown office building
Northland Building, Calgary	100.0%	146,600	146,600	1982	0.4	0.4	14-storey downtown office building
606 4th Building & Barclay Parkade, Calgary	100.0%	132,885	132,885	1969/1998	0.3	0.3	14-storey downtown office building and parkade

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Total site area in acres	Owned share of site area in acres	Description of asset
Roslyn Building, Calgary	100.0%	131,763	131,763	1966/2003	0.5	0.5	10-storey downtown office building
Atrium I, Calgary	100.0%	109,793	109,793	1978	0.5	0.5	8-storey downtown office building
Atrium II, Calgary	100.0%	109,392	109,392	1979	0.4	0.4	8-storey downtown office building
510 - 5th Street SW, Calgary	100.0%	109,181	109,181	1981	0.2	0.2	18-storey downtown office building
Joffre Place, Calgary	100.0%	107,261	107,261	1980	0.6	0.6	6-storey downtown office building
Dominion Centre, Calgary	100.0%	99,014	99,014	1979	0.3	0.3	11-storey downtown office building
435 - 4th Avenue SW, Calgary	100.0%	88,737	88,737	1978	0.4	0.4	7-storey downtown office building
1035 - 7th Ave SW, Calgary	100.0%	75,129	75,129	1979/2002	0.6	0.6	6-storey downtown office building
Mount Royal Place, Calgary	100.0%	59,377	59,377	1979/2004	0.5	0.5	6-storey downtown office building
441 - 5th Avenue SW, Calgary	100.0%	59,151	59,151	1973	0.2	0.2	10-storey downtown office building
Calgary Downtown	**89.9%**	**3,500,979**	**3,145,858**		**12.3**	**11.5**	
Franklin Atrium, Calgary	100.0%	149,660	149,660	1981	7.9	7.9	Two 2-storey suburban office buildings
Airport Corporate Centre, Calgary	100.0%	149,327	149,327	2000	-	-	8-storey suburban office building
2891 Sunridge Way, Calgary	100.0%	87,250	87,250	2001	5.1	5.1	3-storey suburban office building
Kensington House, Calgary	100.0%	77,906	77,906	1982/2002 to 2003	0.6	0.6	5-storey suburban office building with grade level retail
3115 - 12th Street NE, Calgary	100.0%	73,541	73,541	1981	2.3	2.3	4-storey suburban office building
14505 Bannister Road, SE, Calgary	100.0%	61,272	61,272	2000	2.2	2.2	3-storey office building
Braithwaite Boyle Centre, Calgary	100.0%	54,846	54,846	1982	0.3	0.3	6-storey suburban office building
Franklin Building, Calgary	100.0%	50,577	50,577	1978/2001	2.6	2.6	2-storey suburban office building
2816 - 11th Street NE, Calgary	100.0%	33,507	33,507	1981	0.9	0.9	3-storey suburban office building
Centre 70, Calgary	15.0%[4]	130,798	19,620	1977	2.0	0.3	8-storey suburban office building
Calgary Suburban	**87.2%**	**868,684**	**757,506**		**23.9**	**22.2**	
Scotia Plaza (40 King Street West), Toronto	66.7%[3]	1,578,741	1,052,547	1989/2011	2.4	1.6	68-storey, 5-storey and 3-storey downtown office buildings with below grade retail concourse
Adelaide Place, Toronto	100.0%	655,230	655,230	1982/2001	2.1	2.1	One 22-storey and one 20-storey downtown office building
State Street Financial Centre, Toronto	100.0%	413,933	413,933	1958/2001	1.3	1.3	17-storey downtown office building
AIR MILES Tower, Toronto	100.0%	322,669	322,669	1992	0.7	0.7	20-storey downtown office building
655 Bay Street, Toronto	100.0%	297,582	297,582	1990	1.3	1.3	17-storey downtown office building
Scotia Plaza (44 King Street West), Toronto	66.7%[3]	401,705	267,817	1951/2011	0.6	0.4	26-storey downtown office building
74 Victoria St/137 Yonge St, Toronto	100.0%	265,812	265,812	1958/1968 and 2011	0.4	0.4	10-storey commercial office building
720 Bay Street, Toronto	100.0%	247,743	247,743	1989	0.6	0.6	11-storey downtown office building
36 Toronto Street, Toronto	100.0%	214,054	214,054	1875/2008 to 2009	0.5	0.5	13-storey downtown office building
18 King Street East, Toronto	100.0%	231,811	231,811	1967/2008 to 2009	0.5	0.5	18-storey downtown office building
330 Bay Street, Toronto	100.0%	161,892	161,892	1926	0.4	0.4	One 16-storey and one 11-storey downtown office building

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Total site area in acres	Owned share of site area in acres	Description of asset
100 Yonge Street, Toronto	66.7%[(3)]	242,645	161,771	1989	0.3	0.2	17-storey downtown office building
20 Toronto St/33 Victoria St, Toronto	100.0%	157,852	157,852	1965/2009 to 2011	0.4	0.4	15-storey commercial office building
8 King Street East, Toronto	100.0%	148,142	148,142	1914/2006 to 2008	0.2	0.2	21-storey downtown office building
250 Dundas Street West, Toronto	100.0%	121,593	121,593	1983	0.6	0.6	8-storey downtown office building
Victory Building, Toronto	100.0%	101,421	101,421	1925/2007 to 2008	0.2	0.2	20-storey downtown office building
425 Bloor Street East, Toronto	100.0%	83,527	83,527	1986	0.6	0.6	5-storey downtown office building
212 King Street West, Toronto	100.0%	73,277	73,277	1908/1980	0.4	0.4	6-storey downtown historical office building
357 Bay Street, Toronto	100.0%	63,529	63,529	1921/2008	0.2	0.2	10-storey downtown office building
360 Bay Street, Toronto	100.0%	57,744	57,744	1955/2007 to 2009	0.1	0.1	10-storey downtown office building
10 King Street East, Toronto	100.0%	57,476	57,476	1965/2010	0.1	0.1	14-storey downtown office building
350 Bay Street, Toronto	100.0%	52,796	52,796	1928/1987	0.1	0.1	13-storey downtown office building
67 Richmond Street West, Toronto	100.0%	50,158	50,158	1940	0.2	0.2	7-storey downtown office building
366 Bay Street, Toronto	100.0%	36,371	36,371	1959/2006 and 2009	0.1	0.1	12-storey downtown office building
49 Ontario Street, Toronto	40.0%[(4)]	87,105	34,842	1972	1.1	0.4	7-storey downtown office building
56 Temperance Street, Toronto	100.0%	32,338	32,338	1984/2008	0.1	0.1	10-storey downtown office building
10 Lower Spadina Avenue, Toronto	40.0%[(4)]	60,255	24,102	1988	0.1	0.0	7-storey downtown office building
83 Yonge Street, Toronto	100.0%	11,504	11,504	1857/2006	0.1	0.1	3-storey downtown office building with grade level retail
Toronto Downtown	**86.7%**	**6,228,905**	**5,399,533**		**15.7**	**13.8**	
5915-5935 Airport Road, Mississauga	100.0%	493,811	493,811	1983	10.5	10.5	11-storey suburban office building
Aviva Corporate Centre, Toronto	100.0%	352,425	352,425	1987	9.8	9.8	3-storey, 2-storey and 7-storey suburban office complex
6655-6725 Airport Road, Mississauga	100.0%	331,372	331,372	1983	12.6	12.6	6-storey and 7-storey suburban office buildings, 1-storey and 2-storey flex buildings
5001 Yonge Street, Toronto	100.0%	308,568	308,568	1992	1.0	1.0	20-storey office building
2075 Kennedy Road, Toronto	100.0%	205,835	205,835	1991	5.4	5.4	13-storey suburban office building
5945-5955 Airport Road, Mississauga	100.0%	177,985	177,985	1981	6.8	6.8	3-storey suburban office complex
50 Burnhamthorpe Road West, Mississauga (Sussex Centre)	49.9%[(4)]	350,997	175,148	1987	2.1	1.0	15-storey suburban office building with retail space
30 Eglinton Avenue West, Mississauga	100.0%	165,012	165,012	1989	6.3	6.3	8-storey suburban office building
401 & 405 The West Mall, Toronto (Commerce West)	40.0%[(4)]	411,842	164,737	1985/2007	4.6	1.8	Two 11-storey suburban office buildings
300, 302 & 304 The East Mall, Toronto (Valhalla Executive Centre)	49.9%[(4)]	326,389	162,868	1973	4.5	2.2	9-storey and two 6-storey suburban office buildings
625 Cochrane Drive, Markham	100.0%	162,792	162,792	1989	5.8	5.8	10-storey suburban office building

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Total site area in acres	Owned share of site area in acres	Description of asset
Valleywood Corporate Centre, Markham	100.0%	154,774	154,774	1990	16.6	16.6	9-storey suburban office building
90 Burnhamthorpe Road West, Mississauga (Sussex Centre)	49.9%[4]	304,750	152,070	1989	0.9	0.5	16-storey suburban office building with retail space
185 The West Mall, Toronto	49.9%[4]	297,292	148,349	1989/2006	9.3	4.6	16-storey suburban office building
2645 Skymark Ave., Mississauga	100.0%	142,436	142,436	1984	6.6	6.6	2-storey suburban office building with warehouse
6299 Airport Road, Mississauga	100.0%	90,779	90,779	1975/2007	2.1	2.1	7-storey suburban office building
1020 Birchmount Road, Toronto	100.0%	87,161	87,161	1952	3.7	3.7	1-storey industrial building
6303 Airport Road, Mississauga	100.0%	80,325	80,325	1979/2007	1.8	1.8	5-storey suburban office building
195 The West Mall, Toronto	49.9%[4]	160,812	80,245	1984	5.1	2.5	11-storey suburban office building
191 The West Mall, Toronto	49.9%[4]	158,260	78,972	1985	5.0	2.5	11-storey suburban office building
586 Argus Road, Oakville	100.0%	74,570	74,570	1992/2011	2.6	2.6	2-storey suburban office building
2810 Matheson Boulevard East, Mississauga	49.9%[4]	140,123	69,921	1989	5.3	2.6	8-storey suburban office building with grade level retail
6509 Airport Road, Mississauga	100.0%	60,000	60,000	1981/2010	2.9	2.9	2-storey suburban office building
2550 Argentia Road, Mississauga	100.0%	51,639	51,639	1987	4.9	4.9	2-storey suburban office building
100 Gough Road, Markham	100.0%	111,840	111,840	1980	9.2	9.2	2-storey suburban data centre
6501 Mississauga Road, Mississauga	40.0%[4]	84,725	33,890	1982	7.6	3.0	1-storey suburban office building
2010 Winston Park Drive, Oakville	40.0%[4]	79,137	31,655	1990	3.8	1.5	5-storey suburban office building
6531 Mississauga Road, Mississauga	40.0%[4]	71,192	28,477	1978	6.5	2.6	1-storey suburban office building
80 Whitehall Drive, Markham	40.0%[4]	60,805	24,322	1990	1.1	0.4	2-storey suburban office building
3035 Orlando Drive, Mississauga	100.0%	16,754	16,754	1991	2.4	2.4	1-storey suburban office building
Toronto Suburban	**76.5%**	**5,514,402**	**4,218,732**		**166.8**	**136.2**	
700 De la Gauchetière Street West, Montréal	100.0%	956,725	956,725	1983/2003 and 2010	1.6	1.6	28-storey downtown office building
445 Opus Industrial Boulevard, Mount Juliet, Nashville	100.0%	717,160	717,160	2010	16.5	16.5	1-storey industrial building
275 Dundas Street West, London (London City Centre)	40.0%[4]	540,933	216,373	1974	2.8	1.1	One 21-storey and one 23-storey downtown office building
200 Chemin Sainte-Foy, Québec City	100.0%	398,351	398,351	1970/2005	0.4	0.4	12-storey office building with parking
Market Square, Kitchener	100.0%	241,341	241,341	1975/1986	4.0	4.0	3-storey downtown office/retail building
100 Frederick Street, Kitchener	100.0%	239,428	239,428	1981/2005	1.8	1.8	10-storey downtown office building
1 Riverside Drive,Windsor	100.0%	235,915	235,915	2002	1.8	1.8	14-storey office building with ground floor podium and below grade retail
50 Queen Street North, Kitchener	100.0%	170,333	170,333	1978/2004	0.9	0.9	11-storey downtown office building
55 King Street West, Kitchener	100.0%	126,075	126,075	1992	1.1	1.1	12-storey downtown office building
235 King Street East, Kitchener	100.0%	100,797	100,797	1977	0.6	0.6	6-storey downtown office building with underground parking
22 Frederick Street, Kitchener	100.0%	95,855	95,855	1973/1999	0.7	0.7	12-storey downtown office building

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Total site area in acres	Owned share of site area in acres	Description of asset
Accelerator Building, Waterloo	100.0%	92,862	92,862	2006	5.5	5.5	3-storey office building
180 Keil Drive South, Chatham	100.0%	36,927	36,927	2005	3.6	3.6	1-storey office building with parking
70 King Street East, Kitchener	100.0%	9,485	9,485	1977/2009	0.9	0.9	1-storey retail restaurant building
2450 Rue Girouard, Saint-Hyacinthe	100.0%	231,500	231,500	1959/1967	5.4	5.4	Two 5-storey office buildings
12800 Foster Street, Overland Park	100.0%	185,178	185,178	2006	10.0	10.0	5-storey office building with parking
400 Cumberland Road, Ottawa	100.0%	174,322	174,322	1972/2000	0.5	0.5	11-storey downtown office building
2200-2204 Walkley Road, Ottawa	100.0%	158,898	158,898	1985	7.1	7.1	One 2-storey and one 5-storey suburban office building
130 Slater Street, Ottawa	100.0%	122,906	122,906	1968	0.4	0.4	13-storey downtown office building
900 Place D'Youville, Québec City	100.0%	122,671	122,671	1956/1988	0.5	0.5	One 9-storey and one 8-storey office building
Gateway Business Park, Ottawa	100.0%	120,995	120,995	1987	6.0	6.0	Three 6-storey suburban office buildings
1125 Innovation Drive, Ottawa	100.0%	115,771	115,771	2000	7.0	7.0	One 3-storey and two 2-storey suburban office buildings
150 Metcalfe Street, Ottawa	100.0%	109,003	109,003	1991	0.2	0.2	22-storey downtown office building
22 Varennes Street, Gatineau	100.0%	107,783	107,783	2001	4.3	4.3	2-storey suburban office building
360 Laurier Avenue West, Ottawa	100.0%	107,298	107,298	1966/2010	0.3	0.3	11-storey downtown office building
580 Rue Grande Allée, Québec City	100.0%	90,777	90,777	1912	1.0	1.0	6-storey office building with parkade
250 King Street, Fredericton	100.0%	80,162	80,162	1999	1.4	1.4	4-storey office building
277 Pleasant Street, Dartmouth	100.0%	76,527	76,527	1971	1.8	1.8	5-storey office building with underground parking
219 Laurier Avenue West, Ottawa	40.0%[4]	187,783	75,113	1965	0.3	0.1	14-storey downtown office building
8550 Newman Boulevard, Montréal	100.0%	66,397	66,397	2001/2005	2.8	2.8	2-storey suburban office building
236 Brownlow Avenue, Dartmouth	100.0%	60,739	60,739	1987	4.2	4.2	1-storey suburban office building
2625 Queensview Drive, Ottawa	100.0%	46,156	46,156	1983	2.7	2.7	2-storey suburban office building
1305 Chemin Sainte-Foy, Québec City	100.0%	36,542	36,542	1957/1991	0.3	0.3	5-storey office building with parking
Seven Capella Court, Ottawa	100.0%	31,362	31,362	2002	1.3	1.3	3-storey suburban office building
111 Ilsley Avenue, Dartmouth	100.0%	27,428	27,428	1983	1.6	1.6	3-storey suburban office building
700 De la Gauchetière Street West, Montréal	79.2%	32,788	25,968	1983/2003 and 2010	1.6	1.3	3-level retail podium
680 Broadway Street, Tillsonburg (Tillsonburg Gateway Centre)	49.9%[4]	47,016	23,461	2003	8.3	4.1	1-storey neighbourhood shopping plaza
141 Saint Jean Street, Québec City	100.0%	22,333	22,333	1920	0.2	0.2	3-storey office/residential building
460 Two Nations Crossing, Fredericton	40.0%[4]	50,945	20,378	2008	3.7	1.5	3-storey suburban office building

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Total site area in acres	Owned share of site area in acres	Description of asset
117 Kearney Lake Road, Halifax	35.0%[4]	36,353	12,724	1994	4.2	1.5	1-storey retail plaza
55 Norfolk Street South, Simcoe	40.0%[4]	12,887	5,155	1987/2000	0.6	0.2	2-storey office/retail complex
Eastern Canada[1]	**91.8%**	**6,424,707**	**5,895,174**		**119.9**	**108.2**	
Total[2]	**87.7%**	**27,627,693**	**24,222,661**		**444.2**	**387.2**	
Redevelopment properties:							
Bellanca Building, Yellowknife	100.0%	52,285	52,285	1973	0.6	0.6	10-storey office building
Redevelopment properties	**100.0%**	**52,285**	**52,285**		**0.6**	**0.6**	
Held for sale properties:							
Capital Centre, Edmonton	25.0%[3]	64,114	16,029	1978	0.9	0.2	2-storey downtown office building
Held for sale properties	**25.0%**	**64,114**	**16,029**		**0.9**	**0.2**	
Total including redevelopment and held for sale properties	**87.6%**	**27,744,092**	**4,290,975**		**445.7**	**388.0**	

(1) Includes properties in southwestern Ontario and U.S.

(2) Excludes redevelopment properties and held for sale properties.

(3) Investment in joint venture.

(4) Co-owned property.

Occupancy by asset

Property	Total GLA in square feet	Owned share of total GLA in square feet	No. of tenants	Average tenant size in square feet	Average lease term remaining in years	Owned share vacant in square feet	Occupancy[1]	Owned share occupancy in square feet
HSBC Bank Place, Edmonton	301,217	301,217	18	15,306	2.66	25,701	91.5%	275,516
Enbridge Place, Edmonton	262,456	262,456	5	52,491	3.93	-	100.0%	262,456
Saskatoon Square, Saskatoon	228,312	228,312	15	14,773	3.39	6,718	97.1%	221,594
Station Tower, Surrey	219,314	219,314	18	11,078	5.20	19,908	90.9%	199,406
1900 Sherwood Place, Regina	185,104	185,104	7	26,443	3.80	-	100.0%	185,104
Milner Building, Edmonton	173,325	173,325	5	34,665	2.85	-	100.0%	173,325
887 Great Northern Way, Vancouver	164,364	164,364	5	32,873	4.03	-	100.0%	164,364
Victoria Tower, Regina	144,165	144,165	2	72,083	3.76	-	100.0%	144,165
Baker Centre, Edmonton	143,994	143,994	24	5,108	3.24	21,405	85.1%	122,589
Princeton Tower, Saskatoon	134,597	134,597	17	7,003	4.98	15,551	88.4%	119,046
340-450 3rd Avenue N., Saskatoon	130,415	130,415	4	24,670	4.48	31,735	75.7%	98,680
HSBC Building, Edmonton	118,406	118,406	20	5,370	1.88	11,016	90.7%	107,390
4259-4299 Canada Way, Burnaby	118,022	118,022	17	4,581	2.14	40,145	66.0%	77,877
13888 Wireless Way, Richmond	116,530	116,530	2	58,265	3.31	-	100.0%	116,530
Highfield Place, Edmonton	104,578	104,578	5	9,874	1.30	55,208	47.2%	49,370
Scotia Centre, Yellowknife	107,797	107,797	14	7,454	7.52	3,446	96.8%	104,351
Richmond Place, Richmond	95,298	95,298	8	11,834	3.98	623	99.3%	94,675
4400 Dominion Street, Burnaby	93,095	93,095	19	4,771	3.58	2,442	97.4%	90,653
2055 Premier Way, Strathcona County	91,137	91,137	12	7,595	3.45	-	100.0%	91,137
Precambrian Building, Yellowknife	92,140	92,140	7	11,337	4.55	12,781	86.1%	79,359
Northwest Tower, Yellowknife	87,994	87,994	14	5,948	4.91	4,719	94.6%	83,275
625 Agnes Street, New Westminster	85,541	85,541	12	5,976	3.41	13,834	83.8%	71,707
2899 Broadmoor Blvd., Strathcona County	82,817	82,817	6	13,803	1.93	-	100.0%	82,817
2693 Broadmoor Blvd., Strathcona County	81,873	81,873	9	8,314	2.17	7,046	91.4%	74,827
1914 Hamilton Street, Regina	82,264	82,264	7	11,752	2.17	-	100.0%	82,264
2665 Renfrew Street, Vancouver	81,662	81,662	1	81,662	5.50	-	100.0%	81,662
350-450 Lansdowne Street, Kamloops[5]	190,773	76,309	30	5,450	4.95	10,913	85.7%	65,396
2833 Broadmoor Blvd., Strathcona County	75,254	75,254	17	3,908	3.49	8,817	88.3%	66,437
2261 Keating Cross Road, Victoria[5]	181,693	72,677	7	21,542	2.66	12,361	83.0%	60,316
Financial Building, Regina	65,764	65,764	3	21,921	1.07	-	100.0%	65,764
4370 Dominion Street, Burnaby	63,930	63,930	8	4,428	3.49	28,507	55.4%	35,423
Preston Centre, Saskatoon	61,867	61,867	13	4,759	5.10	-	100.0%	61,867
960 Quayside Drive, New Westminster	61,694	61,694	12	4,869	1.89	3,272	94.7%	58,422
2755 Broadmoor Blvd., Sherwood Park	61,302	61,302	16	3,831	3.16	-	100.0%	61,302

Property	Total GLA in square feet	Owned share of total GLA in square feet	No. of tenants	Average tenant size in square feet	Average lease term remaining in years	Owned share vacant in square feet	Occupancy[1]	Owned share occupancy in square feet
2257 & 2301 Premier Way, Sherwood Park	153,299	153,299	15	8,856	3.36	20,458	86.7%	132,841
2121 & 2181 Premier Way, Sherwood Park	151,456	151,456	18	8,414	4.66	-	100.0%	151,456
10199 - 101st Street NW, Edmonton[5]	121,357	60,679	1	65,532	2.79	27,913	54.0%	32,767
2220 College Avenue, Regina	59,590	59,590	1	59,590	1.58	-	100.0%	59,590
Morgex Building, Edmonton	53,000	53,000	1	53,000	4.75	-	100.0%	53,000
Gallery Building, Yellowknife	50,150	50,150	2	25,075	7.17	-	100.0%	50,150
Harbour Landing, Phase 2, Regina	38,738	38,738	2	19,369	8.62	-	100.0%	38,738
13183 - 146th Street NW, Edmonton	38,817	38,817	6	6,470	3.29	-	100.0%	38,817
2400 College Avenue, Regina	35,528	35,528	4	8,195	0.84	2,747	92.3%	32,781
Royal Centre, Saskatoon	32,128	32,128	2	16,064	4.25	-	100.0%	32,128
2208 Scarth Street, Regina	25,185	25,185	3	8,032	3.71	1,088	95.7%	24,097
Royal Centre, Saskatoon	16,411	16,411	7	2,344	2.56	-	100.0%	16,411
2445 - 13th Avenue, Regina	16,096	16,096	4	1,799	1.13	8,900	44.7%	7,196
234 - 1st Avenue South, Saskatoon	9,567	9,567	6	1,595	2.14	-	100.0%	9,567
Western Canada	**5,090,016**	**4,805,858**	**451**	**10,266**	**3.68**	**397,254**	**91.7%**	**4,408,605**
Telus Tower, Calgary[4]	710,243	355,122	7	100,968	2.29	1,734	99.5%	353,388
IBM Corporate Park, Calgary	357,277	357,277	10	35,728	3.66	-	100.0%	357,277
840 - 7th Avenue SW, Calgary	269,467	269,467	19	11,105	4.00	58,476	78.3%	210,991
444 - 7th Building, Calgary	251,931	251,931	5	30,467	6.78	99,598	60.5%	152,333
McFarlane Tower, Calgary	241,815	241,815	34	6,918	3.79	6,614	97.3%	235,201
Life Plaza, Calgary	236,709	236,709	35	6,029	2.82	25,706	89.1%	211,003
Rocky Mountain Plaza, Calgary	205,254	205,254	13	14,948	7.04	10,928	94.7%	194,326
Northland Building, Calgary	146,600	146,600	22	5,520	3.85	25,153	82.8%	121,447
606 4th Building & Barclay Parkade, Calgary	132,885	132,885	12	8,441	3.11	31,598	76.2%	101,287
Roslyn Building, Calgary	131,763	131,763	14	9,412	1.76	-	100.0%	131,763
Atrium I, Calgary	109,793	109,793	8	13,724	4.11	-	100.0%	109,793
Atrium II, Calgary	109,392	109,392	13	6,604	4.97	23,542	78.5%	85,850
510 - 5th Street SW, Calgary	109,181	109,181	29	3,759	3.31	158	99.9%	109,023
Joffre Place, Calgary	107,261	107,261	12	7,151	4.75	21,450	80.0%	85,811
Dominion Centre, Calgary	99,014	99,014	6	15,239	3.58	7,581	92.3%	91,433
435 - 4th Avenue SW, Calgary	88,737	88,737	15	5,740	3.80	2,642	97.0%	86,095
1035 - 7th Ave SW, Calgary	75,129	75,129	3	23,903	3.38	3,420	95.4%	71,709
Mount Royal Place, Calgary	59,377	59,377	19	3,125	3.64	-	100.0%	59,377
441 - 5th Avenue SW, Calgary	59,151	59,151	16	3,043	2.88	10,465	82.3%	48,686
Calgary Downtown	**3,500,979**	**3,145,858**	**292**	**10,857**	**3.82**	**329,065**	**89.5%**	**2,816,793**

Property	Total GLA in square feet	Owned share of total GLA in square feet	No. of tenants	Average tenant size in square feet	Average lease term remaining in years	Owned share vacant in square feet	Occupancy[1]	Owned share occupancy in square feet
Franklin Atrium, Calgary	149,660	149,660	8	17,332	3.29	11,001	92.6%	138,659
Airport Corporate Centre, Calgary	149,327	149,327	11	11,609	5.09	21,626	85.5%	127,701
2891 Sunridge Way, Calgary	87,250	87,250	4	21,813	3.92	-	100.0%	87,250
Kensington House, Calgary	77,906	77,906	16	4,783	2.15	1,373	98.2%	76,533
3115 - 12th Street NE, Calgary	73,541	73,541	12	4,757	4.12	16,457	77.6%	57,084
14505 Bannister Road, SE, Calgary	61,272	61,272	4	15,318	5.22	-	100.0%	61,272
Braithwaite Boyle Centre, Calgary	54,846	54,846	7	5,916	2.81	13,437	75.5%	41,409
Franklin Building, Calgary	50,577	50,577	3	16,859	2.93	-	100.0%	50,577
2816 - 11th Street NE, Calgary	33,507	33,507	3	6,111	2.82	15,173	54.7%	18,334
Centre 70, Calgary[5]	130,798	19,620	41	2,720	3.48	2,891	85.3%	16,729
Calgary Suburban	**868,684**	**757,506**	**109**	**7,067**	**3.76**	**81,958**	**89.2%**	**675,548**
Scotia Plaza (40 King Street West), Toronto[4]	1,578,741	1,052,547	65	24,148	8.01	6,090	99.4%	1,046,457
Adelaide Place, Toronto	655,230	655,230	72	8,734	4.23	26,381	96.0%	628,849
State Street Financial Centre, Toronto	413,933	413,933	9	45,993	8.24	-	100.0%	413,933
AIR MILES Tower, Toronto	322,669	322,669	20	15,981	3.93	3,044	99.1%	319,625
655 Bay Street, Toronto	297,582	297,582	23	12,652	4.13	6,579	97.8%	291,003
Scotia Plaza (44 King Street West), Toronto[4]	401,705	267,817	1	401,705	12.50	-	100.0%	267,817
74 Victoria St/137 Yonge St, Toronto	265,812	265,812	5	53,162	5.85	-	100.0%	265,812
720 Bay Street, Toronto	247,743	247,743	1	247,743	6.01	-	100.0%	247,743
36 Toronto Street, Toronto	214,054	214,054	34	6,128	3.78	5,703	97.3%	208,351
18 King Street East, Toronto	231,811	231,811	28	8,277	2.88	54	100.0%	231,757
330 Bay Street, Toronto	161,892	161,892	38	3,533	3.51	27,623	82.9%	134,269
100 Yonge Street, Toronto[4]	242,645	161,771	14	17,302	6.89	283	99.8%	161,488
20 Toronto St/33 Victoria St, Toronto	157,852	157,852	29	5,351	4.97	2,684	98.3%	155,168
8 King Street East, Toronto	148,142	148,142	46	2,865	3.26	16,337	89.0%	131,805
250 Dundas Street West, Toronto	121,593	121,593	19	6,400	4.54	-	100.0%	121,593
Victory Building, Toronto	101,421	101,421	44	2,183	3.62	5,370	94.7%	96,051
425 Bloor Street East, Toronto	83,527	83,527	9	8,066	2.81	10,936	86.9%	72,591
212 King Street West, Toronto	73,277	73,277	10	7,328	8.05	-	100.0%	73,277
357 Bay Street, Toronto	63,529	63,529	25	1,982	2.01	13,973	78.0%	49,556
360 Bay Street, Toronto	57,744	57,744	16	3,243	3.06	5,864	89.8%	51,880
10 King Street East, Toronto	57,476	57,476	21	2,637	3.34	2,100	96.3%	55,376
350 Bay Street, Toronto	52,796	52,796	13	3,747	3.04	4,086	92.3%	48,710
67 Richmond Street West, Toronto	50,158	50,158	5	10,032	2.32	-	100.0%	50,158
366 Bay Street, Toronto	36,371	36,371	11	2,902	2.40	4,453	87.8%	31,918
49 Ontario Street, Toronto[5]	87,105	34,842	2	43,553	3.05	-	100.0%	34,842
56 Temperance Street, Toronto	32,338	32,338	8	3,621	2.26	3,374	89.6%	28,964

Property	Total GLA in square feet	Owned share of total GLA in square feet	No. of tenants	Average tenant size in square feet	Average lease term remaining in years	Owned share vacant in square feet	Occupancy[1]	Owned share occupancy in square feet
10 Lower Spadina Avenue, Toronto[5]	60,255	24,102	6	9,901	3.29	340	98.6%	23,762
83 Yonge Street, Toronto	11,504	11,504	4	2,876	5.15	-	100.0%	11,504
Toronto Downtown	**6,228,905**	**5,399,533**	**578**	**10,519**	**5.77**	**145,274**	**97.3%**	**5,254,259**
5915-5935 Airport Road, Mississauga	493,811	493,811	50	7,283	4.78	129,682	73.7%	364,129
Aviva Corporate Centre, Toronto	352,425	352,425	9	39,158	2.72	-	100.0%	352,425
6655-6725 Airport Road, Mississauga	331,372	331,372	9	36,819	1.56	-	100.0%	331,372
5001 Yonge Street, Toronto	308,568	308,568	20	15,301	3.27	2,547	99.2%	306,021
2075 Kennedy Road, Toronto	205,835	205,835	11	16,568	2.53	23,590	88.5%	182,245
5945-5955 Airport Road, Mississauga	177,985	177,985	33	3,870	4.59	50,286	71.7%	127,699
50 Burnhamthorpe Road West, Mississauga[5]	350,997	175,148	33	9,168	5.32	24,178	86.2%	150,970
30 Eglinton Avenue West, Mississauga	165,012	165,012	39	3,504	3.89	28,359	82.8%	136,653
401 & 405 The West Mall, Toronto[5]	411,842	164,737	23	17,906	4.17	-	100.0%	164,737
300, 302 & 304 The East Mall, Toronto[5]	326,389	162,868	25	11,340	4.66	21,396	86.9%	141,472
625 Cochrane Drive, Markham	162,792	162,792	13	12,522	4.05	-	100.0%	162,792
Valleywood Corporate Centre, Markham	154,774	154,774	13	11,490	3.45	5,408	96.5%	149,366
90 Burnhamthorpe Road West, Mississauga[5]	304,750	152,070	18	13,690	5.80	29,106	80.9%	122,964
185 The West Mall, Toronto[5]	297,292	148,349	21	12,772	4.02	14,509	90.2%	133,840
2645 Skymark Ave., Mississauga	142,436	142,436	2	42,282	6.62	57,872	59.4%	84,564
6299 Airport Road, Mississauga	90,779	90,779	24	3,256	4.97	12,633	86.1%	78,146
1020 Birchmount Road, Toronto	87,161	87,161	1	87,161	4.00	-	100.0%	87,161
6303 Airport Road, Mississauga	80,325	80,325	9	8,606	6.04	2,869	96.4%	77,456
195 The West Mall, Toronto[5]	160,812	80,245	1	160,812	6.01	-	100.0%	80,245
191 The West Mall, Toronto[5]	158,260	78,972	8	18,467	4.39	5,253	93.3%	73,719
586 Argus Road, Oakville	74,570	74,570	5	14,914	2.49	-	100.0%	74,570
2810 Matheson Boulevard East, Mississauga[5]	140,123	69,921	9	14,312	5.96	5,645	91.9%	64,276
6509 Airport Road, Mississauga	60,000	60,000	1	60,000	6.01	-	100.0%	60,000
2550 Argentia Road, Mississauga	51,639	51,639	16	2,690	4.61	8,603	83.3%	43,036
100 Gough Road, Markham	111,840	111,840	1	111,840	1.67	-	100.0%	111,840
6501 Mississauga Road, Mississauga[5]	84,725	33,890	22	3,172	2.71	5,981	82.4%	27,909
2010 Winston Park Drive, Oakville[5]	79,137	31,655	9	6,621	3.47	7,819	75.3%	23,836
6531 Mississauga Road, Mississauga[5]	71,192	28,477	18	2,866	3.33	7,845	72.5%	20,632

Property	Total GLA in square feet	Owned share of total GLA in square feet	No. of tenants	Average tenant size in square feet	Average lease term remaining in years	Owned share vacant in square feet	Occupancy[1]	Owned share occupancy in square feet
80 Whitehall Drive, Markham[5]	60,805	24,322	2	30,403	4.26	-	100.0%	24,322
3035 Orlando Drive, Mississauga	16,754	16,754	1	16,754	7.42	-	100.0%	16,754
Toronto Suburban	**5,514,402**	**4,218,732**	**446**	**11,071**	**3.90**	**443,581**	**89.5%**	**3,775,151**
700 De la Gauchetière Street West, Montréal	956,725	956,725	14	67,018	6.16	18,472	98.1%	938,253
445 Opus Industrial Boulevard, Mount Juliet, Nashville	717,160	717,160	1	717,160	11.25	-	100.0%	717,160
275 Dundas Street West, London[5]	540,933	216,373	21	24,444	7.23	11,047	94.9%	205,326
200 Chemin Sainte-Foy, Québec City	398,351	398,351	2	199,176	15.33	-	100.0%	398,351
Market Square, Kitchener	241,341	241,341	20	11,910	3.87	3,135	98.7%	238,206
100 Frederick Street, Kitchener	239,428	239,428	15	13,617	3.70	35,176	85.3%	204,252
1 Riverside Drive,Windsor	235,915	235,915	7	28,557	6.92	36,015	84.7%	199,900
50 Queen Street North, Kitchener	170,333	170,333	12	12,975	2.78	14,632	91.4%	155,701
55 King Street West, Kitchener	126,075	126,075	12	9,514	4.31	11,904	90.6%	114,171
235 King Street East, Kitchener	100,797	100,797	3	25,694	4.55	23,716	76.5%	77,081
22 Frederick Street, Kitchener	95,855	95,855	16	4,586	2.78	22,480	76.5%	73,375
Accelerator Building, Waterloo	92,862	92,862	4	23,216	7.41	-	100.0%	92,862
180 Keil Drive South, Chatham	36,927	36,927	1	36,927	3.33	-	100.0%	36,927
70 King Street East, Kitchener	9,485	9,485	1	9,485	4.29	-	100.0%	9,485
2450 Rue Girouard, Saint-Hyacinthe	231,500	231,500	1	231,500	11.23	-	100.0%	231,500
12800 Foster Street, Overland Park	185,178	185,178	1	185,178	5.92	-	100.0%	185,178
400 Cumberland Road, Ottawa	174,322	174,322	3	58,107	2.02	-	100.0%	174,322
2200-2204 Walkley Road, Ottawa	158,898	158,898	3	52,966	2.74	-	100.0%	158,898
130 Slater Street, Ottawa	122,906	122,906	25	4,451	3.44	11,625	90.5%	111,281
900 Place D'Youville, Québec City	122,671	122,671	4	30,109	10.25	2,237	98.2%	120,434
Gateway Business Park, Ottawa	120,995	120,995	38	3,151	4.11	1,253	99.0%	119,742
1125 Innovation Drive, Ottawa	115,771	115,771	4	28,943	6.05	-	100.0%	115,771
150 Metcalfe Street, Ottawa	109,003	109,003	22	4,827	3.62	2,814	97.4%	106,189
22 Varennes Street, Gatineau	107,783	107,783	1	107,783	2.84	-	100.0%	107,783
360 Laurier Avenue West, Ottawa	107,298	107,298	7	15,328	3.19	-	100.0%	107,298
580 Rue Grande Allée, Québec City	90,777	90,777	16	3,938	2.09	27,776	69.4%	63,001
250 King Street, Fredericton	80,162	80,162	3	26,721	4.75	-	100.0%	80,162
277 Pleasant Street, Dartmouth	76,527	76,527	5	12,868	3.27	12,188	84.1%	64,339
219 Laurier Avenue West, Ottawa[5]	187,783	75,113	5	37,557	1.44	-	100.0%	75,113
8550 Newman Boulevard, Montréal	66,397	66,397	6	9,440	2.01	9,759	85.3%	56,638
236 Brownlow Avenue, Dartmouth	60,739	60,739	1	21,430	2.00	39,309	35.3%	21,430
2625 Queensview Drive, Ottawa	46,156	46,156	5	9,231	3.60	-	100.0%	46,156
1305 Chemin Sainte-Foy, Québec City	36,542	36,542	8	3,556	7.99	8,091	77.9%	28,451
Seven Capella Court, Ottawa	31,362	31,362	1	31,362	0.33	-	100.0%	31,362
111 Ilsley Avenue, Dartmouth	27,428	27,428	5	4,721	1.90	3,822	86.1%	23,606

Property	Total GLA in square feet	Owned share of total GLA in square feet	No. of tenants	Average tenant size in square feet	Average lease term remaining in years	Owned share vacant in square feet	Occupancy[1]	Owned share occupancy in square feet
700 De la Gauchetière Street West, Montréal	32,788	25,968	25	932	4.37	7,521	71.0%	18,447
680 Broadway Street, Tillsonburg[5]	47,016	23,461	4	11,754	8.16	-	100.0%	23,461
141 Saint Jean Street, Québec City	22,333	22,333	3	7,444	0.58	-	100.0%	22,333
460 Two Nations Crossing, Fredericton[5]	50,945	20,378	1	50,945	13.59	-	100.0%	20,378
117 Kearney Lake Road, Halifax[5]	36,353	12,724	13	2,555	3.85	1,097	91.4%	11,627
55 Norfolk Street South, Simcoe[5]	12,887	5,155	1	12,887	2.16	-	100.0%	5,155
Eastern Canada[2]	**6,424,707**	**5,895,174**	**340**	**17,941**	**6.66**	**304,069**	**94.8%**	**5,591,105**
Total[3]	**27,627,693**	**24,222,661**	**2,216**	**11,592**	**4.96**	**1,701,201**	**93.0%**	**22,521,461**

(1) Occupancy includes in-place and committed.

(2) Includes properties in southwestern Ontario and U.S.

(3) Excludes redevelopment properties and held for sale properties.

(4) Investment in joint venture.

(5) Co-owned property.

Largest tenants by GLA

Tenant	Owned area of total GLA in square feet	Properties	City	Province
Government of Canada	1,423,259	2 Properties	Yellowknife	Northwest Territories
		1 Property	Surrey	British Columbia
		1 Property	New Westminster	British Columbia
		4 Properties	Saskatoon	Saskatchewan
		1 Property	Regina	Saskatchewan
		3 Properties	Calgary	Alberta
		2 Properties	Edmonton	Alberta
		4 Properties	Toronto	Ontario
		3 Properties	Kitchener	Ontario
		6 Properties	Ottawa	Ontario
		1 Property	Gatineau	Québec
		1 Property	Windsor	Ontario
Bank of Nova Scotia	984,404	1 Property	Yellowknife	Northwest Territories
		1 Property	Calgary	Alberta
		2 Properties	Saskatoon	Saskatchewan
		7 Properties	Toronto	Ontario
		1 Property	Markham	Ontario
		2 Properties	Mississauga	Ontario
		2 Properties	Kitchener	Ontario
Nissan North America Inc.	717,160	445 Opus Industrial Boulevard	Mount Juliet	Tennessee, U.S.
Government of Ontario	670,003	7 Properties	Toronto	Ontario
		1 Property	Ottawa	Ontario
		1 Property	Kitchener	Ontario
Government of Québec	663,922	1 Property	Montreal	Quebec
		4 Properties	Québec City	Quebec
Bell Canada	376,694	Northwest Tower	Yellowknife	Northwest Territories
		350-450 Lansdowne	Kamloops	British Columbia
		Enbridge Place	Edmonton	Alberta
		Scotia Plaza	Toronto	Ontario
		Gateway Business Park	Ottawa	Ontario
		700 De la Gauchetière Street West	Montréal	Québec
Government of Saskatchewan	343,001	6 Properties	Regina	Saskatchewan
		1 Property	Saskatoon	Saskatchewan
Aviva Canada Inc.	335,900	HSBC Bank Place	Edmonton	Alberta
		2200-2206 Eglinton Avenue East	Toronto	Ontario
Government of Alberta	304,079	8 Properties	Calgary	Alberta
		3 Properties	Edmonton	Alberta
Telus	287,803	2261 Keating Cross Road	Victoria	British Columbia
		Telus Tower	Calgary	Alberta
Government of British Columbia	287,747	Station Tower	Surrey	British Columbia
		2 Properties	New Westminster	British Columbia
		4370 Dominion Street	Burnaby	British Columbia
		Richmond Place	Richmond	British Columbia
		2261 Keating Cross Road	Victoria	British Columbia
		350-450 Lansdowne	Kamloops	British Columbia
Intact Financial Corporation	263,214	IBM Corporate Park	Calgary	Alberta
		2450 Girouard Street West	Saint-Hyacinthe	Québec
Enbridge Pipelines Inc.	248,577	Enbridge Place	Edmonton	Alberta
State Street Trust Company	244,936	State Street Financial Centre	Toronto	Ontario
		18 King Street East	Toronto	Ontario

Tenant	Owned area of total GLA in square feet	Properties	City	Province
Winners Merchants International	219,685	1 Property	Toronto	Ontario
		2 Properties	Mississauga	Ontario
TD Canada Trust	209,400	Saskatoon Square	Saskatoon	Saskatchewan
		1914 Hamilton Street	Regina	Saskatchewan
		300, 302 & 304 The East Mall	Toronto	Ontario
		55 King Street West	Kitchener	Ontario
		275 Dundas Street West	London	Ontario
SNC-Lavalin Inc.	207,351	1 Property	Yellowknife	Northwest Territories
		1 Property	Calgary	Alberta
		4 Properties	Toronto	Ontario
Loyalty Management	194,018	AIR MILES Tower	Toronto	Ontario
Newalta Corporation	187,297	3 Properties	Calgary	Alberta
U.S. Bank National Association	185,178	12800 Foster Street	Overland Park	Kansas, U.S.
IBM Canada Ltd.	170,379	IBM Corporate Park	Calgary	Alberta
		100 Gough Road	Markham	Ontario
		5001 Yonge Street	Toronto	Ontario
ATCO Group	168,169	2 Properties	Edmonton	Alberta
AON Canada Inc.	166,609	700 De la Gauchetière Street West	Montréal	Québec
Dream Office Management Corp.	160,096	2 Properties	Yellowknife	Northwest Territories
		1 Property	Surrey	British Columbia
		1 Property	New Westminster	British Columbia
		1 Property	Richmond	British Columbia
		2 Properties	Saskatoon	Saskatchewan
		1 Property	Regina	Saskatchewan
		5 Properties	Calgary	Alberta
		2 Properties	Edmonton	Alberta
		5 Properties	Toronto	Ontario
		1 Property	Ottawa	Ontario
		4 Properties	Mississauga	Ontario
		4 Properties	Kitchener	Ontario
		1 Property	Windsor	Ontario
		1 Property	Montréal	Québec
The City of Edmonton	156,106	HSBC Bank Place	Edmonton	Alberta
Government of Northwest Territories	142,202	3 Properties	Yellowknife	Northwest Territories
Cenovus Energy Inc.	140,605	Rocky Mountain Plaza	Calgary	Alberta
Miller Thomson	137,149	Valleywood Corporate Centre	Markham	Ontario
		Accelerator Building	Waterloo	Ontario
		Scotia Plaza	Toronto	Ontario
Daimler Chrysler Canada Inc.	132,500	1 Riverside Drive	Windsor	Ontario
Borell Management	124,795	Scotia Plaza	Toronto	Ontario
Nautilus Fitness & Racquet Centre	117,893	Market Square	Kitchener	Ontario
		5 Properties	Toronto	Ontario
Conex Rental Corp & Flint Energy	113,801	2 Properties	Edmonton	Alberta
Hatch Optima Ltd.	110,383	840 - 7th Avenue SW	Calgary	Alberta
International Financial Data Services	107,490	State Street Financial Centre	Toronto	Ontario
Stantec Consulting Ltd.	103,851	Station Tower	Surrey	British Columbia
		Market Square	Kitchener	Ontario
		2261 Keating Cross Road	Victoria	British Columbia
Minacs Worldwide Inc.	103,658	6655-6725 Airport Road	Mississauga	Ontario
		180 Keil Drive South	Chatham	Ontario
Government of New Brunswick	100,540	2 Properties	Fredericton	New Brunswick
Total	**10,609,854**			

Largest tenants by annualized gross rent

(Includes all tenants where projected annualized gross contract rent exceeds $1.0 million)

Rank	Tenant	Cumulative gross revenue
	$2.5 million or greater:	$385.5 million
1.	Bank of Nova Scotia	
2.	Government of Canada	
3.	Government of Ontario	
4.	Bell Canada	
5.	Government of Québec	
6.	Telus	
7.	Enbridge Pipelines Inc.	
8.	State Street Trust Company	
9.	Government of Saskatchewan	
10.	Government of British Columbia	
11.	Government of Alberta	
12.	Newalta Corporation	
13.	Aviva Canada Inc.	
14.	Borell Management	
15.	Loyalty Management	
16.	SNC-Lavalin Inc.	
17.	Dream Office Management Corp.	
18.	Miller Thomson	
19.	Government of Northwest Territories	
20.	Cenovus Energy	
21.	Winners Merchants International	
22.	Cassels Brock Blackwell	
23.	ATCO Group	
24.	Daimler Chrysler Canada Inc.	
25.	IBM Canada Ltd.	
26.	TD Canada Trust	
27.	The City of Edmonton	
28.	AON Canada Inc.	
29.	Penn West Energy Trust	
30.	International Financial Data Services	
31.	Hatch Optima Ltd.	
32.	U.S. Bank National Association	
33.	Intact Financial Corporation	
34.	Discovery Parks Holdings Ltd.	
35.	Medcan Health Management Inc.	
36.	Nissan North America Inc.	
37.	Nautilus Fitness & Racquet Centre	
38.	Royal Bank of Canada	
39.	Co-operators Life Insurance	
40.	The Art Institute of Vancouver	
41.	Stantec Consulting Ltd.	
42.	CIBC	
43.	Sage Software Canada Ltd.	
44.	Bank of Montreal	
45.	Carswell	
	Between $1.0 million and $2.5 million:	$109.2 million
46.	National Bank of Canada	
47.	Conex Rental	
48.	BDO Dunwoody	
49.	Gemini Corporation	
50.	Agence Metropolitaine de Transport	
51.	Ensign Resource Service Group	
52.	CB Richard Ellis Limited	
53.	Minacs Worldwide Inc.	
54.	Livingston International Inc.	
55.	Great West Life Assurance Co.	
56.	Rogers Communication Inc.	
57.	DBRS	
58.	Bereskin & Parr Management	
59.	MCAP Services Corporation	
60.	Encana Corporation	
61.	Government of Nova Scotia	
62.	Raymond James Ltd.	
63.	Mark Anthony Group	
64.	Maple Leaf Foods	
65.	Government of New Brunswick	
66.	Delcan Corporation	
67.	Cardinia Real Estate Canada Inc.	
68.	Visa Canada	
69.	Reg. Municipality of Waterloo	
70.	Canadian Energy Services LP	
71.	CGI Group	
72.	AMEC Americas Ltd Energy	
73.	Edward D. Jones & Co.	
74.	Canadian Western Bank	
75.	Saskatchewan Telecommunication	
76.	International Civil Aviation Organization	
77.	Conexus Credit Union	
78.	Gardiner Roberts	
79.	Toronto Central Community Care	
80.	CAE Professional Services Inc.	
81.	Johnson Inc.	
82.	Trident Exploration Corp.	
83.	Standard Lands Co Inc.	
84.	Care Factor Computer Services	
85.	Yellow Pages	
86.	Stewart Weir and Co.	
87.	Wells Fargo Foothill Canada	
88.	Exchange Solutions Inc.	
89.	Dutton Brock	
90.	GCAN Insurance Company	
91.	Jardine Lloyd Thompson Canada	
92.	IBI Leaseholds	
93.	Bantrel	
94.	MKRT Management Corporation	

Rank	Tenant	Cumulative gross revenue	Rank	Tenant	Cumulative gross revenue
			95.	IMV Projects Inc.	
			96.	Precision Drilling Corp	
			97.	BHP Billiton Diamonds	
			98.	Wardrop Engineering Inc.	
			99.	Wawanesa Mutual Insurance	
			100.	MLT Management Inc.	
			101.	Technicolor Creative Services	
			102.	Cambridge Mercantile Corp.	
			103.	Ontario Bar Association	
			104.	Family Guidance Group Inc.	
			105.	HSBC Bank Canada	
			106.	Lafarge Canada Inc.	
			107.	Trader Corporation	
			108.	Lindt & Sprungli (Canada), Inc.	
			109.	The Insurance Institute of Canada	
			110.	Sun Life Assurance Company	
			111.	Connor, Clark & Lunn Financial	
			112.	City of Windsor	
			113.	Gilliland, Gold, Young Consulting Inc.	
			114.	Smart & Biggar Management	
			115.	Tartan Engineering	
			116.	The Record	
			117.	Inmet Mining Corporation	

All tenants with annualized owned rent in excess of $2.5 million:

Total annualized owned net rental income	$208.1 million
Total annualized owned gross rental income	$385.5 million
Total GLA in square feet (owned share)	11,191,536
Average base rent (PSF)	$18.60
Average recoveries (PSF)	$15.85

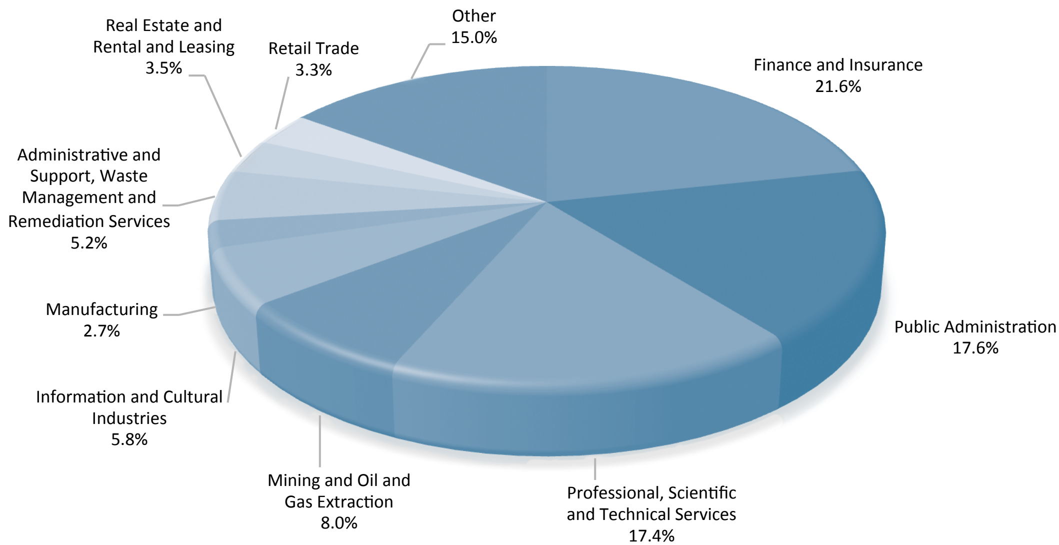
Entire owned portfolio:

Total annualized owned net rental income	$410.4 million
Total annualized owned gross rental income	$781.9 million
Total occupied and committed GLA in square feet	22,521,461
Average base rent (PSF)	$18.22
Average recoveries (PSF)	$16.50

Portfolio tenant base (by NAICS codes)

Sector	By GLA	By contractual rent
Finance and Insurance	19.7%	21.6%
Public Administration	18.1%	17.5%
Professional, Scientific and Technical Services	17.3%	17.4%
Mining and Oil and Gas Extraction	6.5%	8.0%
Information and Cultural Industries	6.2%	5.8%
Manufacturing	5.6%	2.7%
Administrative and Support, Waste Management and Remediation Services	5.3%	5.2%
Real Estate and Rental and Leasing	3.0%	3.5%
Retail Trade	3.0%	3.3%
Other	15.3%	15.0%
Total	**100.0%**	**100.0%**

By contractual rent



Management's responsibility for the consolidated financial statements

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dream Office 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 when appropriate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. 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
Chief Executive Officer

Mario Barrafato
Chief Financial Officer

Toronto, Ontario, February 19, 2015

Independent auditor's report

To the Unitholders of Dream Office Real Estate Investment Trust

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

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Opinion

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario, February 19, 2015

Consolidated balance sheets

(in thousands of Canadian dollars)	Notes	**December 31, 2014**	December 31, 2013
Assets			
NON-CURRENT ASSETS			
Investment properties	8	**$ 6,139,070**	$ 6,241,685
Investment in Dream Industrial REIT	9	**191,691**	166,317
Investment in joint ventures	10	**553,141**	527,255
Other non-current assets	11	**106,803**	104,822
		6,990,705	7,040,079
CURRENT ASSETS			
Amounts receivable	12	**16,565**	28,476
Prepaid expenses and other assets		**8,593**	9,450
Cash and cash equivalents		**10,920**	31,017
		36,078	68,943
Assets held for sale	20	**2,968**	15,921
Total assets		**$ 7,029,751**	$ 7,124,943
Liabilities			
NON-CURRENT LIABILITIES			
Debt	13	**$ 2,731,506**	$ 2,884,481
Subsidiary redeemable units	14	**15,151**	101,978
Deferred Unit Incentive Plan	15	**17,082**	18,535
Deferred tax liabilities, net	23	**6,183**	5,167
Other non-current liabilities	16	**18,935**	18,867
		2,788,857	3,029,028
CURRENT LIABILITIES			
Debt	13	**365,855**	264,535
Amounts payable and accrued liabilities	17	**97,522**	108,242
		463,377	372,777
Total liabilities		**3,252,234**	3,401,805
Equity			
Unitholders’ equity	19	**3,171,794**	3,039,189
Retained earnings	19	**601,495**	682,265
Accumulated other comprehensive income	19, 27	**4,228**	1,684
Total equity	19	**3,777,517**	3,723,138
Total liabilities and equity		**$ 7,029,751**	$ 7,124,943

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Trustees of Dream Office Real Estate Investment Trust:

JOANNE FERSTMAN
Trustee

MICHAEL J. COOPER
Trustee

Consolidated statements of comprehensive income

(in thousands of Canadian dollars)	Note	Year ended December 31, 2014	2013
Investment properties revenue		**$ 705,279**	$ 687,172
Investment properties operating expenses		**(303,771)**	(295,672)
Net rental income		**401,508**	391,500
Other income			
Share of net income and dilution gain (loss) from investment in Dream Industrial REIT	9	**15,965**	15,697
Share of net income from investment in joint ventures	10	**37,611**	84,382
Interest and fee income		**3,199**	4,635
		56,775	104,714
Other expenses			
General and administrative	25	**(24,393)**	(23,859)
Interest:			
Debt	21	**(134,952)**	(130,169)
Subsidiary redeemable units	21	**(4,638)**	(7,897)
Amortization of external management contracts and depreciation on property and equipment		**(2,970)**	(2,527)
		(166,953)	(164,452)
Fair value adjustments, net gains (losses) on transactions and other activities			
Fair value adjustments to investment properties	8	**(124,303)**	85,745
Fair value adjustments to financial instruments	22	**2,749**	34,840
Net gains (losses) on transactions and other activities	32	**(9,848)**	(6,992)
		(131,402)	113,593
Income before income taxes		**159,928**	445,355
Deferred income taxes	23	**(638)**	(344)
Net income for the year		**159,290**	445,011
Other comprehensive income (loss)			
Items that will be reclassified subsequently to net income:			
Unrealized gain (loss) on interest rate swaps	27	**(666)**	39
Unrealized foreign currency translation gain	27	**3,210**	1,942
		2,544	1,981
Comprehensive income for the year		**$ 161,834**	$ 446,992

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

(in thousands of Canadian dollars, except for number of units)

		Attributable to unitholders of the Trust				
Year ended December 31, 2014	Note	Number of REIT A Units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income	Total equity
Balance at January 1, 2014		**103,420,221**	**$ 3,039,189**	**$ 682,265**	**$ 1,684**	**$ 3,723,138**
Net income for the year		**-**	**-**	**159,290**	**-**	**159,290**
Distributions paid	18	**-**	**-**	**(219,667)**	**-**	**(219,667)**
Distributions payable	18	**-**	**-**	**(20,393)**	**-**	**(20,393)**
Distribution Reinvestment Plan	19	**2,236,530**	**63,248**	**-**	**-**	**63,248**
Unit Purchase Plan	19	**4,765**	**135**	**-**	**-**	**135**
Deferred units exchanged for REIT A Units	15	**157,608**	**4,338**	**-**	**-**	**4,338**
REIT B Units exchanged for REIT A Units	19	**2,936,023**	**85,350**	**-**	**-**	**85,350**
Cancellation of REIT A Units	19	**(832,200)**	**(20,924)**	**-**	**-**	**(20,924)**
Conversion of debentures	19	**13,628**	**500**	**-**	**-**	**500**
Conversion feature on converted debentures		**-**	**(7)**	**-**	**-**	**(7)**
Issue costs		**-**	**(35)**	**-**	**-**	**(35)**
Other comprehensive income	27	**-**	**-**	**-**	**2,544**	**2,544**
Balance at December 31, 2014		**107,936,575**	**$ 3,171,794**	**$ 601,495**	**$ 4,228**	**$ 3,777,517**

		Attributable to unitholders of the Trust				
Year ended December 31, 2013	Note	Number of REIT A Units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance at January 1, 2013		97,634,941	$ 2,829,662	$ 467,034	$ (297)	$ 3,296,399
Net income for the year		-	-	445,011	-	445,011
Distributions paid	18	-	-	(210,287)	-	(210,287)
Distributions payable	18	-	-	(19,493)	-	(19,493)
Public offering of REIT A Units	19	6,353,750	230,006	-	-	230,006
Distribution Reinvestment Plan	19	1,509,148	47,899	-	-	47,899
Unit Purchase Plan	19	12,212	429	-	-	429
Deferred units exchanged for REIT A Units	15	44,970	1,641	-	-	1,641
Cancellation of REIT A Units	19	(2,134,800)	(60,665)	-	-	(60,665)
Issue costs		-	(9,783)	-	-	(9,783)
Other comprehensive income	27	-	-	-	1,981	1,981
Balance at December 31, 2013		103,420,221	$ 3,039,189	$ 682,265	$ 1,684	$ 3,723,138

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)	Notes	Year ended December 31, 2014	2013
Generated from (utilized in) operating activities			
Net income for the year		**$ 159,290**	$ 445,011
Non-cash items:			
Share of net income and dilution gain (loss) from investment in Dream Industrial REIT	9	**(15,965)**	(15,697)
Share of net income from investment in joint ventures	10	**(37,611)**	(84,382)
Amortization and depreciation	26	**11,287**	5,399
Fair value adjustments to investment properties	8	**124,303**	(85,745)
Fair value adjustments to financial instruments	22	**(2,749)**	(34,840)
Other adjustments	26	**3,081**	(1,933)
Investment in lease incentives and initial direct leasing costs		**(49,116)**	(31,034)
Interest paid on subsidiary redeemable units	21, 26	**5,186**	7,524
Change in non-cash working capital	26	**5,648**	(9,066)
		203,354	195,237
Generated from (utilized in) investing activities			
Investment in building improvements		**(31,255)**	(26,903)
Acquisition of investment properties	7	**-**	(485,060)
Acquisition deposits on investment properties		**-**	(15,813)
Acquisition of equity accounted investments		**-**	(33,021)
Net proceeds from disposal of investment properties		**14,957**	11,469
Net proceeds from disposal of equity accounted investments		**12,843**	-
Investment in property and equipment		**(1,367)**	(4,876)
Distributions from investment in Dream Industrial REIT		**11,795**	10,345
Net distributions from investment in joint ventures		**11,725**	2,700
Repayment of promissory notes receivable		**-**	42,000
Change in restricted cash		**(942)**	(452)
		17,756	(499,611)
Generated from (utilized in) financing activities			
Borrowings	13	**460,054**	1,197,881
Principal repayments	13	**(67,135)**	(65,837)
Lump sum repayments	13	**(427,501)**	(788,269)
Financing costs	13	**(3,007)**	(4,492)
Distributions paid on Units	18	**(175,912)**	(180,444)
Interest paid on subsidiary redeemable units	21, 26	**(5,186)**	(7,524)
Cancellation of REIT A Units	19	**(20,924)**	(60,665)
REIT A Units issued for cash	19	**135**	230,435
Debt settlement and REIT A Units issue costs		**(1,927)**	(9,783)
		(241,403)	311,302
Increase (decrease) in cash and cash equivalents		**(20,293)**	6,928
Foreign exchange gain on cash held in foreign currency		**196**	75
Cash and cash equivalents, beginning of year		**31,017**	24,014
Cash and cash equivalents, end of year		**$ 10,920**	$ 31,017

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

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

Note 1

ORGANIZATION

Dream Office Real Estate Investment Trust ("Dream Office REIT" or the "Trust"), formerly known as Dundee REIT, is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The consolidated financial statements of Dream Office REIT include the accounts of Dream Office REIT and its consolidated subsidiaries. Dream Office REIT's portfolio comprises office properties located in urban centres across Canada and the United States ("U.S."). A subsidiary of Dream Office REIT performs the property management function.

The Trust's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol "D.UN". Dream Office REIT's consolidated financial statements for the year ended December 31, 2014 were authorized for issuance by the Board of Trustees on February 19, 2015, after which they may only be amended with the Board of Trustees' approval.

For simplicity, throughout the Notes, reference is made to the units of the Trust as follows:

- "REIT A Units", meaning the REIT Units, Series A
- "REIT B Units", meaning the REIT Units, Series B
- "REIT Units", meaning the REIT Units, Series A, and REIT Units, Series B, collectively
- "Units", meaning REIT Units, Series A, REIT Units, Series B, and Special Trust Units, collectively
- "subsidiary redeemable units", meaning the LP Class B Units, Series 1, limited partnership units of Dream Office LP (formerly known as Dundee Properties Limited Partnership)

At December 31, 2014 and December 31, 2013, Dream Unlimited Corp., indirectly through its subsidiaries, held 773,939 REIT A Units and 383,823 subsidiary redeemable units.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of presentation and statement of compliance

The 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 consolidation

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

Equity accounted investments

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

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

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

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

Joint arrangements

The Trust enters into joint arrangements via joint operations and joint ventures. A joint arrangement is a contractual arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control, and that is referred to as joint operations. Joint arrangements that involve the establishment of a separate entity in which each party to the venture has rights to the net assets of the arrangements are referred to as joint ventures. In a co-ownership arrangement the Trust owns jointly one or more investment properties with another party and has direct rights to the investment property, and obligations for the liabilities relating to the co-ownership.

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

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 and include office properties held to earn rental income and/or for capital appreciation and properties that are being constructed or developed for future use as investment properties. Subsequent to initial recognition, investment properties are accounted for at fair value. Investment properties and properties under development are measured at fair value, determined based on available market evidence, at the consolidated balance sheet dates. Related fair value gains and losses are recorded in comprehensive income in the period in which they arise. The fair value of each investment property is based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the consolidated balance sheet dates, less future estimated cash outflows in respect of such properties. To determine fair value, the Trust first considers whether it can use current prices in an active market for a similar property in the same location and condition, which is 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 that using the income approach is more appropriate. The income approach is one in which the fair value is estimated by capitalizing the net rental income that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from the overall capitalization rate method, whereby the net operating income is capitalized at the requisite overall capitalization rate. Active properties under development are measured using a discounted cash flow model, net of costs to complete, as of the consolidated balance sheet dates. Development sites in the planning phases are measured using comparable market prices for similar assets.

The initial cost of properties under development includes the acquisition cost of the property, direct development costs, realty taxes and borrowing costs directly attributable to properties under development. Borrowing costs associated with direct expenditures on properties under development are capitalized. The amount of capitalized borrowing costs is determined first by reference to project-specific borrowings, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of the development until the date of practical completion when the property is substantially ready for its intended use or sale. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Practical completion is when the property is capable of operating in the manner intended by management. Generally, this occurs on completion of construction and receipt of all necessary occupancy and other material permits.

If the Trust has pre-leased space at or prior to the start of the development, and the lease requires tenant improvements that enhance the value of the property, practical completion is considered to occur when such improvements are completed.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. 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. Internal leasing costs are expensed in the period that they are incurred.

Segment reporting

A reportable operating segment is a distinguishable component of the Trust that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other reportable segments. The Trust’s primary format for segment reporting is based on business segments. The business segments, office properties, are based on the Trust’s management and internal reporting structure. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, determined to be the Chief Executive Officer (“CEO”) of the Trust. The operating segments derive their revenue primarily from rental income from lessees. All of the Trust’s business activities and operating segments are reported within the office property segments.

Other non-current assets

Other non-current assets include property and equipment, deposits, restricted cash, straight-line rent receivables, external management contracts and goodwill. Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of property and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their expected useful lives of four 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 property and equipment when that cost is incurred, if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to comprehensive income during the financial period in which they are incurred.

Other non-current assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized.

Revenue recognition

The Trust accounts for tenant leases as operating leases given that 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, percentage participation rents, lease termination fees, parking income and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred and collectability reasonably assured. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds. Other revenues are recorded as earned.

Business combinations

The purchase method of accounting is used for acquisitions meeting the definition of a business. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Trust's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Trust's share of the net assets acquired, the difference is recognized directly in the profit or loss for the year as an acquisition gain. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

Goodwill

Goodwill arises on the acquisition of businesses and represents the excess of the consideration transferred over and above the Trust's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored by the Trust at the geographical segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

External property management contracts

External property management contracts assumed in a business combination are recorded on the consolidated balance sheets and arise when the Trust acquires less than 100% of an investment property, but manages the investment property and earns a property management fee from the co-owner. External property management contracts are in place as long as the property is co-owned by the Trust and are amortized on a straight-line basis into comprehensive income over ten years.

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 reduction of retained earnings.

Income taxes

Dream Office REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to its unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholder, no provision for income taxes is required on such amounts. The Trust expects to continue to distribute its taxable income and to qualify as a real estate investment trust ("REIT") for the foreseeable future.

For U.S. subsidiaries, income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for the expected future tax consequences of temporary differences between the carrying value of balance sheet items and their corresponding tax values. Deferred income taxes are computed using substantively enacted income tax rates or laws for the years in which the temporary differences are expected to reverse or settle.

Unit-based compensation plan

As described in Note 15, the Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the granting of deferred trust units and income deferred trust units to trustees, officers, employees and affiliates and their service providers (including the asset manager). Unvested deferred trust units are recorded as a liability, and compensation expense is recognized over the vesting period at amortized cost based on the fair value of the units. Once vested, the liability is remeasured at each reporting date at amortized cost, based on the fair value of the corresponding REIT A Units, with changes in fair value recognized in comprehensive income as a fair value adjustment to financial instruments. Deferred trust units and income deferred units are only settled in REIT A Units.

Cash and cash equivalents

Cash and cash equivalents include all short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. Excluded from cash and cash equivalents are amounts held for repayment of tenant security deposits, as required by various lending agreements. Deposits are included in other non-current assets.

Financial instruments

Designation of financial instruments

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

	Classification	Measurement
Financial assets		
Promissory notes receivable	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Restricted cash and deposits	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Mortgages	Other liabilities	Amortized cost
Term debt	Other liabilities	Amortized cost
Debentures	Other liabilities	Amortized cost
Subsidiary redeemable units	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
Convertible debentures – host instrument	Other liabilities	Amortized cost
Convertible debentures – conversion feature	Fair value through profit or loss	Fair value
Interest rate swaps	Cash flow hedge	Fair value

Financial assets

The Trust classifies its non-derivative financial assets with fixed or determinable payments that are not quoted in an active market as loans and receivables. All financial assets are initially measured at fair value, less any related transaction costs, and are subsequently measured at amortized cost.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include payment delinquency and significant financial difficulty of the tenant. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of comprehensive income within investment properties 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 properties operating expenses in the consolidated statements of comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence collection is not possible. If in a subsequent period when 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 amount of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

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 are initially recognized at fair value less related transaction costs. Financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in comprehensive income over the expected life of the debt. The Trust's financial liabilities that are classified as fair value through profit or loss are initially recognized at fair value and are subsequently remeasured at fair value each reporting period, with changes in the fair value recognized in comprehensive income.

Mortgages, term debt and debentures are initially recognized at fair value less related transaction costs, or at fair value when assumed in a business or asset acquisition. Subsequent to initial recognition, mortgages and term debt are recognized at amortized cost. Borrowing costs that are directly attributable to investment properties under development are capitalized.

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

Deferred trust units and the subsidiary redeemable units are measured at amortized cost because they are settled in REIT A Units and REIT B Units, which in accordance with IAS 32 are considered liabilities. Consequently, the deferred units and subsidiary redeemable units are remeasured each reporting period based on the fair value of REIT Units, with changes in the liabilities recorded in comprehensive income. Distributions paid on subsidiary redeemable units are recorded as interest expense in comprehensive income. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged. The Trust has designated its interest rate swaps as a hedge of the interest under the term loan facility.

At the inception of the transaction, the Trust documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Trust also documents, both at hedge inception and on an ongoing basis, its assessment of whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statements of comprehensive income.

Amounts accumulated in equity are reclassified to other comprehensive income or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time are recognized in the consolidated statements of comprehensive income immediately.

Interest on debt

Interest on debt includes coupon interest, amortization of premiums allocated to the conversion features of the convertible debentures, and amortization of ancillary costs incurred in connection with the arrangement of borrowings. Finance costs are amortized to interest expense unless they relate to a qualifying asset in which case they are capitalized.

Equity

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

- REIT Units entitle the holder to a pro rata share of the Trust's net assets in the event of its liquidation. Net assets are those assets that remain after deducting all other claims on the assets.
- REIT Units are the class of instruments that are subordinate to all other classes of instruments 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 is subordinate to all other classes of instruments have identical features.
- Apart from the contractual obligation for the Trust to redeem the REIT Units for cash or another financial asset, the REIT Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments.
- The total expected cash flows attributable to the REIT Units over their lives are based substantially on the profit or loss, and the change in the recognized net assets and unrecognized net assets of the Trust over the life of the REIT Units.
- REIT Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising on the issuance of REIT Units are recognized directly in unitholders' equity as a reduction of the proceeds received.

Provisions

Provisions for legal claims are recognized when the Trust has a present legal or constructive obligation as a result of past events; it is probable an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Assets held for sale

Assets and liabilities (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Investment properties continue to be measured at fair value and the remainder of the disposal group is stated at the lower of the carrying amount and fair value less costs to sell.

Foreign currencies

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Trust and the presentation currency for the consolidated financial statements.

Assets and liabilities related to properties held in a foreign entity with a functional currency other than the Canadian dollar are translated at the rate of exchange at the consolidated balance sheet dates. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuate significantly during the period in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in other comprehensive income.

Note 4

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

Critical accounting judgments

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

Investment properties

Critical judgments are made in respect of the fair values of investment properties and the investment properties held in equity accounted investments. The fair values of these investments are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of office buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of properties, determined on a rotational basis, will be valued by qualified valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

The Trust makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying amount of the development property.

Business combinations

Accounting for business combinations under IFRS 3, "Business Combinations" ("IFRS 3"), only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgment is used by management in determining whether the acquisition of an individual property qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

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

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

In particular, the Trust considers the following:

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

Currently, when the Trust acquires properties or a portfolio of properties and not legal entities, 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 assesses the possibility and amount of any impairment loss or write-down as it relates to the Investment in Dream Industrial REIT, amounts receivable, property and equipment, external management contracts, and goodwill.

IAS 39, "Financial instruments: Recognition and measurement", requires management to use judgment in determining if the Trust's financial assets are impaired. In making this judgment, the Trust evaluates, among other factors, the duration and extent to which the fair value of the investment is less than its carrying amount; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

IAS 36, "Impairment of Assets" ("IAS 36"), requires management to use judgment in determining the recoverable amount of assets and equity accounted investments that are tested for impairment, including goodwill and the investment in Dream Industrial REIT. Judgment is involved in estimating the fair value less cost to sell or value-in-use of the cash-generating units ("CGUs") to which goodwill has been allocated, including estimates of growth rates, discount rates and terminal rates. Judgment is also involved in estimating the value-in-use of the investment in Dream Industrial REIT, including estimates of future cash flows, discount rates and terminal rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

The Trust's goodwill balance is allocated to the office properties group of CGUs by geographical segment (herein referred to as the goodwill CGU). The recoverable amount of the Trust's goodwill CGU is determined based on the value-in-use approach. For the purpose of this impairment test, the Trust uses cash flow projections forecasted out for a ten-year period, consistent with the internal financial budgets approved by management on a property-by-property basis. The key assumptions used in determining the value-in-use of the goodwill CGU are the estimated growth rate, discount rate and terminal rate. In arriving at the growth rate, the Trust considers past experience and inflation, as well as industry trends. The Trust utilizes weighted average cost of capital ("WACC") to determine the discount rate and terminal rate. The WACC reflects specific risks that would be attributable to the Trust. As the Trust is not subject to taxation, no adjustment is required to adjust the WACC on a pre-tax basis.

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 earnings for the period. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the consolidated financial statements relate to the following:

Valuation of investment properties

Critical assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates, and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

Valuation of financial instruments

The Trust makes estimates and assumptions relating to the fair value measurement of the subsidiary redeemable units, the deferred trust units, the convertible debenture conversion feature, interest rate swaps and the fair value disclosure of the convertible debentures, mortgages and term debt. The critical assumptions underlying the fair value measurements and disclosures include the market price of REIT Units, market interest rates for mortgages, term debt and unsecured debentures, and assessment of the effectiveness of hedging relationships.

For certain financial instruments, including cash and cash equivalents, promissory notes receivable, amounts receivable, amounts payable and accrued liabilities, deposits and distributions payable, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of mortgages, term debt and interest rate swaps are determined based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair value of convertible debentures is determined by reference to quoted market prices from an active market.

Note 5

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Trust has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

Consolidated financial statements

Amendments to IFRS 10, "Consolidated Financial Statements", IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12") and IAS 27, "Separate financial statements – Investment entities" ("IAS 27"): The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These investments require an investment entity to measure those subsidiaries at fair value through profit or loss, in accordance with IFRS 9, "Financial Instruments", in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. The Trust is not considered to be an investment entity and thus, the Trust adopted these amendments without impact to the consolidated financial statements or note disclosures effective January 1, 2014.

Segment reporting

A reportable operating segment is a distinguishable component of the Trust that is engaged either in providing related rental space or services (business segment) or in providing rental space or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other reportable segments. The Trust's reportable operating segments include Western Canada, Calgary downtown, Calgary suburban, Toronto downtown, Toronto suburban, and Eastern Canada, which are based on internal reporting structure to management. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, determined to be the Chief Executive Officer ("CEO") of the Trust.

Prior to January 1, 2014, the Trust analyzed its operations as a single office portfolio. Beginning January 1, 2014, the CEO analyzed the portfolio based on the aforementioned geographical segments. The comparative amounts have been reclassified to conform to the current year's presentation.

Accounting for levies imposed by governments

IFRIC 21, "Levies" ("IFRIC 21"), provides guidance on accounting for levies in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Trust adopted this new interpretation effective January 1, 2014 and it was applied retrospectively. This new interpretation had no material impact on the amounts recognized in the Trust's consolidated financial statements or note disclosures for the year ended December 31, 2014.

Accounting for internal leasing costs

Prior to January 1, 2014, the Trust capitalized costs of certain internal leasing costs within initial direct leasing costs to investment properties. These costs would not have been incurred if no leasing activity had taken place and are reasonably and directly attributable to the leasing activity. On April 2, 2014, IFRIC issued an agenda decision indicating that certain internal leasing costs such as salary costs of permanent staff involved in negotiating and arranging new leases do not qualify as incremental costs in accordance with IAS 17, “Leases”. As a result, the Trust has adopted an accounting policy effective January 1, 2014 of recognizing certain internal leasing costs involved in negotiating and arranging new leases in the consolidated statements of comprehensive income as incurred. This accounting policy has been applied retrospectively. The impact for the years ended December 31, 2014 and December 31, 2013 is an increase to internal leasing costs expense included as part of net gains (losses) on transactions and other activities of $6,118 and $6,468, respectively, and a corresponding increase in fair value adjustments to investment properties of $6,118 and $6,468, respectively. This change did not impact the consolidated balance sheets. External direct leasing costs continue to be capitalized to initial direct leasing costs within investment properties.

Note 6

FUTURE ACCOUNTING POLICY CHANGES

Revenue recognition

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

Financial instruments

The final version of IFRS 9, “Financial Instruments” (“IFRS 9”), was issued by the IASB in July 2014 and will replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces a model for classification and measurement, a single, forward-looking “expected loss” impairment model, and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Presentation of financial statements

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

Equity accounting for investments in associates and joint ventures

IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"), was amended by the IASB to allow an entity which is not an investment entity, but has interest in an associate or joint venture which is an investment entity, a policy choice when applying the equity method of accounting. The entity may choose to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture. The amendments to IAS 28 are effective for periods beginning on or after January 1, 2016. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Note 7

PROPERTY ACQUISITIONS

For the year ended December 31, 2014, there were no acquisitions completed. For the year ended December 31, 2013, the following acquisitions were completed:

			Year ended December 31, 2013		
Property	Property type	Interest acquired (%)	Purchase price[1]	Fair value of mortgage assumed	Date acquired
Broadmoor Plaza, Edmonton	office	100.0	$ 84,892	$ -	March 15, 2013
887 Great Northern Way, Vancouver (Discovery Parks)	office	100.0	68,068	31,405	April 8, 2013
340–350 3rd Avenue North, Saskatoon (T&T Towers) and 14505–14555 Bannister Road, Calgary (Parke at Fish Creek)	office	100.0	62,610	-	April 12, 2013
20 Toronto Street and 137 Yonge Street, Toronto	office	100.0	145,983	-	April 30, 2013
212 King Street West, Toronto	office	100.0	38,730	-	May 24, 2013
IBM Corporate Park, Calgary	office	66.7	124,377	-	August 13, 2013
4561 Parliament Avenue, Regina (Harbour Landing Business Park)	office	100.0	15,517	-	September 16, 2013
83 Yonge Street, Toronto	office	100.0	8,481	-	December 2, 2013
Total			$ 548,658	$ 31,405	

(1) Includes transaction costs.

Note 8

INVESTMENT PROPERTIES

	Note	Year ended December 31, 2014	2013
Balance at beginning of year		**$ 6,241,685**	$ 5,477,560
Additions:			
Property acquisitions	7	**-**	548,658
Transfer of interest from investment in joint ventures[(1)]		**-**	61,823
Building improvements		**29,979**	31,023
Lease incentives and initial direct leasing costs		**47,414**	37,442
Total additions to investment properties		**77,393**	678,946
Dispositions:			
Investment properties disposed of during the year		**(53,947)**	-
Total dispositions of investment properties		**(53,947)**	-
Gains and losses included in net income:			
Fair value adjustments to investment properties		**(124,303)**	85,745
Amortization of lease incentives	26	**(9,893)**	(6,471)
Total gains (losses) included in net income		**(134,196)**	79,274
Gains and losses included in other comprehensive income:			
Foreign currency translation gain and other		**8,135**	5,905
Total gains included in other comprehensive income		**8,135**	5,905
Balance at end of year		**$ 6,139,070**	$ 6,241,685
Change in unrealized gains (losses) included in net income for the year			
Change in fair value of investment properties		**$ (123,064)**	$ 85,745

(1) On August 13, 2013, the Trust acquired the remaining 66.7% interest in IBM Corporate Park in Calgary. Prior to August 13, 2013, the Trust held a 33.3% interest in the property through a partnership interest and accounted for it as a joint venture.

Investment properties have been reduced by $33,382 (December 31, 2013 – $29,661) related to straight-line rent receivables, which have been reclassified to other non-current assets (see Note 11). Refer to Note 31 for disclosures surrounding fair value measurements over investment properties.

The key valuation metrics for investment properties, including properties in joint ventures, and excluding assets related to assets held for sale, are set out below:

	December 31, 2014		December 31, 2013	
Capitalization rate ("cap rate") (%)	**Range**	**Weighted average**	Range	Weighted average
Investment properties	**5.15–9.00**	**6.32**	5.25–9.00	6.34
Investment in joint ventures	**5.15–6.00**	**5.29**	5.15–6.00	5.29
Total portfolio	**5.15–9.00**	**6.17**	5.15–9.00	6.19

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

If the weighted average cap rate were to increase by 25 basis points ("bps"), the value of investment properties (excluding joint ventures and assets held for sale) would decrease by $241,762. If the cap rate were to decrease by 25 bps, the value of investment properties (excluding joint ventures and assets held for sale) would increase by $262,059.

Investment properties, including investment in joint ventures and excluding assets held for sale, with an aggregate fair value of $2,475,687 for the year ended December 31, 2014 (for the year ended December 31, 2013 – $2,045,384), were valued by qualified external valuation professionals.

Investment properties, including investment in joint ventures and excluding assets held for sale, with a fair value of $5,768,109 as at December 31, 2014 (December 31, 2013 – $5,939,978), are pledged as security for the associated mortgages.

Investment properties, including investment in joint ventures and excluding assets held for sale, pledged as security for demand revolving credit facilities and term loan facility, are as follows:

		Number of properties		Fair value	
Facilities	Ranking	**December 31, 2014**	December 31, 2013	**December 31, 2014**	December 31, 2013
Demand revolving credit facilities:					
Formula-based maximum not to exceed $171,500	first ranking	**9**	9	**$ 256,258**	$ 259,158
Formula-based maximum not to exceed $27,690	first ranking	**2**	2	**41,993**	42,700
Formula-based maximum not to exceed $35,000	second ranking	**2**	2	**167,688**	212,209
Formula-based maximum not to exceed $35,000	first ranking	**1**	1	**38,326**	36,400
	second ranking	**1**	1	**117,345**	114,100
Term loan facility	first ranking	**8**	8	**307,097**	308,050
Total		**23**	23	**$ 928,707**	$ 972,617

Note 9

INVESTMENT IN DREAM INDUSTRIAL REIT

Dream Industrial REIT, formerly known as Dundee Industrial REIT, is an unincorporated, open-ended real estate investment trust listed on the Toronto Stock Exchange under the symbol "DIR.UN.". Dream Industrial REIT owns a portfolio of 216 primarily light industrial properties comprising approximately 17 million square feet of gross leasable area.

On September 9, 2014, the Trust completed the sale of four investment properties to Dream Industrial REIT for a sale price of $33,000, net of mark-to-market adjustments on mortgages assumed by Dream Industrial REIT. The sale price was satisfied by receipt of 2,269,759 Class B limited partnership units of Dream Industrial LP (a subsidiary of Dream Industrial REIT) at $9.40 per unit, which are exchangeable for units of Dream Industrial REIT, offset by mortgages assumed on disposition.

As part of other transactions entered into by Dream Industrial REIT during the years ended December 31, 2014 and December 31, 2013, Dream Industrial REIT issued additional units as partial consideration, which resulted in a net change to the Trust's ownership to 24.2% and 22.9%, respectively.

	Year ended December 31,	
	2014	2013
Balance as at beginning of year	**$ 166,317**	$ 160,976
Units received on sale of properties to Dream Industrial REIT	**21,336**	-
Units purchased through Distribution Reinvestment Plan	**-**	939
Distributions received	**(11,927)**	(11,295)
Share of net income from investment in Dream Industrial REIT	**16,225**	13,720
Dilution gain (loss)	**(260)**	1,977
Balance as at end of year	**$ 191,691**	$ 166,317
Dream Industrial LP Class B limited partnership units held, end of year	**18,551,855**	16,282,096
Ownership %, end of year	**24.2%**	22.9%

At December 31, 2014, the fair value of the Trust's interest in Dream Industrial REIT was $156,206 (December 31, 2013 – $144,096).

External market conditions have caused a decline in the unit price of Dream Industrial REIT since the second quarter of 2013, resulting in the carrying value to be above the market value. Under IAS 39, "Financial Instruments", a significant or prolonged decline in the fair value of an investment in an equity instrument above its cost is an indicator of impairment. As a result, the Trust performed an impairment test as at December 31, 2014, by comparing the recoverable amount of its investment in Dream Industrial REIT using the value-in-use approach to its carrying value. Based on the impairment test performed, the Trust concluded that no impairment existed as at December 31, 2014.

The following amounts represent the Trust's ownership interest in the assets, liabilities, revenues, expenses and cash flows of Dream Industrial REIT:

	At 100%		At % ownership interest	
		December 31,		December 31,
	2014	2013	**2014**	2013
Non-current assets	**$ 1,723,693**	$ 1,581,282	**$ 399,025**	$ 367,869
Current assets	**19,017**	8,523	**4,402**	1,982
Total assets	**$ 1,742,710**	$ 1,589,805	**$ 403,427**	$ 369,851
Non-current liabilities	**947,970**	883,795	**339,496**	316,179
Current liabilities	**166,089**	135,194	**28,446**	31,451
Total liabilities	**$ 1,114,059**	$ 1,018,989	**$ 367,942**	$ 347,630
Net assets	**$ 628,651**	$ 570,816	**$ 35,485**	$ 22,221
Add-back:				
Subsidiary redeemable units			**156,206**	144,096
Investment in Dream Industrial REIT			**$ 191,691**	$ 166,317

	At 100 %		At % ownership interest	
		Year ended December 31,		Year ended December 31,
	2014	2013	**2014**	2013
Net rental income	**$ 112,764**	$ 98,927	**$ 26,104**	$ 23,809
Other revenue and expenses, fair value adjustments and other items	**(44,763)**	(14,946)	**(11,967)**	16,884
Net income before the undernoted adjustments	**$ 68,001**	$ 83,981	**$ 14,137**	$ 40,693
Add-back:				
Interest on subsidiary redeemable units			**11,927**	11,295
Fair value adjustments to subsidiary redeemable units			**(9,839)**	(38,268)
Share of net income from investment in Dream Industrial REIT			**$ 16,225**	$ 13,720
Add (deduct):				
Dilution gain (loss)			**(260)**	1,977
Share of net income and dilution gain (loss) from investment in Dream Industrial REIT			**$ 15,965**	$ 15,697

Note 10

JOINT ARRANGEMENTS

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

On August 13, 2013, the Trust acquired the remaining two-thirds interest in IBM Corporate Park in Calgary for approximately $124,377 (including transaction costs). Prior to August 13, 2013, the Trust held a one-third interest in the property through a partnership interest and accounted for it as a joint venture.

On June 26, 2013, the Trust acquired a two-thirds interest in 100 Yonge Street, an office building in downtown Toronto, for approximately $56,273 (including transaction costs). The Trust has entered into a joint venture with H&R REIT, the owner of the remaining one-third interest in this office building. The acquisition was funded by the assumption of a mortgage of $25,477 (at fair value) with the balance funded by cash.

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

		Ownership interest (%)	
Property	Location	**December 31, 2014**	December 31, 2013
Scotia Plaza	Toronto, Ontario	**66.7**	66.7
Other joint ventures:			
100 Yonge Street	Toronto, Ontario	**66.7**	66.7
Telus Tower	Calgary, Alberta	**50.0**	50.0

	Net assets at % ownership interest as at December 31,	
Property	**2014**	2013
Scotia Plaza	**$ 448,906**	$ 430,681
Other joint ventures	**104,235**	96,574
Total net assets	**$ 553,141**	$ 527,255

	Share of net income (loss) at % ownership interest for the year ended December 31,	
Property	**2014**	2013
Scotia Plaza	**$ 31,345**	$ 57,441
Other joint ventures[1]	**6,266**	26,941
Share of net income from investment in joint ventures	**$ 37,611**	$ 84,382

(1) Other joint ventures consist of the share of net income (loss) from Capital Centre, Plaza 124, Riverbend Atrium and Stockman Centre, which were reclassified as assets held for sale as at December 31, 2013.

The following amounts represent 100% and the Trust's ownership interest in the assets, liabilities, revenues, expenses and cash flows in the equity accounted investments in which the Trust participates, excluding the interest in Dream Industrial REIT, which is disclosed separately in Note 9.

	Scotia Plaza At 100%		Scotia Plaza At 66.7%	
		December 31,		December 31,
	2014	2013	**2014**	2013
Non-current assets	**$ 1,316,805**	$ 1,308,542	**$ 877,870**	$ 872,360
Current assets	**14,150**	5,306	**9,433**	3,537
Total assets	**$ 1,330,955**	$ 1,313,848	**$ 887,303**	$ 875,897
Non-current liabilities	**599,255**	612,603	**399,503**	408,402
Current liabilities	**58,341**	55,221	**38,894**	36,814
Total liabilities	**$ 657,596**	$ 667,824	**$ 438,397**	$ 445,216
Net assets	**$ 673,359**	$ 646,024	**$ 448,906**	$ 430,681

	Scotia Plaza At 100%		Scotia Plaza At 66.7%	
	Year ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Net rental income	**$ 70,404**	$ 70,211	**$ 46,936**	$ 46,807
Other income and expenses, fair value adjustments, net gains (losses) on transactions and other activities	**(23,387)**	15,950	**(15,591)**	10,634
Net income for the year	**$ 47,017**	$ 86,161	**$ 31,345**	$ 57,441

	Scotia Plaza At 100%		Scotia Plaza At 66.7%	
	Year ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Cash flow generated from (utilized in):				
Operating activities	**$ 43,976**	$ 44,502	**$ 29,317**	$ 29,668
Investing activities	**(710)**	(1,310)	**(473)**	(873)
Financing activities	**(33,468)**	(44,834)	**(22,312)**	(29,890)
Increase (decrease) in cash and cash equivalents	**$ 9,798**	$ (1,642)	**$ 6,532**	$ (1,095)

	Other joint ventures At 100%		Other joint ventures At proportionate share	
		December 31,		December 31,
	2014	2013	**2014**	2013
Non-current assets	**$ 360,801**	$ 357,823	**$ 193,413**	$ 191,880
Current assets	**2,879**	4,576	**1,569**	2,319
Total assets	**$ 363,680**	$ 362,399	**$ 194,982**	$ 194,199
Non-current liabilities	**160,704**	165,305	**85,780**	88,243
Current liabilities	**9,139**	18,188	**4,967**	9,382
Total liabilities	**$ 169,843**	$ 183,493	**$ 90,747**	$ 97,625
Net assets	**$ 193,837**	$ 178,906	**$ 104,235**	$ 96,574

	Other joint ventures[1] At 100%		Other joint ventures[1] At proportionate share	
		Year ended December 31,		Year ended December 31,
	2014	2013	**2014**	2013
Net rental income	**$ 26,694**	$ 33,741	**$ 13,506**	$ 14,585
Other income and expenses, fair value adjustments, net gains (losses) on transactions and other activities	**(16,879)**	35,812	**(7,240)**	12,356
Net income (loss) for the year	**$ 9,815**	$ 69,553	**$ 6,266**	$ 26,941

(1) Other joint ventures consist of the share of net income (loss) from Capital Centre, Plaza 124, Riverbend Atrium and Stockman Centre, which were reclassified as assets held for sale as at December 31, 2013.

	Other joint ventures[1] At 100%		Other joint ventures[1] At proportionate share	
		Year ended December 31,		Year ended December 31,
	2014	2013	**2014**	2013
Cash flow generated from (utilized in):				
Operating activities	**$ 13,373**	$ 17,887	**$ 8,279**	$ 9,193
Investing activities	**64,504**	(9,077)	**14,442**	(4,268)
Financing activities	**(80,419)**	(14,127)	**(22,996)**	(6,962)
Decrease in cash and cash equivalents	**$ (2,542)**	$ (5,317)	**$ (275)**	$ (2,037)

(1) Other joint ventures consist of the share of cash flows generated from Capital Centre, Plaza 124, Riverbend Atrium and Stockman Centre, which were reclassified as assets held for sale as at December 31, 2013.

Co-owned investment properties

The Trust's interests in co-owned investment properties are accounted for based on the Trust's share of interest in the assets, liabilities, revenues and expenses of the properties.

		Ownership interest (%)	
Property	Location	**December 31, 2014**	December 31, 2013
10199 - 101st Street North West	Edmonton, Alberta	**50.0**	50.0
St. Albert Trail Centre	Edmonton, Alberta	**-**	50.0
2810 Matheson Boulevard East	Mississauga, Ontario	**49.9**	49.9
50 & 90 Burnhamthorpe Road (Sussex Centre)	Mississauga, Ontario	**49.9**	49.9
300, 302 & 304 The East Mall (Valhalla Executive Centre)	Mississauga, Ontario	**49.9**	49.9
680 Broadway Street (Tillsonburg Gateway Centre)	Tillsonburg, Ontario	**49.9**	49.9
185–195 The West Mall	Toronto, Ontario	**49.9**	49.9
460 Two Nations Crossing	Fredericton, New Brunswick	**40.0**	40.0
350–450 Lansdowne Street	Kamloops, British Columbia	**40.0**	40.0
275 Dundas Street West (London City Centre)	London, Ontario	**40.0**	40.0
80 Whitehall Drive	Markham, Ontario	**40.0**	40.0
6501–6523 Mississauga Road	Mississauga, Ontario	**40.0**	40.0
6531–6559 Mississauga Road	Mississauga, Ontario	**40.0**	40.0
2010 Winston Park Drive	Oakville, Ontario	**40.0**	40.0
219 Laurier Avenue West	Ottawa, Ontario	**40.0**	40.0
55 Norfolk Street South	Simcoe, Ontario	**40.0**	40.0
10 Lower Spadina Avenue	Toronto, Ontario	**40.0**	40.0
49 Ontario Street	Toronto, Ontario	**40.0**	40.0
401 & 405 The West Mall (Commerce West)	Toronto, Ontario	**40.0**	40.0
2261 Keating Cross Road	Victoria, British Columbia	**40.0**	40.0
117 Kearney Lake Road	Halifax, Nova Scotia	**35.0**	35.0
Centre 70	Calgary, Alberta	**15.0**	15.0

The following amounts represent the Trust's ownership interest in the assets, liabilities, revenues and expenses of the co-owned properties in which the Trust participates.

	December 31, 2014	December 31, 2013
Non-current assets	**$ 445,314**	$ 452,624
Current assets	**8,315**	9,955
Total assets	**$ 453,629**	$ 462,579
Non-current liabilities	**$ 160,553**	$ 214,787
Current liabilities	**68,445**	26,162
Total liabilities	**$ 228,998**	$ 240,949
Net assets	**$ 224,631**	$ 221,630

	Year ended December 31,	
	2014	2013
Net rental income	**$ 24,753**	$ 27,226
Other income and expenses, fair value adjustments, net gains (losses) on transactions and other activities	**(12,652)**	(18,823)
Share of net income from investment in co-owned properties	**$ 12,101**	$ 8,403

Note 11

OTHER NON-CURRENT ASSETS

		December 31, 2014		December 31, 2013
Property and equipment, net of accumulated depreciation of $4,813 (December 31, 2013 – $3,135)	**$**	**6,398**	$	6,709
Deposits		**2,125**		2,919
Restricted cash		**3,559**		2,617
Straight-line rent receivable		**33,382**		29,661
External management contracts, net of accumulated amortization of $3,749 (December 31, 2013 – $2,457)		**9,253**		10,545
Goodwill		**52,086**		52,371
Total	**$**	**106,803**	$	104,822

Deposits largely represent amounts provided by the Trust in connection with utility deposits. Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages.

The Trust leases various vehicles and machinery under non-cancellable finance lease agreements. The remaining term of these leases is for two years.

External management contracts and goodwill

		External management contracts		Goodwill
As at January 1, 2013	$	11,883	$	52,371
Amortization of external management contracts		(1,338)		-
As at December 31, 2013		10,545		52,371
Amortization of external management contracts		(1,292)		-
Derecognition of goodwill due to investment properties disposed of during the year		-		(285)
As at December 31, 2014	$	9,253	$	52,086

The Trust performed its annual goodwill impairment test as at December 31, 2014 in accordance with the methodology set out in IAS 36, by comparing the recoverable amount of the goodwill CGU using the value-in-use approach to its carrying amount. The carrying amount of goodwill associated with each geographical segment was:

Western Canada	$	10,155
Calgary downtown		8,360
Calgary suburban		1,331
Toronto downtown		17,460
Toronto suburban		6,980
Eastern Canada		7,800
Total goodwill	$	52,086

For the purpose of this impairment test, management has used its projected financial forecasts for a period of ten years. The key assumptions used included estimated growth rate and discount and terminal rates. The discount and terminal rates used in this impairment test ranged from 4.92% to 6.31% depending on the geographical region.

The Trust performed a sensitivity analysis on each of the key assumptions, assuming a 100 bps unfavourable change for each of the individual assumptions while holding other assumptions constant, and determined that there will be no material impairment. Based on the impairment test performed, the Trust concluded that no goodwill impairment existed as at December 31, 2014.

Note 12

AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments aggregating $5,992 (December 31, 2013 – $11,450).

	Note	December 31, 2014	December 31, 2013
Trade receivables		**$ 8,296**	$ 9,671
Less: Provision for impairment of trade receivables		**(2,419)**	(2,113)
Trade receivables, net		**5,877**	7,558
Other amounts receivable	25	**10,688**	20,918
Total		**$ 16,565**	$ 28,476

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

	Year ended December 31,	
	2014	2013
Balance at beginning of year	**$ 2,113**	$ 1,993
Provision for impairment of trade receivables	**1,812**	1,044
Reversal of provision for previously impaired trade receivables	**(589)**	(231)
Receivables written off during the period as uncollectible	**(917)**	(693)
Balance at end of year	**$ 2,419**	$ 2,113

The carrying value of amounts receivable approximates fair value due to their current nature. As at December 31, 2014, trade receivables of approximately $2,642 (December 31, 2013 – $3,205) were past due but not considered impaired as the Trust has ongoing relationships with these tenants and the aging of these trade receivables is not indicative of expected default.

The Trust leases office properties to tenants under operating leases. Minimum rental commitments, including joint operations, on non-cancellable tenant operating leases over their remaining terms are as follows:

	December 31, 2014
No more than 1 year	$ 332,653
1–5 years	855,490
5+ years	322,237
	$ 1,510,380

Note 13
DEBT

	December 31, 2014	December 31, 2013
Mortgages[1][2]	$ 2,380,708	$ 2,477,183
Term debt	533	825
Demand revolving credit facilities[2]	-	103,946
Term loan facility[2]	182,260	181,530
Convertible debentures	51,160	51,885
Debentures	482,700	333,647
Total	3,097,361	3,149,016
Less: Current portion	365,855	264,535
Non-current debt	$ 2,731,506	$ 2,884,481

(1) Net of financing costs of $7,943 (December 31, 2013 – $8,079).

(2) Secured by charges on specific investment properties (refer to Note 8).

Demand revolving credit facilities

		Secured investment properties			December 31, 2014		December 31, 2013	
	Maturity date	First-ranking mortgages	Second-ranking mortgages	Face interest rate	Amount available	Amount drawn	Amount available	Amount drawn
Formula-based maximum not to exceed $171,500	March 5, 2016	9	-	3.75%[1]	$ 171,500	$ -	$ 67,500	$ 104,000
Formula-based maximum not to exceed $27,690	April 30, 2015	2	-	3.85%[2]	27,247[3]	-	26,156[3]	-
Formula-based maximum not to exceed $35,000	April 30, 2015	-	2	3.75%[1]	34,850[4]	-	32,819[4]	-
Formula-based maximum not to exceed $35,000	April 30, 2015	1	1	3.75%[1]	17,943[5]	-	34,700[5]	-
		12	3	3.76%	$ 251,540	$ -	$ 161,175	$ 104,000

(1) In the form of rolling one-month bankers' acceptances ("BAs") bearing interest at the BA rate plus 1.75% or at the bank's prime rate (3.0% as at December 31, 2014) plus 0.75%.

(2) This facility matured on April 30, 2014 and was extended to April 30, 2015 in the form of rolling one-month BAs bearing interest at BA rate plus 1.85% or at the bank's prime rate plus 0.85%.

(3) Formula-based amount available under this facility was $27,690 less $443 in the form of a letter of credit ("LOC") as at December 31, 2014 and $27,690 less $1,534 (LOC) as at December 31, 2013.

(4) Formula-based amount available under this facility was $35,000 less $150 in the form of LOC as at December 31, 2014 and $35,000 less $2,181 in the form of LOC as at December 31, 2013.

(5) Formula-based amount available under this facility was $35,000 less $17,057 in the form of LOC as at December 31, 2014 and $35,000 less $300 (LOC) as at December 31, 2013.

Term loan facility

On August 15, 2011, the Trust entered into a term loan facility for $188,000 in the form of rolling one-month BA rates. The term loan facility bears interest at BA rates plus 1.85% payable monthly. The term loan facility was originally secured by first-ranking collateral mortgages on nine properties. On August 15, 2012, the Trust repaid $4,547 on the term loan facility as one of the properties securing the facility was sold. At December 31, 2013, $183,453 was outstanding on the term loan facility, secured by first-ranking collateral mortgages on eight properties. The term loan facility expires on August 15, 2016.

On August 15, 2011, the Trust entered into interest rate swap agreements to modify the interest rate profile of the current variable rate debt on the $188,000 term loan facility, without an exchange of the underlying principal amounts. On December 31, 2013, the notional amount of interest rate swap agreements hedged against the term loan facility was $183,453. The Trust has applied hedge accounting to this relationship, whereby the change in fair value of the effective portion of the hedging derivative is recognized in other comprehensive income. Settlement of both the fixed and variable portions of the interest rate swaps occurs on a monthly basis.

Convertible debentures

	Carrying value	
	December 31, 2014	December 31, 2013
5.5% Series H Debentures	**$ 51,160**	$ 51,885

	Date issued	Maturity date	Original principal issued	Face interest rate	Outstanding principal amount	
					December 31, 2014	December 31, 2013
5.5% Series H Debentures	December 9, 2011	March 31, 2017	$ 51,650	5.5%	**$ 50,628**	$ 51,128

5.5% Series H Debentures

The 5.5% Series H Debentures are convertible at the request of the holder, subject to certain terms and conditions, into 27.25648 REIT A Units per one thousand dollars of face value, representing a conversion price of $36.69 per unit. The 5.5% Series H Debentures are redeemable at the principal amount at the Trust's option, subject to certain terms and conditions, from March 31, 2015, and prior to March 31, 2016, provided the 20-day weighted average trading price of the Units is at least $45.87, and at their principal amount on and after March 31, 2016. Interest on the 5.5% Series H Debentures is payable semi-annually on March 31 and September 30.

For the year ended December 31, 2014, $500 of 5.5% Series H Debentures were converted to REIT A Units. For the year ended December 31, 2013, no debentures were converted (see Note 19).

Debentures

The principal amount outstanding and the carrying value for each series of debentures are as follows:

					December 31, 2014		December 31, 2013
Debentures	Date issued	Maturity date	Original principal issued	Face interest rate	**Outstanding principal**	**Carrying value**	Carrying value
Series A Debentures	June 13, 2013	June 13, 2018	$ 175,000	3.42%	**$ 175,000**	**$ 173,900**	$ 173,582
Series B Debentures	October 9, 2013	January 9, 2017	125,000	2.97%(1)	**125,000**	**124,556**	124,335
Series C Debentures	January 21, 2014	January 21, 2020	150,000	4.07%	**150,000**	**148,813**	-
Series K Debentures	April 26, 2011	April 26, 2016	35,000	5.95%	**25,000**	**25,312**	25,526
Series L Debentures	August 8, 2011	September 30, 2016	10,000	5.95%	**10,000**	**10,119**	10,204
			$ 495,000		**$ 485,000**	**$ 482,700**	$ 333,647

(1) Variable interest rate at three-month Canadian Dealer Offered Rate ("CDOR") plus 1.7%.

Series A Debentures

On June 13, 2013, the Trust completed the issuance of $175,000 aggregate principal amount of Series A senior unsecured debentures ("Series A Debentures"). The Series A Debentures bear interest at a coupon rate of 3.424% per annum with a maturity date of June 13, 2018. Interest on the Series A Debentures is payable semi-annually on June 13 and December 13, with the first payment commencing on December 13, 2013. Costs related to the issuance of the Series A Debentures totalled $1,590.

The Trust has the option to redeem the Series A Debentures at a redemption price equal to the greater of Canada Yield Price and par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada bond rate with equal term to maturity plus a spread of 0.475%.

Series B Debentures

On October 9, 2013, the Trust completed the issuance of $125,000 aggregate principal amount of Series B floating senior unsecured debentures ("Series B Debentures"). The Series B Debentures bear interest at a three-month CDOR rate plus 1.7% per annum with a maturity date of January 9, 2017. Interest on the Series B Debentures is payable quarterly in arrears on January 9, April 9, July 9 and October 9, with the first payment commencing on January 9, 2014. Costs related to the issuance of the Series B Debentures totalled $720.

Series C Debentures

On January 21, 2014, the Trust completed the issuance of $150,000 aggregate principal amount of Series C senior unsecured debentures ("Series C Debentures"). The Series C Debentures bear interest at a rate of 4.074% with a maturity date of January 21, 2020. Interest on the Series C Debentures is payable semi-annually on January 21 and July 21, with the first payment commencing on July 21, 2014. Costs related to the issuance of the Series C Debentures totalled $1,400.

The Trust has the option to redeem the Series C Debentures at a redemption price equal to the greater of Canada Yield Price and par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada bond rate with equal term to maturity plus a spread of 0.525%.

Series K and Series L Debentures

The Series K and Series L Debentures are redeemable at the Trust's option, subject to certain terms and conditions. Interest is payable monthly.

The following tables provide a continuity of debt for the years ended December 31, 2014 and December 31, 2013:

	Year ended December 31, 2014						
	Mortgages	**Term debt**	**Demand revolving credit facilities**	**Term loan facility**	**Convertible debentures**	**Debentures**	**Total**
Balance as at January 1, 2014	**$ 2,477,183**	**$ 825**	**$ 103,946**	**$ 181,530**	**$ 51,885**	**$ 333,647**	**$ 3,149,016**
Borrowings	**231,707**	**-**	**78,347**	**-**	**-**	**150,000**	**460,054**
Principal repayments	**(66,843)**	**(292)**	**-**	**-**	**-**	**-**	**(67,135)**
Lump sum repayments	**(245,154)**	**-**	**(182,347)**	**-**	**-**	**-**	**(427,501)**
Financing costs additions	**(1,607)**	**-**	**-**	**-**	**-**	**(1,400)**	**(3,007)**
Debt assumed by purchaser on disposal of investment properties	**(17,047)**	**-**	**-**	**-**	**-**	**-**	**(17,047)**
Conversion to REIT A Units	**-**	**-**	**-**	**-**	**(500)**	**-**	**(500)**
Foreign exchange adjustments	**4,743**	**-**	**-**	**-**	**-**	**-**	**4,743**
Other adjustments[1]	**(2,274)**	**-**	**54**	**730**	**(225)**	**453**	**(1,262)**
Balance as at December 31, 2014	**$ 2,380,708**	**$ 533**	**$ -**	**$ 182,260**	**$ 51,160**	**$ 482,700**	**$ 3,097,361**

(1) Other adjustments include fair value adjustments, amortization of financing costs and amortization of fair value adjustments.

	Year ended December 31, 2013						
	Mortgages	Term debt	Demand revolving credit facilities	Term loan facility	Convertible debentures	Debentures	Total
Balance as at January 1, 2013	$ 2,441,663	$ 248	$ 67,557	$ 180,837	$ 52,092	$ 36,029	$ 2,778,426
Borrowings	251,049	943	645,889	-	-	300,000	1,197,881
Principal repayments	(65,471)	(366)	-	-	-	-	(65,837)
Lump sum repayments	(178,702)	-	(609,567)	-	-	-	(788,269)
Financing costs additions	(1,904)	-	(278)	-	-	(2,310)	(4,492)
Debt assumed on acquisition of investment properties	29,839	-	-	-	-	-	29,839
Foreign exchange adjustments	3,707	-	-	-	-	-	3,707
Other adjustments[1]	(2,998)	-	345	693	(207)	(72)	(2,239)
Balance as at December 31, 2013	$ 2,477,183	$ 825	$ 103,946	$ 181,530	$ 51,885	$ 333,647	$ 3,149,016

(1) Other adjustments include fair value adjustments, amortization of financing costs and amortization of fair value adjustments.

Debt weighted average effective interest rates and maturities

	Weighted average effective interest rates(1)			Debt amount	
	December 31, 2014	December 31, 2013	Maturity dates	**December 31, 2014**	December 31, 2013
Fixed rate					
Mortgages	**4.43%**	4.53%	2015–2028	**$ 2,284,364**	$ 2,387,593
Term debt	**5.47%**	5.91%	2016	**533**	825
Term loan facility(2)	**3.83%**	3.83%	2016	**128,948**	181,530
Convertible debentures	**3.80%**	3.80%	2017	**51,160**	51,885
Debentures	**4.04%**	3.89%	2016–2020	**358,144**	209,312
Total fixed rate debt	**4.34%**	4.42%		**2,823,149**	2,831,145
Variable rate					
Mortgages	**3.65%**	3.64%	2015–2018	**96,344**	89,590
Demand revolving credit facilities	**-**	2.97%	2015–2016	**-**	103,946
Term loan facility(2)	**3.83%**	-	2016	**53,312**	-
Series B Debentures	**3.09%**	3.09%	2017	**124,556**	124,335
Total variable rate debt	**3.43%**	3.20%		**274,212**	317,871
Total debt	**4.26%**	4.30%		**$ 3,097,361**	$ 3,149,016

(1) The effective interest rate method includes the impact of fair value adjustments on assumed debt and financing costs.
(2) Under a hedging arrangement, the Trust has entered into two interest rate swap agreements to fix the interest rate of the term loan facility: a five-year interest rate swap on a notional balance of $129,783, fixing interest at a BA rate of 1.67% plus a spread of 185 bps; and a three-year interest rate swap on a notional balance of $53,670, fixing interest at a BA rate of 1.28% plus a spread of 185 bps. The effective interest rate on the term loan facility is 3.83% after accounting for financing costs. On August 15, 2014, the three-year interest rate swap expired and was not subsequently renewed and effective August 16, 2014, the notional balance of $53,670 bears interest at one-month BA rate plus 185 bps.

The following table summarizes the scheduled principal repayments and debt maturities:

	Mortgages	Term debt	Term loan facility	Convertible debentures	Debentures	Total
2015	$ 365,558	$ 297	$ -	$ -	$ -	$ 365,855
2016	339,436	236	183,453	-	35,000	558,125
2017	307,069	-	-	50,628	125,000	482,697
2018	218,446	-	-	-	175,000	393,446
2019	91,267	-	-	-	-	91,267
2020–2028	1,057,552	-	-	-	150,000	1,207,552
	2,379,328	533	183,453	50,628	485,000	3,098,942
Financing costs	(7,943)	-	(1,193)	-	(2,730)	(11,866)
Fair value adjustments	9,323	-	-	532	430	10,285
	$ 2,380,708	$ 533	$ 182,260	$ 51,160	$ 482,700	$ 3,097,361

Other financial instruments

The Trust has other financial instruments included as part of other non-current liabilities as follows (see Note 16):

		December 31, 2014		December 31, 2013
Fair value of interest rate swaps – liability	$	592	$	365
Fair value of interest rate swaps – asset		-		(29)
Conversion feature on the convertible debentures – asset		(760)		(317)
Other financial instruments – net liability (asset)	$	**(168)**	$	19

The Trust's interest rate swap agreements are subject to master netting agreements that create a legally enforceable right to offset, by the counterparty, the related interest rate swap financial assets and liabilities.

Interest rate swaps

The following table summarizes the details of the interest rate swaps that are outstanding at December 31, 2014:

Transaction date		Term loan facility principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument classification		Fair value
August 15, 2011	$	129,783	3.52%	August 15, 2016	Cash flow hedge	$	592

For those interest rate swaps designated as cash flow hedges, the Trust has assessed that there is no ineffectiveness in the hedges of its interest rate exposure. The effectiveness of the hedging relationship is reviewed on a quarterly basis. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in other comprehensive income. The associated unrealized gains or losses that are recognized in other comprehensive income will be reclassified into net income in the same period or periods during which the interest payments on the hedged item affect net income.

On August 15, 2014, the three-year interest rate swap on the notional balance of $53,670 expired and was not subsequently renewed. As a result, the associated unrealized loss of $8 included in accumulated other comprehensive income was reclassified into net income during the year. At December 31, 2014, the fair value of the remaining interest rate swap amounted to a $592 financial liability (December 31, 2013 – $336 financial liability).

Conversion feature on the convertible debentures

The movement in the conversion feature on the convertible debentures for the year is as follows:

	Note		Year ended December 31, 2014		2013
Balance at beginning of year		$	(317)	$	1,397
Reduction of conversion feature on the convertible debentures converted during the year			7		-
Remeasurement of conversion feature on convertible debentures	22		(450)		(1,714)
Balance at end of year		$	**(760)**	$	(317)

Note 14

SUBSIDIARY REDEEMABLE UNITS

The Trust has the following subsidiary redeemable units outstanding:

		Year ended December 31, 2014		Year ended December 31, 2013	
	Note	**Number of units issued and outstanding**	**Amount**	Number of units issued and outstanding	Amount
Balance at beginning of year		**3,538,457**	**$ 101,978**	3,528,658	$ 132,078
Distribution Reinvestment Plan		**-**	**-**	9,799	361
Subsidiary redeemable units surrendered		**(2,936,023)**	**(85,350)**	-	-
Remeasurement of carrying value of subsidiary redeemable units	22	**-**	**(1,477)**	-	(30,461)
Balance at end of year		**602,434**	**$ 15,151**	3,538,457	$ 101,978

During the year ended December 31, 2014, the Trust incurred $4,638 (December 31, 2013 – $7,897) in distributions on the subsidiary redeemable units, which is included as interest expense in comprehensive income (see Note 21).

Dream Office LP, a subsidiary of Dream Office REIT, is authorized to issue an unlimited number of LP Class B limited partnership units. These units have been issued in two series: subsidiary redeemable units and LP Class B Units, Series 2. The subsidiary redeemable units, together with the accompanying Special Trust Units, have economic and voting rights equivalent in all material respects to REIT A Units. Generally, each subsidiary redeemable unit entitles the holder to a distribution equal to distributions declared on REIT Units, Series B, or if no such distribution is declared, on REIT Units, Series A. Subsidiary redeemable units may be surrendered or indirectly exchanged on a one-for-one basis at the option of the holder, generally at any time subject to certain restrictions, for REIT Units, Series B.

Holders of the LP Class B Units, Series 2 are entitled to vote at meetings of the limited partners of Dream Office LP and each Unit entitles the holder to a distribution equal to distributions on the subsidiary redeemable units. As at December 31, 2014 and December 31, 2013, all issued and outstanding LP Class B Units, Series 2 are owned indirectly by the Trust and have been eliminated in the consolidated balance sheets.

On July 23, 2014, one of the holders surrendered 2,936,023 subsidiary redeemable units and received 2,936,023 REIT B Units. On July 24, 2014, such REIT B Units were converted by the holder into 2,936,023 REIT A Units. The exchanges were valued based on the carrying amount of the subsidiary redeemable units, the day prior to the exchange to REIT B Units.

Special Trust Units are issued in connection with subsidiary redeemable units. The Special Trust Units are not transferable separately from the subsidiary redeemable units to which they relate and will be automatically redeemed for a nominal amount and cancelled on surrender or exchange of such subsidiary redeemable units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT B Units that may be obtained on the surrender or exchange of the subsidiary redeemable units to which they relate. As at December 31, 2014, 602,434 Special Trust Units were issued and outstanding (December 31, 2013 – 3,538,457).

Note 15

DEFERRED UNIT INCENTIVE PLAN

The Deferred Unit Incentive Plan ("DUIP") provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once granted, each deferred trust unit and the related distribution of income deferred trust units vest evenly over a three- or five-year period on the anniversary date of the grant. Subject to an election option available for certain participants to postpone receipt of REIT A Units, such units will be issued immediately on vesting. As at December 31, 2014, up to a maximum of 1.75 million (December 31, 2013 – 1.75 million) deferred trust units are issuable under the DUIP.

The movement in the DUIP balance was as follows:

	Note		
As at January 1, 2013		$	18,754
Compensation expense			4,087
REIT A Units issued for vested deferred trust units			(1,641)
Remeasurements of carrying value of deferred trust units	22		(2,665)
As at December 31, 2013			18,535
Compensation expense			3,707
REIT A Units issued for vested deferred trust units			(4,338)
Remeasurements of carrying value of deferred trust units	22		(822)
As at December 31, 2014		$	17,082

During the year ended December 31, 2014, $3,707 of compensation expense was recorded (December 31, 2013 – $4,087) and included in general and administrative expenses. For the same period, a fair value gain of $822 (December 31, 2013 – fair value gain of $2,665) was recognized, representing the remeasurement of the DUIP liability during the period.

	Total units
Outstanding and payable as at January 1, 2013	619,825
Granted	143,159
Income deferred units	49,878
REIT A Units issued	(44,970)
Fractional Units paid in cash	(26)
Cancelled	(1,828)
Outstanding and payable as at December 31, 2013	766,038
Granted	122,386
Income deferred units	62,726
REIT A Units issued	(157,608)
Fractional Units paid in cash	(66)
Cancelled	(2,177)
Outstanding and payable as at December 31, 2014	791,299
Vested but not issued as at December 31, 2014	378,931

On May 8, 2014, 33,086 deferred trust units were granted to trustees who elected to receive their 2014 annual retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was $28.96 per unit granted.

On February 27, 2014, 89,300 deferred trust units were granted to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Of the units granted, 31,500 relate to key management personnel. The grant date value of these deferred trust units was $29.36 per unit granted.

On May 8, 2013, 11,859 deferred trust units were granted to trustees who elected to receive their 2013 annual retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was $36.68 per unit granted.

On February 20, 2013, 131,300 deferred trust units were granted to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Of the units granted, 32,000 relate to key management personnel. The grant date value of these deferred trust units was $37.54 per unit granted.

Note 16
OTHER NON-CURRENT LIABILITIES

	Note		**December 31, 2014**		December 31, 2013
Tenant security deposits		**$**	**19,103**	$	18,848
Other financial instruments – liabilities (assets), net	13		**(168)**		19
Total		**$**	**18,935**	$	18,867

Note 17
AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note		**December 31, 2014**		December 31, 2013
Trade payables	25	**$**	**3,013**	$	10,215
Accrued liabilities and other payables	25		**49,972**		51,684
Accrued interest			**12,654**		11,565
Rent received in advance			**11,490**		15,285
Distributions payable			**20,393**		19,493
Total		**$**	**97,522**	$	108,242

Note 18
DISTRIBUTIONS

Dream Office REIT's Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The Trust determines the distribution rate by, among other considerations, its assessment of cash flow as determined using adjusted cash flows from operating activities, which includes cash flows from operating activities of our investments in joint ventures that are equity accounted and excludes the fluctuations in non-cash working capital, transaction costs on business combinations and investment in lease incentives and initial direct leasing costs. Adjusted cash flows from operating activities is not a measure defined by IFRS and therefore may not be comparable to similar measures presented by other real estate investment trusts. The distribution rate is determined by the trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. Distributions may be adjusted for amounts paid in prior periods if the actual adjusted cash flows from operating activities for those prior periods is greater or less than the estimates used for those prior periods. In addition, the trustees may declare distributions out of the income, net realized capital gains, net recapture income and capital of the Trust, to the extent such amounts have not already been paid, allocated or distributed.

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

			Total	
		2014		2013
Paid in cash	**$**	**175,912**	$	180,444
Paid by way of reinvestment in REIT A Units		**63,248**		47,899
Less: Payable at December 31, 2013 (December 31, 2012)		**(19,493)**		(18,056)
Plus: Payable at December 31, 2014 (December 31, 2013)		**20,393**		19,493
Total	**$**	**240,060**	$	229,780

On December 17, 2014, the Trust announced a cash distribution of $0.18666 per REIT A Unit for the month of December 2014. The amount payable at December 31, 2014 was satisfied on January 15, 2015 by $14,256 in cash and $5,891 in connection with the issuance of 228,186 REIT A Units.

On January 20, 2015, the Trust announced a cash distribution of $0.18666 per REIT A Unit for the month of January 2015. The January 2015 distribution was satisfied on February 15, 2015 by $13,494 in cash and $6,597 in connection with the issuance of 252,044 REIT A Units.

On February 18, 2015, the Trust announced a cash distribution of $0.18666 per REIT A Unit for the month of February 2015. The February 2015 distribution will be payable on March 16, 2015 to unitholders on record at February 27, 2015.

During 2014, the Trust declared monthly distributions of $0.18666 per unit, or $2.24 per unit for the year ended December 31, 2014.

During 2013, the Trust declared monthly distributions of $0.183 per unit up to March 31, 2013 and $0.18666 per unit thereafter, or $2.229 per unit for the year ended December 31, 2013.

Note 19

EQUITY

	December 31, 2014			December 31, 2013		
	Number of REIT A Units		**Amount**	Number of REIT A Units		Amount
REIT A Units	**107,936,575**	**$**	**3,171,794**	103,420,221	$	3,039,189
Retained earnings	**-**		**601,495**	-		682,265
Accumulated other comprehensive income	**-**		**4,228**	-		1,684
Total	**107,936,575**	**$**	**3,777,517**	103,420,221	$	3,723,138

Dream Office REIT Units

Dream Office REIT is authorized to issue an unlimited number of REIT Units and an unlimited number of Special Trust Units. The REIT Units are divided into and issuable in two series: REIT Units, Series A and REIT Units, Series B. The Special Trust Units may only be issued to holders of subsidiary redeemable units.

REIT Units, Series A and REIT Units, Series B represent an undivided beneficial interest in Dream Office REIT and in distributions made by Dream Office REIT. No REIT Unit, Series A or REIT Unit, Series B has preference or priority over any other. Each REIT Unit, Series A and REIT Unit, Series B entitles the holder to one vote at all meetings of unitholders.

Public offering of REIT A Units

On May 1, 2013, the Trust completed a public offering of 6,353,750 REIT A Units, including an over-allotment option, at a price of $36.20 per unit, for gross proceeds of $230,006. Costs related to the offering totalled $9,700 and were charged directly to unitholders' equity.

Distribution Reinvestment and Unit Purchase Plan

The Distribution Reinvestment and Unit Purchase Plan ("DRIP") allows holders of REIT A Units or subsidiary redeemable units, other than unitholders who are resident of or present in the U.S., to elect to have all cash distributions from Dream Office 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 REIT A Units on the Toronto Stock Exchange ("TSX") preceding the relevant distribution date, which typically is on or about the 15th day of the month following the declaration.

For the year ended December 31, 2014, 2,236,530 REIT A Units were issued under the DRIP for $63,248 (December 31, 2013 – 1,509,148 REIT A Units for $47,899).

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional REIT A Units by existing unitholders. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT A Units that may be acquired. The price per unit is calculated in the same manner as the DRIP. No commission, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. For the year ended December 31, 2014, 4,765 REIT A Units were issued under the Unit Purchase Plan for $135 (December 31, 2013 – 12,212 REIT A Units for $429).

Debenture conversions

For the year ended December 31, 2014, $500 of 5.5% Series H Debentures were converted for 13,628 REIT A Units. For the year ended December 31, 2013, no debentures were converted.

Exchange of REIT B Units for REIT A Units

On July 24, 2014, 2,936,023 REIT B Units were exchanged for 2,936,023 REIT A Units totalling $85,350. The exchange was valued based on the carrying amount of the subsidiary redeemable units, the day prior to the exchange to REIT B Units.

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on June 20, 2014 and will remain in effect until the earlier of June 19, 2015 or the date on which the Trust has purchased the maximum number of REIT A Units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 10,298,296 REIT A Units (representing 10% of the Trust's public float of 102,982,963 REIT A Units at the time of entering the bid through the facilities of the TSX). For the year ended December 31, 2014, 832,200 REIT A Units had been purchased and subsequently cancelled under the bid for a total cost of $20,924 (December 31, 2013 – 2,134,800 REIT A Units cancelled for $60,665).

Subsequent to year-end, the Trust purchased an additional 835,000 REIT A Units under the normal course issuer bid for cancellation for a total cost of $22,348.

Short form base shelf prospectus

On November 26, 2012, the Trust issued a short form base shelf prospectus, which is valid for a 25-month period, during which time the Trust may offer and issue, from time to time, units and debt securities convertible into or exchangeable for units of the Trust, or any combination thereof, with an aggregate offering price of up to $2,000,000. The short form base shelf prospectus expired on December 26, 2014, and has not yet been renewed.

For the year ended December 31, 2014, the Trust completed the issuance of $150,000 aggregate principal amount of senior unsecured debentures (December 31, 2013 – $300,000) under the short form base shelf prospectus.

Note 20

ASSETS HELD FOR SALE AND DISPOSITIONS

Assets held for sale

As at December 31, 2014, the Trust held an investment in a joint venture totalling $2,968 (December 31, 2013 – $15,921) as assets held for sale. The Trust's share of the joint venture's assets and liabilities were $2,990 and $22, respectively (December 31, 2013 – $21,619 and $5,698, respectively). At December 31, 2014, management had committed to a plan of sale of the underlying properties, and therefore the investment in the joint ventures has been reclassified as assets held for sale.

During the year, the Trust disposed of its investment in certain joint ventures totalling $12,597. The Trust's share of the disposed joint venture assets and liabilities were $18,179 and $5,582, respectively. As a result of the sale, the Trust recognized a net loss of $738.

Dispositions

For the year ended December 31, 2014, the following dispositions were completed:

Property	Property type	Disposed GLA (sq. ft.)	Gross proceeds[1]	Mortgages discharged	Loss on sale[2]	Date disposed
9705 Horton Road, Calgary	office	55,363	$ 9,150	$ 5,919[3]	$ (173)	June 12, 2014
26229 Township Road 531, Edmonton[4]	flex	89,165	12,084	5,529[3]	(68)	September 9, 2014
11404 Winterburn Road NW, Edmonton[4]	flex	81,917	10,489	5,599[3]	(24)	September 9, 2014
16134 - 114th Avenue NW, Edmonton[4]	flex	48,353	3,938	2,651	(44)	September 9, 2014
16104 - 114th Avenue NW, Edmonton[4]	flex	28,759	6,281	2,030	(5)	September 9, 2014
St. Albert Trail Centre, Edmonton	office	48,402	12,075	6,389	(424)	September 15, 2014
Total		351,959	$ 54,017	$ 28,117	$ (738)	

(1) Gross proceeds before transaction costs.

(2) Loss on sale includes the write-off of financing costs and fair value adjustments associated with the debt discharged, transaction costs and the write-off of goodwill associated with the cash-generating unit.

(3) Mortgages assumed by purchasers on disposal of investment properties.

(4) These investment properties were sold to Dream Industrial REIT (refer to Note 9 and Note 25).

For the year ended December 31, 2013, the following dispositions were completed:

Property	Property type	Disposed GLA (sq. ft.)	Gross proceeds[1]	Mortgages discharged	Loss on sale[2]	Date disposed
625 University Park Drive, Regina	office	17,145	$ 5,182	$ -	$ (68)	January 31, 2013
2640, 2510–2550 Quance Street, Regina	office	69,554	16,300	8,767	(215)	January 31, 2013
Total		86,699	$ 21,482	$ 8,767	$ (283)	

(1) Gross proceeds before transaction costs.

(2) Loss on sale includes the write-off of financing costs and fair value adjustments associated with the debt discharged, transaction costs and the write-off of goodwill associated with the cash-generating unit.

Note 21

INTEREST

Interest on debt

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

	Year ended December 31,	
	2014	2013
Interest expense incurred, at contractual and hedged rate of debt	**$ 136,528**	$ 133,768
Amortization of financing costs	**3,178**	3,034
Amortization of fair value adjustments on assumed debt	**(4,754)**	(6,633)
Interest expense	**134,952**	130,169
Add (deduct):		
Amortization of financing costs	**(3,178)**	(3,034)
Amortization of fair value adjustments on assumed debt	**4,754**	6,633
Change in accrued interest	**(1,736)**	(580)
Cash interest paid	**$ 134,792**	$ 133,188

Certain debts assumed in connection with acquisitions have been adjusted to fair value using the estimated market interest rate at the time of the acquisition ("fair value adjustments"). Fair value adjustments are amortized to interest expense over the expected life of the debt using the effective interest rate method. Non-cash adjustments to interest expense are recorded as a change in non-cash working capital in the consolidated statements of cash flows.

Interest on subsidiary redeemable units

Interest payments charged to comprehensive income are recorded as follows:

	Year ended December 31,	
	2014	2013
Paid in cash	**$ 5,186**	$ 7,524
Paid by way of reinvestment in subsidiary redeemable units	**-**	361
Less: Interest payable at December 31, 2013 (December 31, 2012)	**(660)**	(648)
Plus: Interest payable at December 31, 2014 (December 31, 2013)	**112**	660
Total	**$ 4,638**	$ 7,897

Note 22

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

		Year ended December 31,	
	Note	**2014**	2013
Remeasurement of conversion feature on convertible debentures	13	**$ 450**	$ 1,714
Remeasurement of carrying value of subsidiary redeemable units	14	**1,477**	30,461
Remeasurement of carrying value of deferred trust units	15	**822**	2,665
		$ 2,749	$ 34,840

Note 23

INCOME TAXES

The Trust is subject to taxation in the U.S. on the taxable income earned by its investment properties located in the U.S. at a rate of approximately 38.46% (December 31, 2013 – 38.46%). A deferred tax asset arises from the loss carry-forwards of the U.S. subsidiaries. A deferred tax liability arises from the temporary differences between the carrying value and the tax basis of the net assets of the U.S. subsidiaries. The tax effects of temporary differences arise from investment properties. The loss carry-forwards and the tax effects of temporary differences that give rise to the recognition of deferred tax assets and liabilities are presented below:

	December 31, 2014	December 31, 2013
Deferred tax assets		
Deferred financing costs	**$ 327**	$ -
Financial instruments	**1,350**	-
Loss carry-forwards	**915**	1,484
	2,592	1,484
Deferred tax liabilities		
Investment properties	**(8,775)**	(6,651)
Deferred tax liabilities, net	**$ (6,183)**	$ (5,167)

A reconciliation between the expected income taxes based upon the 2014 and 2013 statutory rates and the income tax expense recognized during the years ended December 31, 2014 and December 31, 2013 are as follows:

	December 31, 2014	December 31, 2013
Income taxes computed at the statutory rate of nil that is applicable to the Trust	**$ -**	$ -
Deferred income tax expense on U.S. properties	**638**	344
	$ 638	$ 344

As part of the deferred tax balance, $378 is a result of foreign exchange differences for the U.S. properties. This amount is included as part of other comprehensive income under unrealized foreign currency translation gain.

Note 24

SEGMENTED INFORMATION

For the year ended December 31, 2014, the Trust's reportable operating segments of its investment properties and results of operations were segmented into geographic segments, namely Western Canada, Calgary downtown, Calgary suburban, Toronto downtown, Toronto suburban and Eastern Canada. Corporate amounts, lease termination fees, bad debt expense, straight-line rent and amortization of lease incentives, and revenue and expenses related to properties held for redevelopment, properties acquired after January 1, 2013 and assets held for sale, were included in "Other" for segment disclosure. The Trust did not allocate interest expense to these segments since leverage is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, other income, other expenses, fair value adjustments, net gains (losses) on transactions and other activities, and deferred income taxes were not allocated to the segments.

For the year ended December 31, 2014, the segments include the Trust's proportionate share of its joint ventures. The column entitled "Reconciliation" adjusts the segmented results to account for these joint ventures using the equity method of accounting as applied in these consolidated financial statements.

Year ended December 31, 2014	Western Canada	Calgary downtown	Calgary suburban	Toronto downtown	Toronto suburban	Eastern Canada	Segment total[1]	Other[2]	Reconciliation[1]	Total
Operations										
Investment properties revenue	**$ 136,448 $**	**113,869 $**	**19,057 $**	**226,365 $**	**114,293 $**	**142,126 $**	**752,158 $**	**65,837 $**	**(112,716) $**	**705,279**
Investment properties operating expenses	**(52,641)**	**(44,938)**	**(8,774)**	**(105,857)**	**(50,969)**	**(65,042)**	**(328,221)**	**(27,824)**	**52,274**	**(303,771)**
Net rental income (segment income)	**83,807**	**68,931**	**10,283**	**120,508**	**63,324**	**77,084**	**423,937**	**38,013**	**(60,442)**	**401,508**
Other income	-	-	-	-	-	-	-	**19,199**	**37,576**	**56,775**
Other expenses	-	-	-	-	-	-	-	**(184,681)**	**17,728**	**(166,953)**
Fair value adjustments, net gains (losses) on transactions and other activities	-	-	-	-	-	-	-	**(136,540)**	**5,138**	**(131,402)**
Income before income taxes	**83,807**	**68,931**	**10,283**	**120,508**	**63,324**	**77,084**	**423,937**	**(264,009)**	-	**159,928**
Deferred income taxes	-	-	-	-	-	-	-	**(638)**	-	**(638)**
Net income for the year	**$ 83,807 $**	**68,931 $**	**10,283 $**	**120,508 $**	**63,324 $**	**77,084 $**	**423,937 $**	**(264,647) $**	**- $**	**159,290**

Year ended December 31, 2014	Western Canada	Calgary downtown	Calgary suburban	Toronto downtown	Toronto suburban	Eastern Canada	Segment total[1]	Other[3]	Reconciliation[1][4]	Total
Capital expenditures[5]	**$ 13,189 $**	**17,685 $**	**2,132 $**	**17,074 $**	**14,492 $**	**17,473 $**	**82,045 $**	**1,155 $**	**(5,807) $**	**77,393**
Investment properties	**$ 1,395,943 $**	**1,162,981 $**	**183,969 $**	**2,409,667 $**	**962,942 $**	**1,076,344 $**	**7,191,846 $**	**12,750 $**	**(1,065,526) $**	**6,139,070**

(1) Includes the Trust's proportionate share of its joint ventures, accounted for using the equity method of accounting.
(2) Includes corporate amounts, lease termination fees, bad debt expense, straight-line rent and amortization of lease incentives, and revenue and expenses related to properties held for redevelopment, properties acquired after January 1, 2013 and assets held for sale.
(3) Includes properties held for redevelopment, assets held for sale and sold properties.
(4) Includes assets held for sale.
(5) Includes building improvements and initial direct leasing costs and lease incentives.

Year ended December 31, 2013		Western Canada		Calgary downtown		Calgary suburban		Toronto downtown		Toronto suburban		Eastern Canada		Segment total[1]		Other[2]		Reconciliation[1]		Total
Operations																				
Investment properties revenue	$	135,975	$	111,127	$	19,471	$	225,778	$	117,284	$	140,848	$	750,483	$	50,048	$	(113,359)	$	687,172
Investment properties operating expenses		(53,960)		(42,693)		(9,074)		(107,379)		(51,418)		(64,217)		(328,741)		(18,902)		51,971		(295,672)
Net rental income (segment income)		82,015		68,434		10,397		118,399		65,866		76,631		421,742		31,146		(61,388)		391,500
Other income		-		-		-		-		-		-		-		20,387		84,327		104,714
Other expenses		-		-		-		-		-		-		-		(182,858)		18,406		(164,452)
Fair value adjustments, net gains (losses) on transactions and other activities		-		-		-		-		-		-		-		154,938		(41,345)		113,593
Income before income taxes		82,015		68,434		10,397		118,399		65,866		76,631		421,742		23,613		-		445,355
Deferred income taxes		-		-		-		-		-		-		-		(344)		-		(344)
Net income for the year	$	82,015	$	68,434	$	10,397	$	118,399	$	65,866	$	76,631	$	421,742	$	23,269	$	-	$	445,011

Year ended December 31, 2013		Western Canada		Calgary downtown		Calgary suburban		Toronto downtown		Toronto suburban		Eastern Canada		Segment total[1]		Other[3]		Reconciliation[1][4]		Total
Capital expenditures[5]	$	9,001	$	21,231	$	752	$	19,519	$	14,611	$	8,676	$	73,790	$	1,735	$	(7,060)	$	68,465
Investment properties	$	1,445,127	$	1,203,684	$	183,927	$	2,365,230	$	967,882	$	1,072,085	$	7,237,935	$	85,667	$	(1,081,917)	$	6,241,685

(1) Includes the Trust's proportionate share of its joint ventures, accounted for using the equity method of accounting.
(2) Includes corporate amounts, lease termination fees, bad debt expense, straight-line rent and amortization of lease incentives, and revenue and expenses related to properties held for redevelopment, properties acquired after January 1, 2013 and assets held for sale.
(3) Includes properties held for redevelopment, assets held for sale and sold properties.
(4) Includes assets held for sale.
(5) Includes building improvements and initial direct leasing costs and lease incentives.

Note 25

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dream Office REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Dream Office REIT, Dream Office Management LP, formerly known as Dundee Management Limited Partnership (a wholly owned subsidiary of Dream Office LP) and Dream Asset Management Corp. ("DAM"), formerly known as Dundee Realty Corporation, a subsidiary of Dream Unlimited Corp., are parties to an administrative services agreement (the "Services Agreement with DAM"). Effective August 24, 2007, Dream Office REIT also has an asset management agreement (the "Asset Management Agreement") with DAM pursuant to which DAM provides certain asset management services to Dream Office REIT and its subsidiaries. Effective December 1, 2013, Dream Office REIT and DAM entered into a Shared Services and Cost Sharing Agreement.

Asset Management Agreement

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 0.25% of the gross asset value of properties, defined as the fair value of the properties at August 23, 2007 (the date of the sale of our portfolio of properties in Eastern Canada) plus the purchase price of properties acquired subsequent to that date, adjusted for any properties sold;
- incentive fee equal to 15% of Dream Office REIT's adjusted funds from operations per unit in excess of $2.65 per unit;
- 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, calculated over a fiscal year based on the anniversary date of the Asset Management Agreement, equal to: (i) 1.0% of the purchase price of a property on the first $100,000 of properties acquired; (ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired; and (iii) 0.50% of the purchase price of a property acquired in excess of $200,000 of properties acquired; and
- financing fee equal to the lesser of actual expenses incurred by DAM in supplying services relating to financing transactions and 0.25% of the debt and equity of all financing transactions completed on behalf of Dream Office REIT.

Pursuant to the Asset Management Agreement with DAM, the following is a summary of fees incurred for the years ended December 31, 2014 and December 31, 2013:

	Year ended December 31,			
		2014		2013
Base annual management fee (included in general and administrative expenses)	**$**	**17,093**	$	16,568
Acquisition fee (included in acquisition related costs/investment properties)		**-**		3,201
Expense reimbursements related to financing arrangements (included in debt/unitholders' equity)		**319**		825
Total incurred under the Asset Management Agreement	**$**	**17,412**	$	20,594

Shared Services and Cost Sharing Agreement

The existing Asset Management Agreement provides the Trust and DAM, from time to time, the opportunity to agree on additional services to be provided to the Trust for which DAM is to be reimbursed for its costs. To formalize and expand this arrangement, the Trust entered into a Shared Services and Cost Sharing Agreement with DAM on December 1, 2013. The agreement is for a one-year term and will be automatically renewed for further one-year terms unless and until the agreement is terminated in accordance with its terms or by mutual agreement of the parties. Pursuant to the agreement, DAM will be providing additional administrative and support services in order to expand and improve DAM's service capability in connection with the provision of its asset management services. DAM will receive an annual fee sufficient to reimburse it for all the expenses incurred in providing these additional administrative and support services. Additionally, the Trust will also reimburse DAM in each calendar year for its share of costs incurred in connection with certain business transformation services provided by DAM.

Pursuant to the Shared Services and Cost Sharing Agreement with DAM, the following is a summary of fees incurred for the year ended December 31, 2014 and December 31, 2013:

	Year ended December 31,			
		2014		2013
Business transformation costs	**$**	**1,100**	$	-
Strategic services and other		**405**		-
Total costs incurred under the Shared Services and Cost Sharing Agreement	**$**	**1,505**	$	-

The Trust's future commitment under the Shared Services and Cost Sharing Agreement, which expires on December 1, 2020, is $5,490.

Services Agreement with DAM

Pursuant to the Services Agreement with DAM, the Trust received from or paid to DAM costs incurred on behalf of the other party. For the year ended December 31, 2014, the Trust processed on behalf of DAM certain costs and shared services of $5,007 (year ended December 31, 2013 – $8,525). For the year ended December 31, 2014, the Trust processed on behalf of DAM, at cost, operating and administration costs of regional offices of $8,705 (year ended December 31, 2013 – $14,412). For the year ended December 31, 2014, DAM processed certain costs on behalf of the Trust of $37 (year ended December 31, 2013 – $1,429).

Services Agreement with Dream Industrial REIT

Effective October 4, 2012, Dream Office Management Corp. and Dream Industrial REIT entered into a Services Agreement, in which the Trust provides certain services to Dream Industrial REIT on a cost recovery basis.

The following is a summary of the cost recoveries from Dream Industrial REIT for the years ended December 31, 2014 and December 31, 2013:

	Year ended December 31,	
	2014	2013
Cost recoveries from Dream Industrial REIT:	**$ 5,999**	$ 5,130
Total cost recoveries from Dream Industrial REIT	**$ 5,999**	$ 5,130

Other transactions with Dream Industrial REIT

As discussed in Note 9 and Note 20, the Trust completed the sale of four investment properties to Dream Industrial REIT on September 9, 2014. A total loss of $141 was recognized in the statements of comprehensive income upon disposal and related to the write-off of financing costs and fair value adjustments associated with the debt discharged, transaction costs and the write-off of goodwill associated with the cash-generating unit.

Amounts due to/from related parties

	December 31, 2014	December 31, 2013
Amounts due from DAM:		
Services Agreement with DAM	**$ 447**	$ 2,815
Parking revenue received on behalf of the Trust	**546**	2,386
Total amounts due from DAM	**$ 993**	$ 5,201

	December 31, 2014	December 31, 2013
Amounts due to/(from) DAM:		
Asset Management Agreement with DAM	**$ (245)**	$ 3,332
Shared Services and Cost Sharing Agreement with DAM	**97**	-
Total amounts due to DAM	**$ (148)**	$ 3,332

	December 31, 2014	December 31, 2013
Amounts due from Dream Industrial REIT:		
Service Agreement with Dream Industrial REIT	**$ 808**	$ 917
Distributions from Dream Industrial REIT	**1,082**	950
Total amounts due from Dream Industrial REIT	**1,890**	1,867
Total amounts due to Dream Industrial REIT related to Dream Industrial REIT properties	**$ 35**	$ 75

Compensation of key management personnel

Compensation of key management personnel for the years ended December 31 is as follows:

	Year ended December 31,	
	2014	2013
Unit-based awards[1]	**$ 925**	$ 1,201

(1) Deferred trust units granted vest over a five-year period with one fifth of the deferred trust units vesting each year. Amounts are determined based on the grant date fair value of deferred trust units multiplied by the number of deferred trust units granted in the year.

Note 26

SUPPLEMENTARY CASH FLOW INFORMATION

The components of amortization and depreciation under operating activities include:

		Year ended December 31,	
	Note	**2014**	2013
Amortization of lease incentives	8	**$ 9,893**	$ 6,471
Amortization of external management contracts	11	**1,292**	1,338
Amortization of financing costs	21	**3,178**	3,034
Amortization of fair value adjustments on assumed debt	21	**(4,754)**	(6,633)
Depreciation on property and equipment		**1,678**	1,189
Total amortization and depreciation		**$ 11,287**	$ 5,399

The components of changes in other adjustments under operating activities include:

		Year ended December 31,	
	Note	**2014**	2013
Reinvestment in subsidiary redeemable units	21	**$ -**	$ 361
Debt settlement and Unit issue costs	32	**1,927**	(241)
Net loss on sale of investment properties	20, 32	**738**	283
Deferred unit compensation expense	15	**3,707**	4,087
Straight-line rent adjustment		**(3,929)**	(6,767)
Deferred income taxes	23	**638**	344
Total other adjustments		**$ 3,081**	$ (1,933)

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

	Year ended December 31,	
	2014	2013
Decrease in amounts receivable	**$ 12,043**	$ 2,642
Decrease in prepaid expenses and other assets	**857**	264
Decrease in other non-current assets	**794**	47
Decrease in amounts payable and accrued liabilities	**(8,301)**	(12,896)
Increase in non-current liabilities	**255**	877
Change in non-cash working capital	**$ 5,648**	$ (9,066)

The following amounts were paid on account of interest:

		Year ended December 31,	
	Note	**2014**	2013
Interest:			
Debt	21	**$ 134,792**	$ 133,188
Subsidiary redeemable units	21	**5,186**	7,524

Note 27

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

						Year ended December 31,
			2014			2013
	Opening balance January 1	**Net change during the year**	**Closing balance December 31**	Opening balance January 1	Net change during the year	Closing balance December 31
Unrealized gain (loss) on interest rate swaps	**$ (336)**	**$ (666)**	**$ (1,002)**	$ (375)	$ 39	$ (336)
Unrealized foreign currency translation gain	**2,020**	**3,210**	**5,230**	78	1,942	2,020
Accumulated other comprehensive income (loss)	**$ 1,684**	**$ 2,544**	**$ 4,228**	$ (297)	$ 1,981	$ 1,684

Note 28

COMMITMENTS AND CONTINGENCIES

Dream Office 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 Dream Office REIT.

At December 31, 2014, Dream Office REIT's future minimum commitments under operating leases, finance leases, and fixed price contracts to purchase electricity are as follows:

				Minimum payments due
	< 1 year	1–5 years	> 5 years	Total
Operating lease payments	$ 1,019	$ 1,183	$ 8,288	$ 10,490
Finance lease payments	28	35	-	63
Electricity	5,788	2,873	-	8,661
Total	$ 6,835	$ 4,091	$ 8,288	$ 19,214

During the year ended December 31, 2014, the Trust paid $1,065 (December 31, 2013 – $1,122) in minimum lease payments, which has been included in comprehensive income for the period.

The Trust has entered into lease agreements that may require tenant improvement costs of approximately $26,366.

The Trust's share of contingent liabilities arising from its investments in joint ventures is as follows:

	December 31, 2014	December 31, 2013
Contingent liabilities for the obligation of the other owners of investments in joint ventures	**$ 282,738**	$ 305,850

Note 29

CAPITAL MANAGEMENT

The primary objectives of the Trust's capital management are to ensure it remains within its quantitative banking covenants and to improve its credit rating. The Trust was assigned for the first time a credit rating of BBB (low) with a stable trend as part of the Series A and Series B Debentures offering during 2013.

The Trust's capital consists of debt, including mortgages, convertible debentures, debentures, subsidiary redeemable units and demand revolving credit facilities, and unitholders' equity. The Trust's objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable unitholder distributions, to fund leasing costs and capital expenditure requirements, and to provide for resources needed to acquire new properties. The Trust's maximum credit exposure is equal to the trade receivables at December 31, 2014.

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 ratio and net debt-to-gross carrying value. 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. Various mortgages have debt covenant requirements that are monitored by the Trust to ensure there are no defaults. These covenants include loan-to-value ratios, cash flow coverage ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary limited partnership level, and all have been complied with in all material respects.

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 $2.24 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 percent of distributable income and distributable income per unit.

During the year, there were no events of default on any of the Trust's obligations under its credit facilities or mortgage loans.

Note 30

FINANCIAL INSTRUMENTS

Risk management

IFRS 7, "Presentation of Financial Statements" ("IFRS 7"), places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks, including market, credit and liquidity risks.

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has some exposure to interest rate risk primarily as a result of its variable rate debt. In addition, there is interest rate risk associated with the Trust's fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. The Trust is exposed to the variability in market interest rates on maturing debt to be renewed. Variable rate debt at December 31, 2014 was 8.9% of the Trust's total debt (December 31, 2013 — 10.1%). Included in fixed rate debt is the term loan facility of $183,453, which has a variable rate of interest at bankers' acceptances plus 1.85% payable monthly. The Trust had entered into two interest rate swap agreements, one for three years at 3.03% for a notional value of $53,670 and one for five years at 3.52% for a notional value of $129,783, fixing the rate of interest at 3.38%. On August 15, 2014, the three-year interest rate swap on the notional balance of $53,670 expired and was not subsequently renewed. In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and variable rate debt, manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate financial assets and liabilities for the prospective 12-month period. A 1% change is considered a reasonable level of fluctuation on variable rate financial assets and liabilities.

					Interest rate risk
			-1%		+1%
	Amount	Income	Equity	Income	Equity
Financial assets					
Cash and cash equivalents[(1)]	$ 10,920	$ (109)	$ (109)	$ 109	$ 109
Financial liabilities					
Fixed rate debt due to mature in 2015 and total variable debt	$ 518,190	$ (5,182)	$ (5,182)	$ 5,182	$ 5,182

(1) Cash and cash equivalents are short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent the Trust's use for current purposes. These balances generally receive interest income at the bank's prime rate less 1.85%. Cash and cash equivalents are short term in nature and the current balance may not be representative of the balance for the rest of the year.

The Trust is not exposed to significant foreign exchange risks.

The Trust's assets consist of office properties. Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Cash and cash equivalents, deposits and restricted cash carry minimal credit risk as all funds are maintained with highly reputable financial institutions.

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

Derivatives and hedging activities

The Trust uses interest rate swaps to manage its cash flow associated with changes in interest rates on variable rate debt. As at December 31, 2014, the Trust had the following interest rate swaps outstanding (December 31, 2013 – $183,453):

Hedging item	Notional	Rate (%)	Maturity	Fair value	Hedged item
Interest rate swap	$ 129,783	3.52	August 15, 2016	$ 592	Interest payments on forecasted issuance of bankers' acceptances

The maximum term over which interest rate hedging gains and losses reflected in other comprehensive income will be recognized is five years as the hedged interest payments occur.

Note 31

FAIR VALUE MEASUREMENTS

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

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

	Note	**Carrying value as at December 31, 2014**	**Fair value as at December 31, 2014**		
			Level 1	**Level 2**	**Level 3**
Recurring measurements					
Non-financial assets					
Investment properties	8	**$ 6,139,070**	**$ -**	**$ -**	**$ 6,139,070**
Financial liabilities (assets)					
Interest rate swap	13	**$ 592**	**$ -**	**$ 592**	**$ -**
Conversion feature on the convertible debentures	13	**$ (760)**	**$ -**	**$ (760)**	**$ -**

	Note	Carrying value as at December 31, 2013	Fair value as at December 31, 2013		
			Level 1	Level 2	Level 3
Recurring measurements					
Non-financial assets					
Investment properties	8	$ 6,241,685	$ -	$ -	$ 6,241,685
Financial liabilities (assets)					
Interest rate swaps	13	$ 336	$ -	$ 336	$ -
Conversion feature on the convertible debentures	13	$ (317)	$ -	$ (317)	$ -

Financial instruments carried at amortized cost where the carrying value does not approximate fair value are noted below:

	Note	**Carrying value as at December 31, 2014**	**Fair value as at December 31, 2014**		
			Level 1	**Level 2**	**Level 3**
Fair values disclosed					
Mortgages	13	**$ 2,380,708**	**$ -**	**$ -**	**$ 2,282,145**
Term loan facility	13	**182,260**	**-**	**-**	**186,069**
Convertible debentures	13	**51,160**	**51,641**	**-**	**-**
Debentures	13	**482,700**	**485,200**	**-**	**-**
Investment in Dream Industrial REIT	9	**191,691**	**-**	**156,206**	**-**

	Carrying value as at December 31, 2013	Fair value as at December 31, 2013		
		Level 1	Level 2	Level 3
Fair values disclosed				
Mortgages	$ 2,477,183	$ -	$ -	$ 2,507,543
Term loan facility	181,530	-	-	184,635
Convertible debentures	51,885	52,718	-	-
Debentures	333,647	335,311	-	-
Investment in Dream Industrial REIT	166,317	-	144,096	-

Amounts receivable, cash and cash equivalents, subsidiary redeemable units, tenant security deposits, the Deferred Unit Incentive Plan, amounts payable and accrued liabilities, and distributions payable are carried at amortized cost which approximates fair value due to their short-term nature.

Investment properties

The Trust's accounting policy as indicated in Note 3 is applied to fair value investment properties using the income approach, which is derived from two methods: overall capitalization rate method and discounted cash flow method, which result in these measurements being classified as Level 3 in the fair value hierarchy. Valuations of investment properties are most sensitive to changes in discount rates and capitalization rates. In applying the overall capitalization rate method the stabilized net operating income ("stabilized NOI") of each property is divided by any appropriate capitalization rate ("cap rate").

The key assumptions in the valuation of investment properties are as follows:

- Cap rate – based on actual location, size and quality of the properties and taking into account any available market data at the valuation date.
- Stabilized NOI – revenues less property operating expenses adjusted for items such as average lease-up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items.
- Discount rate – reflecting current market assessments of the uncertainty in the amount and timing of cash flows.
- Terminal rate – taking into account assumptions regarding vacancy rates and market rents.
- Cash flows – based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.

In accordance with IFRS 5, "Non-current assets held for sale and discontinued operations", the Trust classified its investment in joint venture totalling $2,968 as assets held for sale. The fair value of the assets held for sale approximates the carrying value of the net assets.

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

Investment properties valuation process

The Trust is responsible for determining the fair value measurements included in the consolidated financial statements. The Trust includes a valuations team that prepares a valuation of each investment property every quarter. The valuations team is headed by an experienced valuator. On a quarterly basis, the Trust engages independent professionally qualified valuators who hold a recognized relevant professional qualification and have recent experience in the locations and categories of the investment properties to complete valuations of selected properties. The Trust's objective is to have each property valued by an independent valuator at least once every three years. For properties subject to an independent valuation report, the valuations team verifies all major inputs to the valuation and reviews the results with the independent valuators. The valuations team reports directly to the Chief Financial Officer ("CFO") and the Chief Operating Officer ("COO") of the Trust. Discussion of valuation processes, key inputs and results are held between the CFO, COO and the valuations team at least once every quarter, in line with the Trust's quarterly reporting rules. Changes in Level 3 fair values are analyzed at each reporting date during the quarterly valuation discussions between the CFO, COO and the valuations team.

Convertible debentures and interest rate swaps

The convertible debentures have two components of value – a conventional bond and a call on the equity of the Trust through conversion. Based on its terms (see Note 13) the conversion feature is an embedded derivative and has been separated from the host contract and classified as a financial liability or asset through profit and loss.

The fair value of the conversion feature, categorized in Level 2, is calculated based on the paper by K. Tsiveriotis and C. Fernandes. In this model, a convertible bond consists of two components, an equity component and a debt component, and these components have different default risks. The equity component is discounted at the risk-free rate. The equity component has no default risk since the Trust can always issue its own units. The debt component is discounted at the risk-free rate plus a credit spread.

The fair value of the conversion feature on the convertible debentures was determined using critical inputs, some of which are not directly observable based on market data. The critical inputs are the unit price and the units' distribution yield, the underlying unit volatility, the risk-free rate and the assumed credit spread.

A qualified independent consultant calculates the fair value measurement for the financial liability classified as Level 2. The valuation processes and results are determined and reviewed by senior management. The inputs and processes used in the valuation and the results thereof are reviewed by senior management and discussed with the qualified independent consultant to ensure conformity with IFRS.

The significant observable inputs used in the fair value measurement of the conversion feature as at December 31, 2014 and December 31, 2013 are the following:

- Volatility: Historical volatility as at December 31, 2014 and December 31, 2013 was derived from the historical prices of the Trust with maturity equal to the term to maturity of the convertible debentures.
- Credit spread: The credit spread of the convertible debentures was imputed from the traded price of the convertible debentures as at December 31, 2014 and December 31, 2013.

	December 31,	
5.5% Series H Debentures	**2014**	2013
Credit spread	**2.39%**	2.54%
Volatility	**13.6%**	14.2%

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

The following table shows the changes in fair value of the conversion option from a 5% increase or decrease in volatility and a 100 bps increase or decrease in credit spread, holding all other inputs constant.

	Impact of change to volatility		**Impact of change to credit spread**	
	+5%	**-5%**	**+100 bps**	**-100 bps**
Increase (decrease) in fair value as at December 31, 2014	**$ (44)**	**$ 3**	**$ 461**	**$ (481)**

	Impact of change to volatility		Impact of change to credit spread	
	+5%	-5%	+100 bps	-100 bps
Increase (decrease) in fair value as at December 31, 2013	$ 542	$ (229)	$ 481	$ (510)

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

Mortgages and term loan facility

The fair value of mortgages and term loan facility as at December 31, 2014 is determined by discounting the expected cash flows of each mortgage and term loan facility using spreads ranging from 1.60% to 1.70% (December 31, 2013 – 1.85% to 2.00%). The spreads are determined using the Government of Canada benchmark bond yield for instruments of similar maturity adjusted for the Trust's specific credit risk. In determining the adjustment for credit risk, the Trust considers market conditions, the value of the properties that the mortgage is secured by and other indicators of the Trust's creditworthiness.

Convertible debentures

The fair value of convertible debentures as at December 31, 2014 and December 31, 2013 is based on the convertible debentures' trading price on or about December 31, 2014 and December 31, 2013, respectively.

Debentures

The fair value of debentures that are traded as at December 31, 2014 and December 31, 2013, is based on the debentures' trading price on or about December 31, 2014 and December 31, 2013, respectively. The fair values of debentures that are non-trading as at December 31, 2013 are based on the debentures' par value.

Demand revolving credit facilities

The fair value of the demand revolving credit facilities as at December 31, 2014 and December 31, 2013 approximates their carrying value due to their short-term nature.

Note 32

NET GAINS (LOSSES) ON TRANSACTIONS AND OTHER ACTIVITIES

	Note	Year ended December 31, 2014	2013
Debt settlement costs		**$ (1,892)**	$ (241)
Net loss on sale of investment properties	20	**(738)**	(283)
Internal leasing costs		**(6,118)**	(6,468)
Business transformation costs	25	**(1,100)**	-
Total		**$ (9,848)**	$ (6,992)

Debt settlement costs related to the discharge of mortgages prior to the original maturity dates during the year and write-off of associated fair value adjustments and financing costs. Net loss on sale of investment properties for the year related to the write-off of financing costs, fair value adjustments associated with the debt discharged and transaction costs associated with the cash-generating unit. Effective January 1, 2014, the Trust adopted a new accounting policy, which was applied retrospectively, to recognize internal leasing costs as an expense when incurred (see Note 5). Business transformation costs related to process and technology improvement costs incurred pursuant to the Shared Services and Cost Sharing Agreement (see Note 25).

Trustees

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

Donald K. Charter [1,3]
Toronto, Ontario
Corporate Director

Michael J. Cooper [2]
Toronto, Ontario
Chief Executive Officer
Dream Unlimited Corp.

Peter A. Crossgrove [1]
Toronto, Ontario
Corporate Director

Joanne Ferstman [2,4]
Toronto, Ontario
Corporate Director

Robert G. Goodall [3]
Mississauga, Ontario
President
Canadian Mortgage Capital Corporation

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

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

Corporate Information

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TRANSFER AGENT

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

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

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Phone: (416) 365-3538
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E-mail: officeinfo@dream.ca
Website: www.dreamofficereit.ca

TAXATION OF DISTRIBUTIONS

Distributions paid to unitholders in respect of the tax year ending December 31, 2014, are taxed as follows:
Other income: 21.9%
Capital gains: 5.6%
Return of capital: 72.5%

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Listing symbols:
REIT Units, Series A: D.UN
5.5% Series H Convertible Debentures: D.DB.H
5.95% Senior Unsecured Debentures, Series K: D.DB.K

ANNUAL MEETING OF UNITHOLDERS

Thursday, May 7, 2015 at 4:00 pm (EST)
Corporate office of Dream Office REIT
30 Adelaide Street East, Suite 300
Toronto, Ontario, Canada

DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

The purpose of our Distribution Reinvestment and Unit Purchase Plan ("DRIP") is to provide unitholders with a convenient way of investing in additional units without incurring transaction costs such as commissions, service charges or brokerage fees. By participating in the Plan, you may invest in additional units in two ways:

Distribution reinvestment: Unitholders will have cash distributions from Dream Office 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 enrol, contact:

Computershare Trust Company of Canada
100 University Avenue, 9th 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

Design: **The Works Design Communications Ltd.** **www.worksdesign.com**

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