2015
Annual Report

Dream Office REIT owns well-located, high-quality central business district and suburban office properties in major urban centres across Canada. Its portfolio is well diversified by geographic location and tenant mix.

Cover image: State Street Financial Centre, Toronto, ON

Letter to Unitholders

P. Jane Gavan
Chief Executive Officer

2015 was a challenging year for Canadian Office REITs, in particular those with exposure to the Alberta market, which continued to be impacted by record-low oil prices. Our focus on retaining and attracting new tenants enabled us to maintain strong leasing momentum through 2015, which accelerated in the latter part of the year and into 2016. We achieved an overall tenant retention ratio of 62%, completing 1.7 million square feet of renewals in 2015. In-place and committed occupancy remained above 91%, and continued to outperform the national industry average.

Looking ahead, we have made excellent progress on our 2016 and 2017 leasing. To date, we have addressed over two-thirds of our 2016 lease expiries. By volume, this represents over 100% of the total leasing completed in 2015 and is the highest level of pre-leasing completed over the past five years. For Alberta, we have lease commitments in place for nearly two-thirds of our 2016 lease maturities. With respect to our 2017 lease expiries, we have already addressed approximately one-fifth of all maturities.

In 2015, we embarked on a $75 million capital expenditure program to proactively invest in our buildings to improve tenant retention, attract tenants and reduce energy costs. This was the largest annual investment we have made and reflects our commitment to our tenants and to increasing the functionality and appeal of our buildings. We were also actively selling non-core assets to improve the overall quality of our portfolio. The proceeds were largely used to repurchase Trust units, as we recognized the disconnect between the private market valuations of many of our assets and the trading discount in respect of our units in the public markets.

In February 2016, we announced a multi-year strategic plan to close the valuation gap between our unit trading price and our view of the intrinsic value of the business. We have classified our portfolio into three types: core, private market and value-add. We have identified $1.2 billion of private market assets, which we intend to sell to crystallize the value for unitholders. We will use the proceeds from asset dispositions to repay debt and lower our overall leverage, making our company safer. Additionally, we have revised our distribution, eliminated our DRIP and secured an $800 million credit facility, all with the goal of providing us financial flexibility to execute on our strategic plan. As a result, we expect to have a higher quality Canadian office portfolio, supported by an industry-leading balance sheet and ample liquidity for undertaking long-term value-enhancing initiatives.

While we foresee a challenging environment, we remain focused on proactively reaching out to existing tenants in renewal discussions, creatively attracting new tenants and continually improving the services we provide. We further expanded our focus on sustainability, which is integral to how we run our business and how we manage our social and environmental obligations, and recently issued our first Corporate Sustainability Report.

2016 will be an active year for the Trust and we believe that the execution of our key initiatives, in conjunction with our focus on leasing and improving our buildings, will lead to increased value for our unitholders.

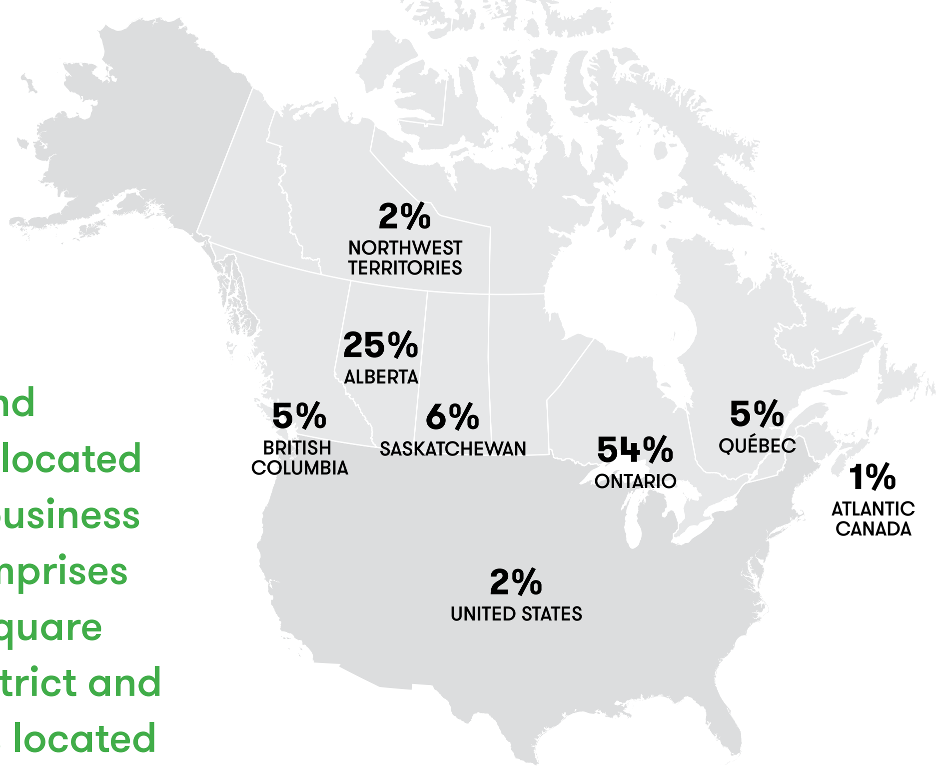
As always, I would like to thank you for your continued support and look forward to the upcoming year.

P. Jane Gavan
Chief Executive Officer
March 21, 2016

Portfolio at-a-Glance

DECEMBER 31, 2015

Dream Office REIT owns and operates high-quality, well-located and competitively priced business premises. The portfolio comprises approximately 23 million square feet of central business district and suburban office properties located in Canada's key office markets.

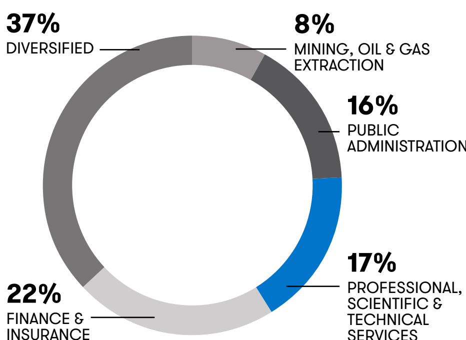


Geographic Diversification
(% of net operating income, excluding properties held for sale)

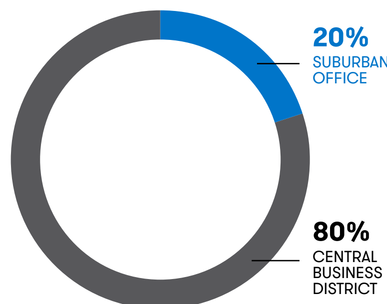
High-Quality Tenants

TENANT	OWNED AREA (%)	GROSS RENTAL REVENUE (%)	WEIGHTED AVERAGE REMAINING LEASE TERM (YEARS)
Bank of Nova Scotia	4.4	7.7	8.8
Government of Canada	6.1	7.0	3.2
Government of Ontario	2.0	2.3	4.2
Bell Canada	1.6	2.0	3.7
Telus	1.2	1.6	1.1
Enbridge Pipelines Inc.	1.1	1.6	3.1
State Street Trust Company	1.1	1.4	6.3
Government of Saskatchewan	1.5	1.3	2.2
Government of Alberta	1.3	1.2	2.6
Newalta Corporation	0.8	1.2	3.8

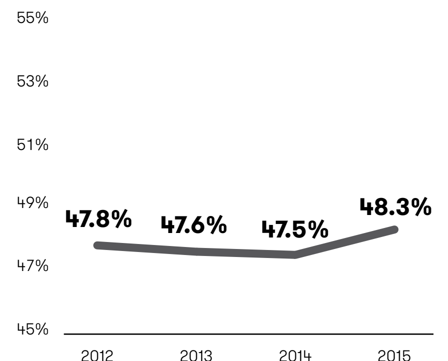
Diversified Tenant Base



Net Operating Income Breakdown
(excluding properties held for sale)



Conservative Level of Debt
(net debt-to-gross book value)

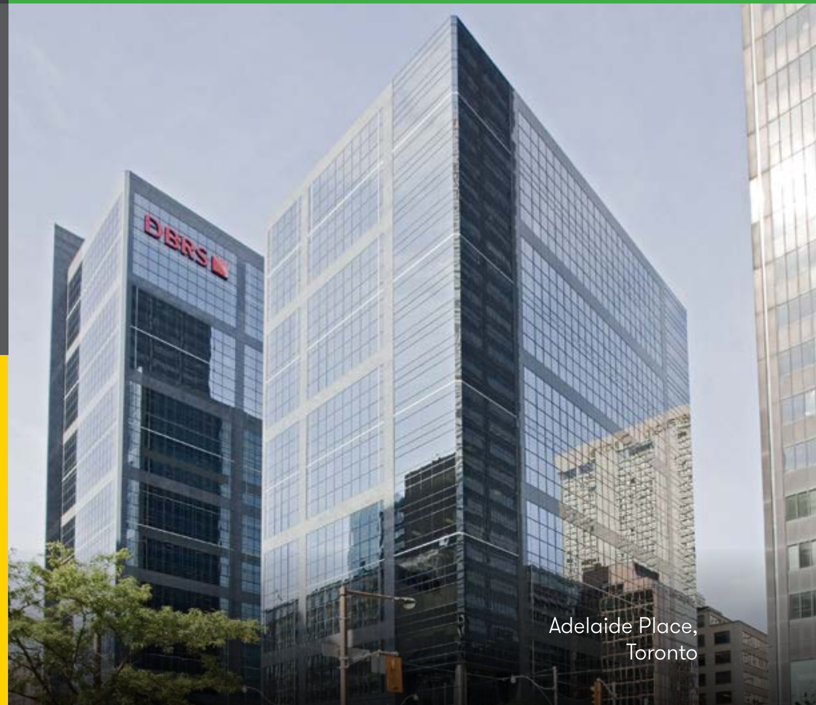


Scotia Plaza
Toronto

IBM Corporate Park,
Calgary, AB

$7.3 billion
TOTAL ASSETS
(INCLUDING INVESTMENT IN JOINT VENTURES)

2.9×
INTEREST COVERAGE RATIO



Adelaide Place,
Toronto

91%
OCCUPANCY
(INCLUDING COMMITTED)

700 de la Gauchetière,
Montréal, QC

23 million
TOTAL GROSS LEASABLE AREA
(SQUARE FEET)

2,175
NUMBER OF TENANTS

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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

The fourth quarter was another active quarter from a leasing, financing and dispositions perspective. During the quarter, approximately 915,700 square feet of leases commenced, compared to 759,100 square feet of leases that commenced in Q3 2015. Of the 915,700 square feet of leases that commenced during the quarter, 634,700 square feet were renewals, resulting in a tenant retention ratio of approximately 75%. To date, we continue to make good progress on securing future lease commitments, with approximately 69% of 2016 maturities leased, amounting to approximately 2.8 million square feet. Subsequent to year-end, leasing velocity has increased in the Calgary region, with three major lease commitments in Calgary downtown totalling approximately 111,400 square feet and one major lease commitment in Calgary suburban totalling 21,600 square feet. The three lease commitments in Calgary downtown include a 10.8-year lease for 55,800 square feet commencing in October 2016, a five-year lease commencing on April 1, 2016 and a ten-year lease commencing in December 2016, each comprising 27,800 square feet, respectively. The Trust has also signed a 10.5-year lease in the Calgary suburban region for 21,600 square feet effective as at January 1, 2016. In addition, we renewed or refinanced mortgages totalling $164.4 million and disposed of four non-core assets totalling $95.1 million.

The fourth quarter results were better than our expectations. As at December 31, 2015, our comparative portfolio in-place occupancy was stable at 89.8% when compared to the prior quarter. During the quarter, Toronto downtown posted approximately 27,000 square feet of positive leasing absorption, representing a 50 basis points ("bps") in-place occupancy increase, and Toronto suburban had over 53,000 square feet of positive leasing absorption, representing a 1.2% in-place occupancy increase. There were modest gains in Western and Eastern Canada while Calgary downtown and Calgary suburban experienced negative leasing absorption of 49,000 square feet and 19,100 square feet, respectively.

At Q4 2015, our comparative portfolio in-place and committed occupancy was 91.3%, compared to 91.5% in Q3 2015. The decline was largely due to occupancy declines in Calgary downtown and Calgary suburban. When compared to the prior year, our comparative portfolio in-place and committed occupancy declined 1.5% from 92.8% to 91.3%. The decline was observed in all regions except for our largest market, Toronto downtown, which experienced a 70 bps increase, and our smallest market, Calgary suburban, with a 100 bps increase. Despite the decline, both our in-place and committed occupancy of 91.3% and in-place occupancy of 89.8% remain well above the industry average of 87.8% (CBRE, *Canadian Market Statistics*, Fourth Quarter 2015).

Comparative portfolio average in-place and committed net rents across our comparative portfolio at December 31, 2015 were up $0.09 per square foot to $18.94 per square foot from $18.85 per square foot at September 30, 2015, reflecting rent uplifts in all regions except for the Calgary suburban and Toronto suburban regions. Comparative portfolio average in-place and committed net rents across our comparative portfolio at December 31, 2015 increased to $18.94 per square foot from $18.68 per square foot at December 31, 2014, reflecting rent uplifts in all regions except for Calgary suburban and Eastern Canada. Estimated average market rents continue to be above average in-place net rents by approximately 2.7%.

Comparative net operating income ("NOI") for the quarter was $111.7 million, compared to $112.6 million in Q4 2014. For the year ended December 31, 2015, comparative NOI was $447.4 million, compared to $449.9 million in the prior year comparative period. We continue to see strength in Toronto downtown, Calgary suburban and Eastern Canada, offset by declines in Western Canada, Calgary downtown and Toronto suburban.

Funds from operations ("FFO") (excluding Reorganization) for the three months and year ended December 31, 2015 was $79.7 million and $318.5 million, respectively, an increase of $1.5 million, or 1.9%, over the prior year comparative quarter and an increase of $5.7 million, or 1.8%, over the prior year comparative period.

Diluted FFO (excluding Reorganization) on a per unit basis for the three months and year ended December 31, 2015 was $0.70 and $2.82, respectively, compared to $0.71 and $2.87 for the three months and year ended December 31, 2014. The modest decline when compared to the prior year comparative quarter and period was mainly due to the following reasons:

- Decrease in comparative NOI;
- Decrease in lease termination fees and other one-time property adjustments;
- Disposition of properties; and
- Incremental change in straight-line rent adjustment;

Partially offset by

- General and administrative expense savings as a result of the elimination of the asset management agreement with Dream Asset Management Corporation ("DAM") (the "Reorganization"), net of the dilution impact on issuance of 4.85 million subsidiary redeemable units to DAM pursuant to the Reorganization;
- Interest rate savings upon refinancing of maturing debt;
- Incremental increase in FFO from our investment in Dream Industrial REIT on a full-year basis; and
- Compensation received on expropriation of a small parcel of land.

Total adjusted funds from operations ("AFFO") for the three months and year ended December 31, 2015 was $70.9 million and $281.4 million, respectively, an increase of $2.4 million, or 3.4%, over the prior year comparative quarter, and an increase of $8.4 million, or 3.1%, over the prior year comparative period.

AFFO on a per unit basis for the three months and year ended December 31, 2015 was $0.62 and $2.50, respectively, a decline of one cent over the prior year comparative quarter and down two cents when compared to the prior year comparative period. The change in AFFO per unit for the three months and year ended December 31, 2015 was largely due to the same reasons as described above on the change in diluted FFO (excluding Reorganization) except for the incremental change in straight-line rent adjustment, which is added back in the determination of AFFO.

We have continued our commitment to maintaining a strong and flexible balance sheet. We ended the quarter with a stable net total debt-to-gross book value ratio of 48.3%, net average debt-to-EBITDFV of 7.7 years and interest coverage ratio of 2.9 times. Our weighted average face rate of interest improved to 4.05%, compared to 4.11% at September 30, 2015 and 4.18% at December 31, 2014. The Trust's pool of unencumbered assets was approximately $825 million as at December 31, 2015.

During the quarter, the Trust was active from a financing perspective, renewing or refinancing mortgages totalling $164.4 million at an average fixed face rate of 2.94% per annum with an average term of 5.6 years. In addition, the Trust discharged mortgages totalling $162.8 million at an average face rate of 3.77% per annum with an average term of 6.0 years during the quarter. Overall, the renewals and refinancing of mortgages completed during the quarter represented interest savings of approximately 83 bps per annum over the mortgages discharged.

For the three months ended December 31, 2015, the Trust has purchased for cancellation 1,203,373 REIT A Units under its normal course issuer bid (the "Bid") at an average price of $19.19 per unit and a total cost of approximately $23.1 million (excluding transaction costs). For the year ended December 31, 2015, the Trust purchased for cancellation 4,486,473 REIT A Units under the Bid at an average price of $23.43 per unit (excluding transaction costs) and a total cost of approximately $105.1 million. Subsequent to quarter-end, the Trust purchased an additional 406,573 REIT A Units at an average price of $15.95 per unit (excluding transaction costs) and a total cost of approximately $6.5 million.

On October 30, 2015, the Trust completed the sale of four properties located in Québec, totalling approximately 634,100 square feet, for gross proceeds net of adjustments and before transaction costs of $95.1 million.

On February 18, 2016, the Trust announced a reduction to its monthly cash distribution from $0.18666 per unit to $0.125 per unit, or $1.50 per unit on an annualized basis, effective for the month of February 2016 distribution. The February 2016 distribution will be payable on March 15, 2016 to unitholders of record at February 29, 2016. On February 18, 2016, the Trust also announced the suspension of its Distribution Reinvestment and Unit Purchase Plan ("DRIP") until further notice effective for the February 2016 distribution.

Subsequent to year-end, the Trust has committed to a new three-year, $800 million revolving credit facility with a syndicate of major Canadian and global financial institutions with an expected closing date on or before March 4, 2016. This revolving credit facility is expected to replace the existing $171.5 million revolving credit facility due on March 5, 2016 and $183.5 million term loan facility due on August 15, 2016. The interest rate will be calculated in the form of rolling one-month bankers' acceptances ("BAs") bearing interest at the BA rate plus 170 bps or at the bank's prime rate plus 70 bps.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	As at		
	December 31, 2015	September 30, 2015	December 31, 2014
Total Portfolio			
Number of properties[1]	**166**	169	175
Gross leasable area ("GLA") [1][2]	**23,030**	23,349	24,223
Occupancy rate – including committed (period-end)[1]	**91.3%**	91.6%	93.0%
Occupancy rate – in-place (period-end)[1]	**89.8%**	89.8%	91.4%
Average in-place and committed net rent per square foot (period-end)[1]	**$ 18.94**	$ 18.73	$ 18.22
Market rent/average in-place and committed net rent (%)[1]	**2.7%**	5.0%	7.8%
Comparative Portfolio			
Occupancy rate – including committed (period-end)[1][3]	**91.3%**	91.5%	92.8%
Occupancy rate – in-place (period-end)[1][3]	**89.8%**	89.7%	91.2%
Average in-place and committed net rent per square foot (period-end)[1][3]	**$ 18.94**	$ 18.85	$ 18.68
Market rent/average in-place and committed net rent (%)[1][3]	**2.7%**	5.0%	7.7%

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Operating results				
Investment properties revenue[4]	**$ 196,178**	$ 205,186	**$ 802,446**	$ 817,995
NOI[5]	**108,297**	111,037	**436,579**	445,995
Comparative properties NOI[5]	**111,731**	112,565	**447,383**	449,934
FFO (excluding Reorganization)[6]	**79,672**	78,149	**318,511**	312,829
AFFO[7]	**70,922**	68,570	**281,445**	273,060
Distributions				
Declared distributions	**$ 63,335**	$ 62,622	**$ 250,656**	$ 242,220
DRIP participation ratio (for the period)	**38%**	29%	**37%**	26%
Per unit amounts[8]				
Distribution rate	**$ 0.56**	$ 0.56	**$ 2.24**	$ 2.24
Basic:				
FFO (excluding Reorganization)[6]	**0.70**	0.72	**2.83**	2.88
AFFO[7]	**0.62**	0.63	**2.50**	2.52
Diluted:				
FFO (excluding Reorganization)[6]	**0.70**	0.71	**2.82**	2.87
Payout ratio (%):[9]				
FFO (excluding Reorganization) (basic)	**80%**	78%	**79%**	78%
AFFO (basic)	**90%**	89%	**90%**	89%

						As at
		December 31, 2015		September 30, 2015		December 31, 2014
Financing						
Weighted average effective interest rate on debt (period-end)(10)		**4.11%**		4.12%		4.15%
Weighted average face rate of interest on debt (period-end)(11)		**4.05%**		4.11%		4.18%
Interest coverage ratio (times)(12)		**2.9**		2.9		2.9
Net average debt-to-EBITDFV (years)(12)		**7.7**		7.7		7.8
Net debt-to-adjusted EBITDFV (years)(12)		**7.7**		7.8		7.9
Level of debt (net total debt-to-gross book value)(12)		**48.3%**		48.0%		47.5%
Level of debt (net secured debt-to-gross book value)(12)		**41.0%**		40.9%		40.4%
Debt – average term to maturity (years)		**3.8**		3.8		4.4
Unencumbered assets(13)	**$**	**825,000**	$	768,000	$	796,000
Unsecured convertible and non-convertible debentures	**$**	**534,097**	$	534,038	$	533,860

(1) Includes investment in joint ventures and excludes redevelopment properties and assets held for sale at period-end.

(2) In thousands of square feet.

(3) Comparative periods excludes properties sold and properties held for sale in Q4 2015.

(4) On a non-GAAP basis as investment properties revenue includes investment in joint ventures.

(5) NOI and comparative properties NOI (non-GAAP measures) – NOI 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. Comparative properties NOI includes the properties acquired prior to January 1, 2014 and excludes lease termination fees, one-time property adjustments, bad debt expenses, NOI of acquired properties and properties held for redevelopment, straight-line rent and amortization of lease incentives. The reconciliation of NOI to net rental income can be found in the section "Non-GAAP measures and other disclosures" under the heading "NOI".

(6) FFO (excluding Reorganization) (non-GAAP measure) – The reconciliation of FFO (excluding Reorganization) to net income can be found in the section "Our Results of Operations" under the heading "Funds from operations (excluding Reorganization) and adjusted funds from operations".

(7) 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 reconciliation".

(8) A description of the determination of basic and diluted amounts per unit can be found in the section "Non-GAAP measures and other disclosures" under the heading "Weighted average number of units".

(9) Payout ratio (non-GAAP measure) is calculated as the distribution rate as a percentage of basic FFO (excluding Reorganization) per unit and basic AFFO per unit.

(10) 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.

(11) Weighted average face interest rate is calculated as the weighted average face rate of all interest bearing debt, including investment in joint ventures that are equity accounted.

(12) 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".

(13) Unencumbered assets (non-GAAP measure) includes unencumbered investment properties related to wholly owned and co-owned properties and investment in joint ventures that are equity accounted.

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") should be read in conjunction with the audited consolidated financial statements of Dream Office REIT for the year ended December 31, 2015. 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 18, 2016.

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

Certain market information has been obtained from CBRE, *Canadian Market Statistics*, Fourth Quarter 2015, 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, including but not limited to statements relating to the Trust’s objectives, strategies to achieve those objectives, the Trusts’ beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth, results of operations, performance, business prospects and opportunities, acquisitions or divestitures, tenant base, future maintenance and development plans and costs, capital investments, financing, the availability of financing sources, income taxes, vacancy and leasing assumptions, litigation and the real estate industry in general (including statements regarding our Strategic Plan, our disposition targets, the timing of proposed dispositions, the use of proceeds from dispositions, the timing of closing of our revolving credit facility, proposed debt repayments and unit repurchases and anticipating interest savings), in each case that are not historical facts. Forward-looking statements generally can be identified by words such as “outlook”, “objective”, “may”, “will”, “would”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “could”, “likely”, “plan”, “project”, “budget” or “continue” or similar expressions suggesting future outcomes or events. Forward-looking information is based 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 execute our Strategic Plan and achieve its expected benefits; our ability to refinance maturing debt; our ability to sell investment properties at a price which reflects fair value; 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 the sections “Our Objectives”, “Our Strategy”, and “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 18, 2016. 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 Report and Annual Information Form. Certain filings are also available on our website at www.dreamofficereit.ca.

OUR OBJECTIVES

We have been 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.

Although we remain committed to our objectives, as described below under “2016 Strategy Update” and as announced by the Trust today, we have determined that the best course of action is for the Trust to execute a mandate similar to that of a real estate private equity fund, to attempt to reduce the approximately 50% discount to equity (or “net asset value”).

Distributions

For the three months ended December 31, 2015, approximately 38% of our total units were enrolled in the DRIP. There is no equivalent program for the REIT B Units (for a description of distributions, refer to the section “Our Equity”).

				2015				2014
	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	$ 2.24
Monthly distribution rate	**$ 0.187**	$ 0.187	$ 0.187	$ 0.187	$ 0.187	$ 0.187	$ 0.187	$ 0.187
Period-end closing unit price	**$ 17.37**	$ 21.20	$ 24.54	$ 26.35	$ 25.15	$ 27.96	$ 29.29	$ 29.06
Annualized distribution yield on period-end closing unit price (%)[1]	**12.9%**	10.6%	9.1%	8.5%	8.9%	8.0%	7.6%	7.7%

(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 has been to invest in office properties in key markets across Canada, providing a solid platform for stable. 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 – see “2016 Strategy Update” below. Our executive team is experienced, knowledgeable and highly motivated to continue to increase the value of our portfolio and provide stable, reliable returns for our unitholders.

Dream Office REIT’s methodology to execute its strategy and to meet its objectives has traditionally included:

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 on value-add opportunities.

Diversifying our portfolio to mitigate risk

Since the credit crisis in 2008, 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, diversify and strengthen the quality of our revenue stream and increase 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 five years. We may pursue opportunities for acquisitions, 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 markets that 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.

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 – see "2016 Strategy Update" below. Net proceeds from dispositions could be used to fund improvement initiatives, repay debt or buy back REIT A Units.

2016 Strategy Update

We have reviewed a series of potential strategies that may surface value for the Trust's unitholders. Based on the quality of many of the Trust's assets, the current state of economic uncertainty in Alberta and the private demand for many of the Trust's properties, we have determined that the best course of action is to execute a mandate similar to that of a real estate private equity fund, in an attempt to reduce the approximately 50% discount to current net asset value, through the execution of the following initiatives:

- Effective with the February 2016 distribution, payable on March 15, 2016, we have revised our distribution from $2.24 per unit to $1.50 per unit, on an annualized basis, which will reflect a more conservative payout ratio of approximately 67% of 2016 analyst consensus AFFO. Concurrently, the Trust suspended the DRIP (currently at 38% participation ratio) to eliminate dilution and to preserve value.
- We have received commitments from a syndicate of Canadian and global financial institutions to provide an $800 million revolving credit facility to replace the Trust's existing credit facilities totalling $355 million. This new facility is expected to provide the Trust with operating flexibility through the execution of the strategic plan (the "Strategic Plan") and significantly bolsters liquidity to manage the Trust's business in the current environment.
- The Trust is targeting to sell non-core assets currently valued at approximately $1.2 billion over the next three years to crystallize the value of the assets, which we anticipate will narrow the significant trading discount, which is approximately 50% to current net asset value.
- The Trust intends to use the proceeds from the dispositions to first pay down debt to reduce leverage and subsequently, if the current discount to net asset value persists, to reduce the number of outstanding units through repurchases under the Trust's normal course issuer bid ("NCIB").

We currently intend to continue the Strategic Plan until completion or the value of the Trust's units is significantly closer to the underlying net asset value. With our new $800 million revolving credit facility in place, together with our relatively low level of leverage (48% net total debt-to-gross book value) and a disposition program intended to fund further debt reductions and potentially units repurchases, we believe that the Trust will have a stronger and more flexible balance sheet.

This Strategic Plan is premised on the classification of our portfolio into three types of assets (core assets, private market assets and value-add assets), with the following strategy for each:

- Identification of irreplaceable assets (the "Core Assets"), currently expected to represent approximately $2.9 billion or 41% of the total portfolio value, and maintaining these as core holdings for the Trust. The Core Assets are primarily located in downtown Toronto, downtown Montréal, with 700 De la Gauchetière, 5001 Yonge in North York and Station Tower in suburban Vancouver. These assets are 97% leased with a weighted average lease term ("WALT") of approximately six years and have an aggregate investment property value of approximately $2.9 billion as at December 31, 2015 with associated mortgages outstanding of approximately $1.2 billion. This group of assets amounts to approximately $1.7 billion of net asset value, or approximately $15.00 per unit, which approximates the Trust's recent trading prices;
- We have identified good quality assets primarily in the Greater Toronto Area suburbs, Ottawa and Vancouver that management believes are fairly liquid, but not considered to be irreplaceable (the "Private Market Assets"). This classification currently is expected to represent approximately $2.6 billion or 37% of the total portfolio value, which have a higher degree of liquidity in the private market at a reasonable price. The $1.2 billion of planned disposition are expected to be from this classification; and
- Active management of the balance of the assets (the "Value-Add Assets"), currently expected to represent approximately $1.5 billion or 22% of the total portfolio value, largely located in Alberta or considered value-add assets. The Value-Add Assets may require improvements in either occupancy and/or market fundamentals prior to improving their demand profile and liquidity in the private market. The hold period for these assets may extend beyond five years (longer if the market fundamentals improve), although we would expect to see some sales in the shorter term. We believe that the Trust's assets located in Alberta are of good quality and that the current unit trading price of the Trust implies that a negative net asset value is currently being ascribed to these assets. The Trust will continue to actively stabilize these assets or wait for a change in the market conditions to realize value.

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, 2015, our ownership interests included 170 office properties (198 buildings), which includes 166 office properties, one redevelopment property and three properties held for sale. The Trust owns approximately 23.4 million square feet of GLA, including 23.0 million square feet of office properties and 0.4 million square feet of redevelopment properties and properties held for sale. The occupancy rate across our office portfolio remains high at 91.3% at December 31, 2015, well ahead of the national industry average occupancy rate of 87.8% (CBRE, *Canadian Market Statistics,* Fourth Quarter 2015). 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, 2015		September 30, 2015		December 31, 2014	
Total portfolio[1]	**Total**	**%**	Total	%	Total	%
Western Canada	**4,710**	**20**	4,706	20	4,806	20
Calgary – downtown	**3,153**	**14**	3,149	14	3,146	13
Calgary – suburban	**758**	**3**	758	3	757	3
Toronto – downtown	**5,408**	**24**	5,404	23	5,400	23
Toronto – suburban	**4,226**	**18**	4,223	18	4,219	17
Eastern Canada[2]	**4,775**	**21**	5,109	22	5,895	24
Total	**23,030**	**100**	23,349	100	24,223	100

(1) Total portfolio excludes redevelopment properties and properties held for sale at the end of each period.

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

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	**December 31, 2015**	September 30, 2015	December 31, 2014
Total portfolio[1]			
Occupancy rate – including committed (period-end)	**91.3%**	91.6%	93.0%
Occupancy rate – in-place (period-end)	**89.8%**	89.8%	91.4%
Average in-place and committed net rental rates (per sq. ft.) (period-end)	**$ 18.94**	$ 18.73	$ 18.22
Tenant maturity profile – average term to maturity (years)	**4.6**	4.7	5.0
Comparative portfolio[2]			
Occupancy rate – including committed	**91.3%**	91.5%	92.8%
Occupancy rate – in place	**89.8%**	89.7%	91.2%
Average in-place and committed net rental rates (per sq. ft.) (period-end)	**$ 18.94**	$ 18.85	$ 18.68
Tenant maturity profile – average term to maturity (years)	**4.6**	4.7	4.7

(1) Total portfolio includes investment in joint ventures and excludes redevelopment properties and properties held for sale at the end of each period.

(2) Comparative portfolio includes investment in joint ventures and excludes redevelopment properties, properties sold and properties held for sale in Q4 2015.

As at December 31, 2015, our comparative portfolio in-place occupancy increased by 10 bps to 89.8% when compared to the prior quarter. During the quarter, our largest market, Toronto downtown, posted approximately 27,000 square feet of positive leasing absorption, representing a 50 bps in-place occupancy increase, and Toronto suburban had over 53,000 square feet of positive leasing absorption, representing a 1.2% in-place occupancy increase. There were modest gains in Western and Eastern Canada while Calgary downtown and Calgary suburban experienced negative leasing absorption of 49,000 square feet and 19,100 square feet, respectively.

As at December 31, 2015, our comparative portfolio in-place and committed occupancy was 91.3%, compared to 91.5% in Q3 2015. The decline was largely due to occupancy declines in Calgary downtown and Calgary suburban.

When compared to the prior year, our comparative portfolio in-place and committed occupancy declined 1.5% from 92.8% to 91.3%. The decline was observed in all regions except for our largest market, Toronto downtown, which experienced a 70 bps increase and our smallest market, Calgary suburban, with a 1% increase. Despite the decline, both our in-place and committed occupancy of 91.3% and in-place occupancy of 89.8% remain well above the industry average of 87.8% (CBRE, *Canadian Market Statistics*, Fourth Quarter 2015).

	Total portfolio[1]			Comparative portfolio[2]		
(percent)	**December 31, 2015**	September 30, 2015	December 31, 2014	**December 31, 2015**	September 30, 2015	December 31, 2014
Occupancy rate – including committed						
Western Canada	**90.2**	90.5	91.7	**90.2**	90.5	91.6
Calgary – downtown	**87.0**	88.6	89.5	**87.0**	88.6	89.5
Calgary – suburban	**90.2**	91.5	89.2	**90.2**	91.5	89.2
Toronto – downtown	**98.0**	97.4	97.3	**98.0**	97.4	97.3
Toronto – suburban	**84.5**	84.9	89.5	**84.5**	84.9	89.5
Eastern Canada	**94.1**	93.8	94.8	**94.1**	93.8	94.6
Total	**91.3**	91.6	93.0	**91.3**	91.5	92.8

(1) Total portfolio includes investment in joint ventures and excludes redevelopment properties and properties held for sale at the end of each period.

(2) Comparative portfolio includes investment in joint ventures and excludes redevelopment properties, properties sold and properties held for sale in Q4 2015.

The table below details the percentage of in-place and committed occupancy across our total portfolio and in-place occupancy for the last eight quarters compared to the national industry average in-place occupancy, demonstrating the strength and consistency of our portfolio to outperform the overall market.

				2015				2014
(percent)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Occupancy rate – including committed (period-end)[1]	**91.3**	91.6	92.8	92.8	93.0	93.0	94.1	94.2
Occupancy rate – in-place (period-end)[1]	**89.8**	89.8	91.0	91.4	91.4	91.1	92.5	92.5
National industry average[2]	**87.8**	88.2	88.6	88.9	89.3	89.7	89.6	89.7

(1) Includes investment in joint ventures and excludes redevelopment properties and properties held for sale at the end of each period.

(2) National industry average in-place 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, 2015:

	Weighted average rate per sq. ft.	Three months ended December 31, 2015 in sq. ft.[1]	As a % of total GLA[1]	Weighted average rate per sq. ft.	Year ended December 31, 2015 in sq. ft.[1]	As a % of total GLA[1]
Occupancy (including committed) at beginning of period		21,382,050	91.6%		22,521,461	93.0%
Vacancy committed for future leases		(411,873)	(1.8)%		(382,470)	(1.6)%
Occupancy in-place at beginning of period		20,970,177	89.8%		22,138,991	91.4%
Occupancy related to disposed properties and properties held for sale		(315,722)			(1,147,824)	
Remeasurements/reclassifications		884			(4,402)	
Occupancy at beginning of period – adjusted		20,655,339	89.7%		20,986,765	91.1%
Expiries	$ (18.84)	(849,693)	(3.7)%	$ (17.54)	(2,719,800)	(11.8)%
Early terminations and bankruptcies	(15.45)	(45,359)	(0.2)%	(16.62)	(148,576)	(0.6)%
New leases	14.55	280,972	1.2%	15.80	881,785	3.8%
Renewals	20.99	634,704	2.8%	19.01	1,675,789	7.3%
Occupancy in place – December 31, 2015		20,675,963	89.8%		20,675,963	89.8%
Vacancy committed for future leases		360,605	1.5%		360,605	1.5%
Occupancy (including committed) – December 31, 2015		21,036,568	91.3%		21,036,568	91.3%

(1) Includes investment in joint ventures and excludes redevelopment properties and properties held for sale at period-end.

During the quarter, overall comparative portfolio in-place occupancy increased by 10 bps to 89.8%. Tenants taking occupancy during the quarter included approximately 634,700 square feet of renewals and approximately 281,000 square feet of new leases, offset by approximately 849,700 square feet of lease expiries across the portfolio and approximately 45,400 square feet of early terminations and bankruptcies.

At December 31, 2015, vacant space committed for future occupancy decreased from the beginning of the quarter by approximately 51,300 square feet to approximately 360,600 square feet, mainly due to previously committed space taking occupancy during the quarter. Of the total vacant space committed for future occupancy, approximately 352,000 square feet will take occupancy during 2016.

Subsequent to year-end, leasing velocity has increased in the Calgary region with three major lease commitments in Calgary downtown totalling approximately 111,400 square feet and one major lease commitment in Calgary suburban totalling 21,600 square feet. The three lease commitments in Calgary downtown include a 10.8-year lease for 55,800 square feet commencing in October 2016, a five-year lease commencing on April 1, 2016 and a ten-year lease commencing in December 2016, each comprising 27,800 square feet, respectively. The Trust has also signed a 10.5-year lease in the Calgary suburban region for 21,600 square feet effective as at January 1, 2016.

	Three months ended December 31, 2015	Year ended December 31, 2015
Tenant retention ratio	74.7%	61.6%
Expiring rents on renewed space (per sq. ft.)	$ 18.47	$ 17.07
Renewal to expiring rent spread (per sq. ft.)	$ 2.52	$ 1.94
Renewal rate (per sq. ft.)	$ 20.99	$ 19.01
Renewal to expiring rent spread (%)	13.6%	11.4%

For the three months ended December 31, 2015, our tenant retention ratio was 74.7%, with renewals completed at $20.99 per square foot, compared to expiring rents at $18.47 per square foot, for an increase of $2.52 per square foot, or 13.6%. For the year ended December 31, 2015, our tenant retention ratio was 61.6% and we completed renewals at $19.01 per square foot, compared to expiring rents at $17.07 per square foot, for an increase of $1.94 per square foot, or 11.4%.

In-place net rental rates

Average in-place and committed net rents across our comparative portfolio at December 31, 2015 were up $0.09 per square foot to $18.94 per square foot from $18.85 per square foot at September 30, 2015, reflecting rent uplifts in all regions except for the Calgary suburban and Toronto suburban regions.

Average in-place and committed net rents across our comparative portfolio at December 31, 2015 increased to $18.94 per square foot from $18.68 per square foot at December 31, 2014, reflecting rent uplifts in all regions except for Calgary suburban and Eastern Canada.

We estimate market rents with reference to recent leasing activity and external market data. We believe estimated market rents for our in-place and committed space are approximately 2.7% higher than our portfolio average.

	December 31, 2015[1]			September 30, 2015[2]			December 31, 2014[2]		
Comparative portfolio	**Average in-place and committed net rent (per sq. ft.)**	**Market rent (per sq. ft.)**	**Market rent/ average in-place and committed net rent (%)**	Average in-place and committed net rent (per sq. ft.)	Market rent (per sq. ft.)	Market rent/ average in-place and committed net rent (%)	Average in-place and committed net rent (per sq. ft.)	Market rent (per sq. ft.)	Market rent/ average in-place and committed net rent (%)
Western Canada	**$ 20.10**	**$ 20.28**	**0.9**	$ 19.91	$ 20.73	4.1	$ 19.86	$ 21.12	6.3
Calgary – downtown	**21.60**	**20.67**	**(4.3)**	21.40	22.40	4.7	21.28	24.41	14.7
Calgary – suburban	**16.69**	**16.51**	**(1.1)**	17.19	17.20	0.1	17.18	17.82	3.7
Toronto – downtown	**24.39**	**26.47**	**8.5**	24.25	26.45	9.1	23.95	26.36	10.1
Toronto – suburban	**14.79**	**15.09**	**2.0**	14.82	15.09	1.8	14.53	15.02	3.4
Eastern Canada	**13.41**	**13.60**	**1.4**	13.38	13.68	2.2	13.49	13.84	2.6
Total	**$ 18.94**	**$ 19.46**	**2.7**	$ 18.85	$ 19.80	5.0	$ 18.68	$ 20.12	7.7

(1) Includes investment in joint ventures and excludes redevelopment properties and properties held for sale at period-end.

(2) Comparative periods excludes redevelopment properties, properties sold and properties held for sale in Q4 2015.

Market rent estimates for occupied and committed space across our comparative portfolio at December 31, 2015 decreased to $19.46 per square foot from $19.80 per square foot at September 30, 2015 and $20.12 per square foot at December 31, 2014. The spread between estimated market rents and our comparative portfolio average in-place and committed net rents has tightened over the past few quarters as we bring rents to market upon lease renewals and due to the impact of the continued downward pressure on market rents in the Calgary region and Edmonton in Western Canada, driven by softening market conditions in those regions.

Market rents – In-place occupancy and vacant space

The following table details the market rents by geographic segments for the comparative portfolio, which includes both in-place occupancy and vacant space.

Rent per square foot	December 31, 2015	September 30, 2015	December 31, 2014
Western Canada	**$ 20.02**	$ 20.44	$ 20.84
Calgary – downtown	**20.45**	22.20	24.30
Calgary – suburban	**16.51**	17.04	17.57
Toronto – downtown	**26.41**	26.42	26.28
Toronto – suburban	**14.82**	14.84	14.90
Eastern Canada	**13.60**	13.67	13.84
Total comparative portfolio[1]	**$ 19.18**	$ 19.54	$ 19.94

(1) Comparative portfolio includes investment in joint ventures and excludes redevelopment properties, properties sold and properties held for sale at Q4 2015.

The overall estimated market rents for in-place and vacant space at December 31, 2015 decreased to $19.18 per square foot from $19.54 per square foot at September 30, 2015 and $19.94 per square foot at December 31, 2014. The decrease was mainly due to downward pressure on market rents in the Calgary region and Edmonton in Western Canada, resulting from softening market conditions in those regions. The remainder of the portfolio saw modest changes on a quarter-over-quarter and year-over-year basis.

Leasing and tenant profile

The average remaining lease term and other comparative portfolio information are detailed in the following table. The comparative portfolio average remaining lease term at December 31, 2015 is 4.6 years compared to 4.7 years at September 30, 2015 and December 31, 2014, largely reflecting the impact of new leases rolling on, offset by leases rolling off, during the period.

	December 31, 2015[1]			September 30, 2015[2]			December 31, 2014[2]		
Comparative portfolio	**Average remaining lease term (years)**	**Average tenant size (sq. ft.)**	**Average in-place and committed net rent (per sq. ft.)**	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place and committed net rent (per sq. ft.)	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place and committed net rent (per sq. ft.)
Western Canada	**3.4**	**10,246**	**$ 20.10**	3.4	10,295	$ 19.91	3.7	10,238	$ 19.86
Calgary – downtown	**3.6**	**10,864**	**21.60**	3.6	10,993	21.40	3.8	10,857	21.28
Calgary – suburban	**3.5**	**6,633**	**16.69**	3.2	6,843	17.19	3.8	7,067	17.18
Toronto – downtown	**5.7**	**10,341**	**24.39**	5.8	10,310	24.25	5.8	10,519	23.95
Toronto – suburban	**4.3**	**10,446**	**14.79**	4.4	10,468	14.82	3.9	11,071	14.53
Eastern Canada	**5.6**	**16,951**	**13.41**	5.8	17,144	13.38	5.8	16,904	13.49
Total	**4.6**	**11,109**	**$ 18.94**	4.7	11,163	$ 18.85	4.7	11,323	$ 18.68

(1) Includes investment in joint ventures and excludes redevelopment properties and properties held for sale at period-end.

(2) Comparative periods excludes redevelopment properties, properties sold and properties held for sale in Q4 2015.

The following table details our lease maturity profile, net of committed occupancy, by geographic segment at December 31, 2015.

(in thousands of square feet)	Vacancy	Current monthly/ short-term tenancies	2016	2017	2018	2019	2020	2021+	Total
Western Canada	461	1	472	809	940	559	579	889	4,710
Calgary – downtown	410	—	478	311	351	643	239	721	3,153
Calgary – suburban	74	—	105	96	147	50	45	241	758
Toronto – downtown	108	2	358	782	724	328	368	2,738	5,408
Toronto – suburban	657	—	221	926	370	309	388	1,355	4,226
Eastern Canada	284	1	208	546	807	304	725	1,900	4,775
Total portfolio[1]									
Total GLA	1,994	4	1,842	3,470	3,339	2,193	2,344	7,844	23,030
Total GLA (%)	8.7%	0.0%	8.0%	15.1%	14.5%	9.5%	10.2%	34.0%	100%

(1) Includes investment in joint ventures and excludes redevelopment properties and properties held for sale at period-end.

Our lease maturity profile, net of committed occupancy, remains staggered. Lease expiries, net of committed occupancy, as a percentage of total gross leasable area between 2016 and 2020, range from 8.0% to 15.1%.

Expiring net rents

The following table details the expiring net rent, including committed, by year and by geographic segment at December 31, 2015.

(per square foot)	2016	2017	2018	2019	2020	2021+
Western Canada	$ 17.46	$ 21.45	$ 19.07	$ 20.27	$ 22.45	$ 23.35
Calgary – downtown	20.72	22.49	24.63	24.25	19.06	21.46
Calgary – suburban	14.10	16.14	20.20	19.14	14.65	18.73
Toronto – downtown	21.89	23.31	24.27	24.31	24.57	29.09
Toronto – suburban	14.11	14.85	15.17	13.03	16.43	16.97
Eastern Canada	15.09	13.43	16.73	13.75	13.21	13.35
Total portfolio[1]	$ 18.30	$ 18.79	$ 19.83	$ 20.09	$ 18.43	$ 21.52

(1) Includes investment in joint ventures and excludes redevelopment properties and properties held for sale at period-end.

2016 and 2017 lease expiry profile

The following tables detail our 2016 and 2017 lease maturities, excluding current monthly and short-term tenancies that have been committed in each of the geographic segments.

in thousands of square feet, except %	Western Canada	Calgary downtown	Calgary suburban	Toronto downtown	Toronto suburban	Eastern Canada	Total Portfolio[1]
2016 expiries (as at December 31, 2015)	(961)	(706)	(127)	(835)	(897)	(482)	(4,008)
Expiries committed for occupancy	489	228	22	477	676	274	2,166
Expiries, net of commitments for occupancy (as at December 31, 2015)	(472)	(478)	(105)	(358)	(221)	(208)	(1,842)
Total commitments as % of expiries (as at December 31, 2015)	50.9%	32.3%	17.3%	57.1%	75.4%	56.8%	54.0%
2016 vacancy (as at December 31, 2015)	(511)	(476)	(98)	(219)	(718)	(332)	(2,354)
Vacancy committed for occupancy	50	66	24	110	54	48	352
2016 vacancy, net of commitments for occupancy (as at December 31, 2015)	(461)	(410)	(74)	(109)	(664)	(284)	(2,002)

(1) Includes investment in joint ventures and excludes redevelopment properties and properties held for sale at period-end.

As at December 31, 2015, the Trust had lease commitments of approximately 54.0% of 2016 maturities.

in thousands of square feet, except %	Western Canada	Calgary downtown	Calgary suburban	Toronto downtown	Toronto suburban	Eastern Canada	Total Portfolio[1]
2017 expiries (as at December 31, 2015)	(809)	(439)	(173)	(935)	(1,007)	(789)	(4,152)
Expiries committed for occupancy	—	128	77	153	81	243	682
Expiries, net of commitments for occupancy (as at December 31, 2015)	(809)	(311)	(96)	(782)	(926)	(546)	(3,470)
Total commitments as % of expiries (as at December 31, 2015)	0.0%	29.2%	44.5%	16.4%	8.0%	30.8%	16.4%
2017 vacancy (as at December 31, 2015)	(461)	(410)	(74)	(109)	(664)	(284)	(2,002)
Vacancy committed for occupancy	—	—	—	1	7	—	8
2017 vacancy, net of commitments for occupancy (as at December 31, 2015)	(461)	(410)	(74)	(108)	(657)	(284)	(1,994)

(1) Includes investment in joint ventures and excludes redevelopment properties and properties held for sale at period-end.

As at December 31, 2015, the Trust had lease commitments of approximately 16.4% of 2017 maturities.

2016 and 2017 expiring net rents versus market rents

Expiring net rents and market rents represent base rents only and do not include the impact of lease incentives. Market rents reflect management's best estimates with reference to recent leasing activity and external market data, which does not take into account allowance for increases in the future years. Market rents are subject to change from time to time depending on the market conditions at a particular point in time.

The following tables compare 2016 and 2017 expiring in-place net rents to our respective estimated market rents by geographic segment as at December 31, 2015.

Rent per square foot	Western Canada	Calgary downtown	Calgary suburban	Toronto downtown	Toronto suburban	Eastern Canada	Total portfolio[(1)]
2016 expiring rents	$ 17.46	$ 20.72	$ 14.10	$ 21.89	$ 14.11	$ 15.09	$ 18.30
Market rents associated with expiring rents	17.79	20.62	15.09	23.56	14.09	14.45	18.67
Market rents/2016 expiring rents (%)	1.9%	(0.5)%	7.0%	7.6%	(0.2)%	(4.3)%	2.0%

(1) Includes investment in joint ventures and excludes redevelopment properties and properties held for sale at period-end.

We believe estimated market rents are approximately 2.0% higher than our 2016 expiring in-place net rents. Estimated market rents are higher than 2016 expiring in-place net rents in all regions except for Calgary downtown, Toronto suburban and Eastern Canada.

Rent per square foot	Western Canada	Calgary downtown	Calgary suburban	Toronto downtown	Toronto suburban	Eastern Canada	Total portfolio[(1)]
2017 expiring rents	$ 21.45	$ 22.49	$ 16.14	$ 23.31	$ 14.85	$ 13.43	$ 18.79
Market rents associated with expiring rents	18.97	20.95	15.14	25.32	14.57	13.53	18.44
Market rents/2017 expiring rents (%)	(11.6)%	(6.8)%	(6.2)%	8.6%	(1.9)%	0.7%	(1.9)%

(1) Includes investment in joint ventures and excludes redevelopment properties and properties held for sale at period-end.

We believe estimated market rents are approximately 1.9% lower than our 2017 expiring in-place net rents. Estimated market rents are lower than 2017 expiring in-place net rents in all regions except for Toronto downtown and Eastern Canada.

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 months and year ended December 31, 2015, approximately $13.3 million and $44.3 million, respectively, of leasing costs and lease incentives were attributable to leases that commenced during the periods, representing an average cost of $14.48 per square foot and $17.33 per square foot leased, respectively. When compared to the prior year, average leasing costs and lease incentives on a per square foot basis increased from $14.66 to $17.33, mainly attributable to the implementation of our proactive leasing strategies which commenced last year and continued into the current year to secure leases. We expect leasing costs and lease incentives to remain elevated in light of the current competitive office leasing environment.

Performance indicators	Three months ended December 31, 2015	Year ended December 31, 2015
Operating activities (total portfolio)[1]		
Portfolio size (in thousands of sq. ft.)	23,030	23,030
Occupied and committed occupancy (period-end)	91.3%	91.3%
Number of lease deals committed	152	484
Leases that commenced during the period (sq. ft.)	915,676	2,557,574
Average lease term for leases that commenced during the period (years)	4.5	4.8
Initial direct leasing costs and lease incentives attributable to leases that commenced during the period (in thousands)	$ 13,260	$ 44,319
Initial direct leasing costs and lease incentives attributable to leases that commenced during the period (per sq. ft.)	$ 14.48	$ 17.33

(1) Includes investment in joint ventures and 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 2,175 tenants, our risk of exposure to any single large lease or tenant is mitigated. The average size of our office tenants is approximately 11,100 square feet. Effectively managing this diverse tenant base is one of our key strengths and has helped us to maintain occupancy levels above the national average and to 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 major financial institutions comprises approximately 22% 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	1,002,340	4.4	7.7	8.8	A+/A-/A-1
Government of Canada	1,411,488	6.1	7.0	3.2	AAA/A-1+
Government of Ontario	464,232	2.0	2.3	4.2	A+/A-1+
Bell Canada	376,694	1.6	2.0	3.7	BBB+
Telus	287,803	1.2	1.6	1.1	BBB+
Enbridge Pipelines Inc.	248,577	1.1	1.6	3.1	A-1/BBB+
State Street Trust Company	244,936	1.1	1.4	6.3	AA-/A/A-1+
Government of Saskatchewan	340,019	1.5	1.3	2.2	AAA/A-1+
Government of Alberta	304,079	1.3	1.2	2.6	AA+/A-1+
Newalta Corporation	187,297	0.8	1.2	3.8	N/R
Aviva Canada Inc.	335,900	1.5	1.2	2.1	A+/A-
Borell Management	124,795	0.5	1.1	1.0	N/R
Loyalty Management	194,018	0.8	1.0	1.8	N/R
Government of British Columbia	210,828	0.9	1.0	3.7	AAA/A-1+
SNC-Lavalin Inc.	203,383	0.9	0.9	3.9	BBB
Miller Thomson	137,149	0.6	0.9	7.7	N/R
Cenovus Energy	140,605	0.6	0.8	7.5	A-2/BBB
Government of NW Territories	139,516	0.6	0.8	6.5	N/R
Cassels Brock Blackwell	94,507	0.4	0.8	9.0	N/R
Government of Québec	164,362	0.7	0.7	4.3	A+/A-1+
Total	6,612,528	28.6	36.5	4.4	

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

N/R – not rated

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

As at December 31, 2015, 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 $6,956.2 million (December 31, 2014 – $6,986.2 million).

Fair values were determined using the direct capitalization method and/or the discounted cash flow 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 cap rates in the range of 4.65% to 8.25% as at December 31, 2015. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and uses discount rates and terminal cap rates specific to each property.

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

			Total portfolio
	December 31, 2015	September 30, 2015[1]	December 31, 2014[1]
Western Canada	**$ 1,310,713**	$ 1,317,818	$ 1,373,110
Calgary – downtown	**1,068,134**	1,080,964	1,162,981
Calgary – suburban	**165,977**	165,530	183,969
Toronto – downtown	**2,543,398**	2,529,198	2,409,667
Toronto – suburban	**951,030**	964,709	960,268
Eastern Canada	**916,937**	920,313	896,213
Total comparative portfolio	**6,956,189**	6,978,532	6,986,208
Add:			
Redevelopment properties	**10,000**	10,000	10,000
Assets classified as held for sale/sold properties	**44,638**	136,758	208,388
Total portfolio	**$ 7,010,827**	$ 7,125,290	$ 7,204,596
Less:			
Investment in joint ventures	**1,099,594**	1,092,680	1,062,776
Wholly owned properties classified as assets held for sale	**44,638**	92,003	—
Property classified as assets held for sale related to investment in joint ventures	**—**	—	2,750
Total per consolidated balance sheets	**$ 5,866,595**	$ 5,940,607	$ 6,139,070

(1) Comparative periods have been reclassified to exclude assets held for sale and properties sold in the current period.

The carrying value of our total portfolio decreased by approximately $114.5 million during the quarter, mainly due to $79.4 million in fair value loss and $92.1 million relating to dispositions, offset by $57.1 million of building improvements and initial direct leasing costs and lease incentive additions and $0.1 million related to the amortization of lease incentives, foreign exchange and other adjustments.

For the three months and year ended December 31, 2015, the $79.4 million and $190.0 million fair value losses recognized during these respective periods were mainly driven by changes in capital, market rental rate and leasing assumptions, mainly in Calgary downtown, Calgary suburban, Edmonton in Western Canada and Toronto suburban, to reflect the changing economics in those particular markets. The fair value losses for the year were offset by an increase in fair value related to properties in the Toronto downtown region due to cap rate compression.

The weighted average cap rate across our total comparative portfolio compressed to 6.00% in Q4 2015 from 6.04% in Q3 2015 and 6.16% at December 31, 2014.

Changes in the value of our investment properties by region for the three months ended December 31, 2015 are summarized in the table below as follows:

	Three months ended						
	September 30, 2015[1]	Assets held for sale/sold properties	Building improvements	Initial direct leasing costs and lease incentives	Fair value adjustments	Amortization of lease incentives, foreign exchange and other adjustments	**December 31, 2015**
Western Canada	$ 1,317,818	$ —	$ 2,826	$ 3,241	$ (12,500)	$ (672)	**$ 1,310,713**
Calgary – downtown	1,080,964	—	5,143	3,247	(20,100)	(1,120)	**1,068,134**
Calgary – suburban	165,530	—	7	795	(200)	(155)	**165,977**
Toronto – downtown	2,529,198	—	13,445	9,084	(7,700)	(629)	**2,543,398**
Toronto – suburban	964,709	—	4,134	4,598	(21,800)	(611)	**951,030**
Eastern Canada	920,313	—	4,597	5,687	(16,700)	3,040	**916,937**
Total comparative portfolio	6,978,532	—	30,152	26,652	(79,000)	(147)	**6,956,189**
Add:							
Redevelopment properties	10,000	—	—	—	—	—	**10,000**
Assets classified as held for sale/sold properties	136,758	(92,045)	18	246	(400)	61	**44,638**
Total portfolio	$ 7,125,290	$ (92,045)	$ 30,170	$ 26,898	$ (79,400)	$ (86)	**$ 7,010,827**
Less:							
Investment in joint ventures	1,092,680	—	5,429	1,807	(240)	(82)	**1,099,594**
Wholly owned properties classified as assets held for sale	92,003	(47,408)	—	—	(60)	103	**44,638**
Total per consolidated balance sheet	$ 5,940,607	$ (44,637)	$ 24,741	$ 25,091	$ (79,100)	$ (107)	**$ 5,866,595**

(1) Opening balances have been reclassified to exclude assets held for sale and sold properties during the period.

Changes in the value of our investment properties by region for the year ended December 31, 2015 are summarized in the table below as follows:

						Year ended	
	January 1, 2015[1]	Assets held for sale/sold properties	Building improvements	Initial direct leasing costs and lease incentives	Fair value adjustments	Amortization of lease incentives, foreign exchange and other adjustments	**December 31, 2015**
Western Canada	$ 1,373,110	$ —	$ 10,954	$ 10,565	$ (81,400)	$ (2,516)	**$ 1,310,713**
Calgary – downtown	1,162,981	—	10,865	12,492	(114,300)	(3,904)	**1,068,134**
Calgary – suburban	183,969	—	931	2,249	(20,600)	(572)	**165,977**
Toronto – downtown	2,409,667	—	35,037	17,608	83,200	(2,114)	**2,543,398**
Toronto – suburban	960,268	—	7,187	14,423	(28,500)	(2,348)	**951,030**
Eastern Canada	896,213	—	8,044	11,729	(16,000)	16,951	**916,937**
Total comparative portfolio	6,986,208	—	73,018	69,066	(177,600)	5,497	**6,956,189**
Add:							
Redevelopment properties	10,000	—	—	—	—	—	**10,000**
Assets classified as held for sale/sold properties	208,388	(153,122)	1,278	508	(12,400)	(14)	**44,638**
Total portfolio	$ 7,204,596	$ (153,122)	$ 74,296	$ 69,574	$ (190,000)	$ 5,483	**$ 7,010,827**
Less:							
Investment in joint ventures	1,062,776	—	22,359	3,158	11,490	(189)	**1,099,594**
Wholly owned properties classified as assets held for sale	—	38,668	—	—	5,970	—	**44,638**
Property classified as asset held for sale related to investment in joint ventures	2,750	(2,283)	—	—	(460)	(7)	**—**
Total per consolidated balance sheet	$ 6,139,070	$ (189,507)	$ 51,937	$ 66,416	$ (207,000)	$ 5,679	**$ 5,866,595**

(1) Opening balances have been reclassified to exclude assets held for sale and sold properties during the year.

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, 2015		September 30, 2015[1]		December 31, 2014[1]	
	Range (%)	**Weighted average (%)**	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Western Canada	**5.25–8.25**	**6.60**	5.25–8.75	6.69	5.75–8.75	6.65
Calgary – downtown	**5.75–7.50**	**6.43**	5.75–7.50	6.45	5.50–7.50	6.16
Calgary – suburban	**6.75–7.50**	**7.00**	6.75–7.25	6.99	6.25–7.25	6.81
Toronto – downtown	**4.65–6.25**	**5.10**	4.65–6.25	5.10	5.15–7.00	5.42
Toronto – suburban	**5.75–7.50**	**6.52**	5.75–7.50	6.52	5.75–7.50	6.55
Eastern Canada	**5.50–8.25**	**6.47**	5.50–8.25	6.55	6.00–8.50	6.72
Total comparative portfolio	**4.65–8.25**	**6.00**	4.65–8.75	6.04	5.15–8.75	6.16
Redevelopment properties	**N/A**	**9.00**	N/A	9.00	N/A	9.00
Assets classified as held for sale/sold properties[2]	**7.00–9.00**	**7.42**	7.45–9.20	5.82	5.75–8.00	7.11
Total portfolio	**4.65–9.00**	**6.02**	4.65–9.20	6.05	5.15–9.00	6.17

(1) Comparative periods have been reclassified to exclude assets held for sale and sold properties during the period.

(2) Cap rates on assets classified as held for sale/sold properties will vary depending on the composition of properties at period-end.

N/A – not applicable

Building improvements

Building improvements represent investments made to our properties to ensure optimal building performance, to improve the value and attractiveness to our tenants, as well as to reduce operating costs. For the three months and year ended December 31, 2015, we incurred $30.2 million and $74.3 million, respectively, in expenditures related to building improvements, the majority of which are recoverable from tenants under current terms of the leases.

Recurring recoverable building improvements for the three months and year ended December 31, 2015 were $8.6 million and $20.9 million, respectively, and included safety enhancements, roof, heating, ventilation and air conditioning replacements as well as parking upgrades. Recurring recoverable enhancement projects include elevator modernization, recoverable lobby and common area upgrades and exterior enhancements. For the three months and year ended December 31, 2015, recurring recoverable enhancement projects were $13.4 million and $35.9 million, respectively. For the three months and year ended December 31, 2015, approximately $5.2 million and $12.4 million, respectively, were spent on sustainability and environmental initiatives, substantially all of which are recoverable from tenants. For the three months and year ended December 31, 2015, recurring non-recoverable building improvements were $0.4 million and $2.0 million, respectively, and included projects such as parkade and curtain wall restoration. Non-recurring and non-recoverable building improvements included capital expenditures such as window replacements that generally would not be expected to recur over the useful life of the building.

Over the next three years, the Trust will be investing a significant amount of capital in Scotia Plaza, the Trust's largest and most iconic asset in our Toronto downtown portfolio. The capital will be allocated across three major property enhancements: elevator modernization, common area revitalization and LEED recertification. All of these investments are targeted towards superior tenant experience. For the three months and year ended December 31, 2015, approximately $5.2 million and $21.7 million, respectively, of the amounts included in the following table pertained to Scotia Plaza and account for approximately 29.0% of the investments incurred during the year.

The table below represents amounts either paid or accrued for the three months and year ended December 31, 2015 and December 31, 2014:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Building improvements[1]				
Recurring recoverable	**$ 8,596**	$ 6,912	**$ 20,929**	$ 13,286
Recurring recoverable enhancement projects	**13,411**	4,558	**35,915**	11,056
Sustainability and environmental initiatives	**5,168**	1,120	**12,405**	1,760
Recoverable – identified upon acquisition	**—**	866	**—**	5,402
Recurring non-recoverable	**422**	654	**2,031**	1,182
Non-recurring and non-recoverable	**2,573**	57	**3,016**	1,272
Total	**$ 30,170**	$ 14,167	**$ 74,296**	$ 33,958

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

As part of our broader strategy to invest capital in our buildings to improve the value and attractiveness to tenants as well as to reduce operating costs, we expect overall building improvements to remain elevated. 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.

Dispositions

Pursuant to our strategy of divesting non-core assets, we completed the following dispositions for the year ended December 31, 2015:

	Property type	Ownership (%)	Disposed GLA (sq. ft.)	Sales price[1]	Mortgages discharged/ assumed	Loss on sale[2]	Date disposed
Capital Centre, Edmonton[3]	office	25%	16,029	$ 2,340	$ —	$ (121)	March 12, 2015
8100 Granville Avenue, Vancouver	office	100%	95,298	28,759	—	(714)	July 15, 2015
2200–2204 Walkley Road, Ottawa	office	100%	158,898	27,910	15,279	(817)	August 27, 2015
Québec City Portfolio[4]	office	100%	634,132	95,122	51,354[5]	(2,121)	October 30, 2015
Total			904,357	$ 154,131	$ 66,633	$ (3,773)	

(1) Sales price reflects gross proceeds net of adjustments and before transaction costs.

(2) Loss on sale includes mainly the transaction costs and the write-off of a pro rata share 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 an investment in joint venture.

(4) Includes four properties in Québec City: 900 Place D'Youville, 580 Rue Grand Allée, 200 Chemin Sainte-Foy and 141 Saint Jean Street.

(5) Of this mortgage amount, $21,959 was assumed by the purchaser on disposal of investment properties.

On April 30, 2015, a parcel of land at 60 Columbia Way, Markham, Ontario, was expropriated by the City of Markham to build a highway off-ramp for total gross proceeds of $2.7 million. The gross proceeds represented fair market value. In addition to the gross proceeds, the Trust recorded a one-time compensation income of $0.6 million for the expropriation of the parcel of land.

We completed the following dispositions of non-core assets for the year ended December 31, 2014:

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

(1) Sales price reflects gross proceeds net of adjustments and before transaction costs.

(2) Loss on sale includes mainly the transaction costs and the write-off of a pro rata share 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 an investment in joint venture.

(4) These investment properties were sold to Dream Industrial REIT.

(5) Mortgages assumed by purchaser on disposal of investment properties.

Assets held for sale

	Year ended December 31, 2015[1]	Year ended December 31, 2014[1]
Balance, beginning of period	**$ 2,750**	$ 20,481
Add (deduct):		
Building improvements	**—**	45
Lease incentives and initial direct leasing costs	**—**	674
Investment property classified as held for sale during the year	**159,473**	—
Investment properties disposed of during the year	**(123,088)**	(17,833)
Fair value adjustment to investment properties	**5,510**	(557)
Amortization of lease incentives	**(7)**	(60)
Balance, end of period	**$ 44,638**	$ 2,750

(1) Includes investment in joint ventures that are equity accounted.

OUR FINANCING

Our discussion of financing activities will be based on the debt balance, which includes debt related to investments in joint ventures that are equity accounted, at our proportionate ownership, and debt associated with assets held for sale. Where applicable, a reconciliation to our consolidated financial statements has been included in the following tables in this section.

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 $680.9 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 can 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 $609.6 million (excluding debt related to investment in joint ventures which are equity accounted), which we typically refinance with term loan facilities and mortgages of terms between five and ten years. Amounts payable and accrued liabilities balances 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 or dispositions completed during the reporting period. Our unencumbered assets pool as at December 31, 2015 is approximately $825.0 million.

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

	December 31, 2015	September 30, 2015	December 31, 2014
Debt	**$ 3,520,486**	$ 3,591,433	$ 3,593,808
Less debt related to:			
Investment in joint ventures	**485,493**	490,782	496,980
Assets held for sale	**24,245**	51,458	—
Debt (per consolidated financial statements)	**$ 3,010,748**	$ 3,049,193	$ 3,096,828

A summary of debt

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

	December 31, 2015	September 30, 2015	December 31, 2014
Financing and liquidity metrics			
Weighted average effective interest rate (period-end)[1]	**4.11%**	4.12%	4.15%
Weighted average face rate of interest (period-end)[2]	**4.05%**	4.11%	4.18%
Interest coverage ratio (times)[3]	**2.9**	2.9	2.9
Net average debt-to-EBITDFV (years)[3]	**7.7**	7.7	7.8
Net debt-to-adjusted EBITDFV (years)[3]	**7.7**	7.8	7.9
Level of debt (net total debt-to-gross book value)[3]	**48.3%**	48.0%	47.5%
Level of debt (net secured debt-to-gross book value)[3]	**41.0%**	40.9%	40.4%
Secured debt to total investment properties[4]	**42.6%**	42.9%	42.5%
Debt – average term to maturity (years)	**3.8**	3.8	4.4
Variable rate debt as percentage of total debt	**7.6%**	7.5%	7.6%
Secured debt[5]	**$ 2,986,389**	$ 3,057,395	$ 3,059,948
Unsecured convertible and non-convertible debentures	**534,097**	534,038	533,860
Unencumbered assets[6]	**825,000**	768,000	796,000
Cash and cash equivalents on hand[7]	**12,433**	13,280	20,889
Undrawn demand revolving credit facilities	**186,495**	184,995	251,540

(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 interest rate is calculated as the weighted average face rate of all interest bearing debt, including 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 total debt secured by investment properties related to wholly owned and co-owned properties and investment in joint ventures that are equity accounted, divided by total investment properties. Management believes this non-GAAP measurement is an important measure of our secured debt levels.

(5) Secured debt (non-GAAP measure) includes debt secured by investment properties related to wholly owned and co-owned properties and investment in joint ventures that are equity accounted.

(6) Unencumbered assets (non-GAAP measure) includes unencumbered investment properties related to wholly owned and co-owned properties and investment in joint ventures that are equity accounted. Management believes this non-GAAP measurement is an important measure of our unencumbered pool of assets.

(7) Cash and cash equivalents on hand (non-GAAP measure) includes cash and cash equivalents related to investment in joint ventures that are equity accounted.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio remains strong at 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 improved to 7.7 years when compared to December 31, 2014. Our weighted average face rate of interest is 4.05% at December 31, 2015, down 6 bps when compared to September 30, 2015 and down 13 bps when compared to December 31, 2014. After accounting for fair value adjustments and financing costs, the weighted average effective interest rate for outstanding debt is 4.11% at December 31, 2015, down 1 bp when compared to September 30, 2015 and down 4 bps when compared to December 31, 2014. The decline in both the weighted average face rate and effective interest rates was mainly driven by the interest savings from disposed properties and interest rate savings upon refinancing of maturing debt during 2014 and 2015.

Financing activities during the quarter

The following tables detail the total mortgages renewed, refinanced and discharged during the three months and year ended December 31, 2015:

Financing activities for the three months ended December 31, 2015		Mortgages renewed or refinanced		Mortgages discharged[1]
Amount	$	164,354	$	(162,794)
New term/discharged term		5.6		6.0
Weighted average face interest rate		2.94%		3.77%

(1) Excludes mortgages discharged due to dispositions.

During the quarter, the Trust renewed or refinanced seven mortgages totalling $164.4 million at an average fixed face rate of 2.94% per annum with an average term of 5.6 years. Overall, the renewals and refinancing of mortgages completed during the quarter represented interest savings of approximately 83 bps per annum over the mortgages discharged.

Financing activities for the year ended December 31, 2015		Mortgages renewed or refinanced		Mortgages discharged[1]
Amount	$	282,708	$	(272,213)
New term/discharged term		5.3		4.8
Weighted average face interest rate		2.95%		3.92%

(1) Excludes mortgages discharged due to dispositions.

For the year ended December 31, 2015, the Trust renewed or refinanced mortgages totalling $282.7 million at an average fixed face rate of 2.95% per annum with an average term of 5.3 years. Overall, the renewals and refinancing of mortgages completed during the year represented interest savings of approximately 97 bps per annum over the mortgages discharged.

Subsequent to year-end, the Trust has committed to a new three-year, $800 million revolving credit facility with a syndicate of major Canadian and global financial institutions with an expected closing date on or before March 4, 2016. This revolving credit facility is expected to replace the existing $171.5 million revolving credit facility due on March 5, 2016 and $183.5 million term loan facility due on August 15, 2016. The interest rate will be calculated in the form of rolling one-month BAs bearing interest at the BA rate plus 170 bps or at the bank's prime rate plus 70 bps. The revolving credit facility is expected to be secured by the properties currently included in the existing $171.5 million revolving credit facility and $183.5 million term loan facility and select properties in the current unencumbered asset pool. The Trust has complete discretion on the use of borrowings, which includes but is not limited to: repayment of debt, investment in existing or future properties and/or unit repurchases. The terms of the revolving credit facility will not limit the Trust's ability to determine or revise its distribution policy in the future.

Composition of debt

As at December 31, 2015, variable rate debt as a percentage of total debt remained stable at 7.6% when compared to December 31, 2014.

	December 31, 2015			December 31, 2014		
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 2,714,921**	**$ 38,978**	**$ 2,753,899**	$ 2,781,344	$ 96,344	$ 2,877,688
Demand revolving credit facilities	**—**	**49,500**	**49,500**	—	—	—
Term loan facility	**129,459**	**53,531**	**182,990**	128,948	53,312	182,260
Convertible debentures	**50,923**	**—**	**50,923**	51,160	—	51,160
Debentures	**358,396**	**124,778**	**483,174**	358,144	124,556	482,700
Total	**$ 3,253,699**	**$ 266,787**	**$ 3,520,486**	$ 3,319,596	$ 274,212	$ 3,593,808
Less:						
Debt related to investment in joint ventures	**485,493**	**—**	**485,493**	496,980	—	496,980
Assets held for sale	**24,245**	**—**	**24,245**	—	—	—
Debt (per consolidated financial statements)	**$ 2,743,961**	**$ 266,787**	**$ 3,010,748**	$ 2,822,616	$ 274,212	$ 3,096,828
Percentage of total debt[1]	**92.4%**	**7.6%**	**100.0%**	92.4%	7.6%	100.0%
In-place face rate (year-end)[1]	**4.17%**	**2.62%**	**4.05%**	4.26%	3.13%	4.18%
Average term to maturity (years)[1]	**4.0**	**1.3**	**3.8**	4.6	1.8	4.4

(1) Includes investment in joint ventures that are equity accounted.

Demand revolving credit facilities

	Maturity date	Secured investment properties: First-ranking mortgages	Secured investment properties: Second-ranking mortgages	Face interest rate	**December 31, 2015** Amount available	**December 31, 2015** Amount drawn	December 31, 2014 Amount available	December 31, 2014 Amount drawn
Formula-based maximum not to exceed $171,500	March 5, 2016	8	–	2.62 %[(1)]	**$ 156,500[(2)]**	**$ 15,000**	$ 171,500[(2)]	$ –
Formula-based maximum not to exceed $27,690	April 30, 2016[(3)]	2	–	3.55 %[(3)]	**27,247[(4)]**	**–**	27,247[(4)]	–
Formula-based maximum not to exceed $15,000	November 1, 2016[(5)]	–	2	3.40 %[(5)]	**350[(6)]**	**14,500**	34,850[(6)]	–
Formula-based maximum not to exceed $55,000	November 1, 2016[(5)]	1	1	2.54 %[(5)]	**2,398[(7)]**	**20,000**	17,943[(7)]	–
		11	3		**$ 186,495**	**$ 49,500**	$ 251,540	$ –

(1) In the form of rolling one-month BAs bearing interest at the BA rate plus 1.75% or at the bank's prime rate (2.70% as at December 31, 2015) plus 0.75%.

(2) Formula-based amount available under this facility was $171,500 less $15,000 drawn as at December 31, 2015 and $171,500 as at December 31, 2014.

(3) This facility matured on April 30, 2015 and was renewed to April 30, 2016 in the form of rolling one-month BAs bearing interest at the BA rate plus 1.85% or at the bank's prime rate (2.70% as at December 31, 2015) plus 0.85%.

(4) 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, 2015 and December 31, 2014.

(5) These facilities matured on June 30, 2015 and were renewed to November 1, 2016 in the form of rolling one-month BAs bearing interest at the BA rate plus 1.70% or at the bank's prime rate (2.70% as at December 31, 2015) plus 0.70%.

(6) Effective June 30, 2015, the formula-based maximum will not exceed $15,000. Formula-based amount available under this facility was $15,000 less $14,500 drawn and $150 in the form of LOC as at December 31, 2015, and under the previous facility, the formula-based amount available was $35,000 less $150 in the form of LOC as at December 31, 2014.

(7) Effective June 30, 2015, the formula-based maximum will not exceed $55,000. Formula-based amount available under this facility was $55,000 less $20,000 drawn and $32,602 in the form of LOC as at December 31, 2015, and under the previous facility, the formula-based amount available was $35,000 less $17,057 in the form of LOC as at December 31, 2014.

Changes in debt levels, including debt related to investment in joint ventures that are equity accounted and assets held for sale, for the three months and year ended December 31, 2015, are as follows:

	Three months ended December 31, 2015					
	Mortgages	Demand revolving credit facilities	Term loan facility	Convertible debentures	Debentures	Total
Debt as at September 30, 2015	$ 2,823,587	$ 51,000	$ 182,808	$ 50,983	$ 483,055	$ 3,591,433
New debt placed	164,354	129,603	—	—	—	293,957
Scheduled repayments	(20,860)	—	—	—	—	(20,860)
Lump sum repayments	(162,794)	(131,103)	—	—	—	(293,897)
Lump sum repayment on property disposition	(21,959)	—	—	—	—	(21,959)
Debt assumed by purchaser on disposal of investment properties	(29,395)	—	—	—	—	(29,395)
Financing costs additions	(1,273)	—	—	—	—	(1,273)
Foreign exchange adjustments	2,404	—	—	—	—	2,404
Other adjustments(1)	(165)	—	182	(60)	119	76
Debt as at December 31, 2015	$ 2,753,899	$ 49,500	$ 182,990	$ 50,923	$ 483,174	$ 3,520,486
Less:						
Debt related to investment in joint ventures	485,493	—	—	—	—	485,493
Debt related to assets held for sale	24,245	—	—	—	—	24,245
Debt (per consolidated financial statements)	$ 2,244,161	$ 49,500	$ 182,990	$ 50,923	$ 483,174	$ 3,010,748

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

	Year ended December 31, 2015					
	Mortgages	Demand revolving credit facilities	Term loan facility	Convertible debentures	Debentures	Total
Debt as at January 1, 2015	$ 2,877,688	$ —	$ 182,260	$ 51,160	$ 482,700	$ 3,593,808
New debt placed	282,708	289,920	—	—	—	572,628
Scheduled repayments	(75,867)	—	—	—	—	(75,867)
Lump sum repayments	(272,213)	(240,420)	—	—	—	(512,633)
Lump sum repayment on property disposition	(37,239)	—	—	—	—	(37,239)
Debt assumed by purchaser on disposal of investment properties	(29,395)	—	—	—	—	(29,395)
Financing costs additions	(1,987)	—	—	—	—	(1,987)
Foreign exchange adjustments	12,069	—	—	—	—	12,069
Other adjustments(1)	(1,865)	—	730	(237)	474	(898)
Debt as at December 31, 2015	$ 2,753,899	$ 49,500	$ 182,990	$ 50,923	$ 483,174	$ 3,520,486
Less:						
Debt related to investment in joint ventures	485,493	—	—	—	—	485,493
Debt related to assets held for sale	24,245	—	—	—	—	24,245
Debt (per consolidated financial statements)	$ 2,244,161	$ 49,500	$ 182,990	$ 50,923	$ 483,174	$ 3,010,748

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

Our current debt profile is balanced with staggered maturities over the next 13 years. The following tables summarize our debt maturity profile as at December 31, 2015:

Debt maturities	Outstanding balance	Demand revolving credit facilities	Scheduled principal repayments on non-matured debt	Amount	%	Weighted average effective interest rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2016	$ 568,576	$ —	$ 72,722	$ 641,298	18.2%	4.37%	4.37%
2017	412,659	—	63,715	476,374	13.4%	4.18%	4.29%
2018	382,770	—	58,152	440,922	12.5%	4.01%	3.87%
2019	426,024	—	45,138	471,162	13.4%	3.64%	3.33%
2020	522,107	—	42,077	564,184	16.0%	3.90%	3.75%
2021–2028	801,086	—	82,793	883,879	25.1%	4.43%	4.42%
Subtotal before undernoted item	3,113,222	—	364,597	3,477,819	98.6%	4.13%	4.07%
Demand revolving credit facilities							
2016	—	49,500	—	49,500	1.4%	2.82%	2.82%
Subtotal	$ 3,113,222	$ 49,500	$ 364,597	$ 3,527,319	100.0%	4.11%	4.05%
Financing costs				(12,480)			
Fair value adjustments				5,647			
Subtotal				3,520,486			
Less:							
Debt related to investment in joint ventures				485,493			
Debt related to assets held for sale				24,245			
Debt (per consolidated financial statements)				$ 3,010,748			

Debt maturities	Mortgages	Demand revolving credit facilities	Term loan facility	Convertible debentures	Debentures	Total
2016	$ 422,845	$ 49,500	$ 183,453	$ —	$ 35,000	$ 690,798
2017	300,746	—	—	50,628	125,000	476,374
2018	265,922	—	—	—	175,000	440,922
2019	471,162	—	—	—	—	471,162
2020	414,184	—	—	—	150,000	564,184
2021–2028	883,879	—	—	—	—	883,879
Subtotal	2,758,738	49,500	183,453	50,628	485,000	3,527,319
Financing costs	(10,060)	—	(463)	—	(1,957)	(12,480)
Fair value adjustments	5,221	—	—	295	131	5,647
Subtotal	2,753,899	49,500	182,990	50,923	483,174	3,520,486
Less:						
Debt related to investment in joint ventures	485,493	—	—	—	—	485,493
Debt related to assets held for sale	24,245	—	—	—	—	24,245
Debt (per consolidated financial statements)	$ 2,244,161	$ 49,500	$ 182,990	$ 50,923	$ 483,174	$ 3,010,748

Term loan facility

The total principal amount outstanding for the term loan facility is as follows:

	Date issued	Maturity date	Original principal issued	Weighted average face interest rate	Outstanding principal amount December 31, 2015	Outstanding principal amount December 31, 2014
Term loan facility	August 15, 2011	August 15, 2016	$ 188,000	3.28%	**$ 183,453**	$ 183,453

Convertible debentures

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

	Date issued	Maturity date	**Outstanding principal amount December 31, 2015**	Outstanding principal amount February 18, 2016	REIT A Units if converted February 18, 2016
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, 2015, the conversion feature amounted to a $0.04 million financial asset (December 31, 2014 – $0.8 million financial asset).

Debentures

The total principal amounts outstanding for debentures as at December 31, 2015 are as follows:

Debentures	Date issued	Maturity date	Type	Face interest rate	Outstanding principal amount at December 31, 2015
Series A	June 13, 2013	June 13, 2018	Fixed	3.42%	$ 175,000
Series B	October 9, 2013	January 9, 2017	Variable	2.50%(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%.

Short form base shelf prospectus

On April 27, 2015, the Trust filed 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, debt securities, with an aggregate offering price of up to $2.0 billion. For the three months and year ended December 31, 2015, no debt securities had been issued under the short form base shelf prospectus.

For the year ended December 31, 2014, the Trust completed the issuance of $150 million aggregate principal amount of senior unsecured debentures under the previous short form base shelf prospectus which expired on December 26, 2014.

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.

During the year, a subsidiary of the Trust received notices of reassessment from both the Canada Revenue Agency and the Alberta Minister of Finance with respect to its 2007, 2008 and 2010 taxation years. These reassessments relate to the deductibility of certain tax losses claimed by the subsidiary prior to its acquisition by the Trust. These federal and provincial reassessments if upheld could increase total current taxes payable including interest and penalties by $10.6 million. No cash payment is expected to be made unless it is ultimately established that the Trust has an obligation to make one. Management is of the view that there is a strong case to support the position as filed and has contested both the federal and provincial reassessments. Since management believes that it is more likely than not that its position will be sustained, no amounts related to these reassessments have been recorded in the consolidated financial statements as of December 31, 2015.

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. Furthermore, in an effort to manage the volatility of heating prices mainly in the Toronto downtown region, the Trust entered into fixed price contracts to purchase steam for nine properties.

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

	Minimum payments due			
	< 1 year	1–5 years	> 5 years	Total
Operating lease payments	$ 784	$ 899	$ 8,165	$ 9,848
Finance lease payments	195	38	—	233
Fixed price contracts – electricity	2,873	—	—	2,873
Fixed price contracts – steam	315	1,576	4,412	6,303
Total	$ 4,167	$ 2,513	$ 12,577	$ 19,257

The Trust has entered into lease agreements whereby tenants currently in place may require the Trust to reimburse for tenant improvement costs totalling approximately $37.8 million.

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, 2015		December 31, 2014	
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**107,860,638**	**$ 3,168,915**	107,936,575	$ 3,171,794
Retained earnings	**—**	**301,324**	—	601,495
Accumulated other comprehensive income	**—**	**11,575**	—	4,228
Equity (per consolidated financial statements)	**107,860,638**	**3,481,814**	107,936,575	3,777,517
Add: LP B Units	**5,233,823**	**90,912**	602,434	15,151
Total equity[(1)]	**113,094,461**	**$ 3,572,726**	108,539,009	$ 3,792,668

(1) Total equity (non-GAAP measure) includes the subsidiary redeemable units.

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 DAM, a related party to Dream Office REIT. 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, 2015, DAM held 773,939 REIT A Units and 5,233,823 LP B Units for a total ownership interest of approximately 5.3%.

Exchange of REIT B Units for REIT A Units

On May 25, 2015, one of the holders surrendered 218,611 subsidiary redeemable units and received 218,611 REIT B Units. On the same day, such REIT B Units were converted by the holder into 218,611 REIT A Units. The exchanges were valued based on the carrying amount of the subsidiary redeemable units, the day prior to the surrender.

On April 2, 2015, the Trust acquired a subsidiary of DAM, a subsidiary of Dream Unlimited Corp. which was a party to the Asset Management Agreement with the Trust, resulting in the elimination of the Trust's obligation to pay asset management fees to DAM. In consideration for the acquisition, the Trust issued 4,850,000 subsidiary redeemable units to DAM. See "Related party transactions – Asset Management Agreement with DAM" under the section "Our Results of Operations" for further discussion.

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, 2,936,023 REIT B Units were exchanged for 2,936,023 REIT A Units totalling $85.4 million. The exchange was valued based on the carrying amount of the subsidiary redeemable units, the day prior to the exchange to REIT B Units.

Conversion of 5.5% Series H Debentures

For the year ended December 31, 2015, no debentures were converted. For the year ended December 31, 2014, $0.5 million of 5.5% Series H Debentures were converted for 13,628 REIT A Units.

Outstanding equity

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, 2015	107,936,575	602,434	108,539,009
Units issued pursuant to DRIP	4,040,965	—	4,040,965
Units issued pursuant to the Unit Purchase Plan	13,727	—	13,727
Units issued pursuant to Deferred Unit Incentive Plan ("DUIP")	137,233	—	137,233
Units issued pursuant to reorganization of the Trust's management structure	—	4,850,000	4,850,000
LP B Units surrendered and exchanged for REIT A Units	218,611	(218,611)	—
Cancellation of REIT A Units	(4,486,473)	—	(4,486,473)
Total Units issued and outstanding on December 31, 2015	107,860,638	5,233,823	113,094,461
Percentage of all Units	95.4 %	4.6 %	100.0 %
Units issued pursuant to DRIP on January 15, 2016	571,077	—	571,077
Units issued pursuant to DRIP on February 15, 2016	551,336	—	551,336
Units issued pursuant to Unit Purchase Plan	362	—	362
Cancellation of REIT A Units	(406,573)	—	(406,573)
Total Units issued and outstanding on February 18, 2016	108,576,840	5,233,823	113,810,663
Percentage of all Units	95.4 %	4.6 %	100.0 %

As at December 31, 2015, there were 847,071 deferred trust units and income deferred trust units outstanding (December 31, 2014 – 791,299).

Normal course issuer bid

On June 22, 2015, the Trust renewed its normal course issuer bid which expired on June 19, 2015. The Bid will remain in effect until the earlier of June 21, 2016 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 10,648,031 REIT A Units (representing 10% of the Trust's public float of 106,480,305 REIT A Units at the time of entering the Bid through the facilities of the TSX). Daily purchases are limited to 73,273 REIT A Units, other than purchases pursuant to applicable block purchase exceptions.

For the year ended December 31, 2015, 4,486,473 REIT A Units had been purchased and subsequently cancelled under the Bid for a total cost of $105.1 million (December 31, 2014 – 832,200 REIT A Units cancelled for $20.9 million).

Subsequent to year-end, the Trust purchased an additional 406,573 REIT A Units under the normal course issuer bid for cancellation for a cost of $6.5 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.

The table below summarizes the distributions for the three months and year ended December 31, 2015:

	Three months ended December 31, 2015			Year ended December 31, 2015		
	Declared distributions	4% bonus distributions[1]	Total	Declared distributions	4% bonus distributions[1]	Total
2015 distributions[2]						
Paid in cash or reinvested in units	$ 42,201	$ 629	$ 42,830	$ 229,522	$ 3,346	$ 232,868
Payable at December 31, 2015	21,134	301	21,435	21,134	301	21,435
Total distributions	63,335	930	64,265	250,656	3,647	254,303
2015 reinvestment[2]						
Reinvested to December 31, 2015	15,684	629	16,313	83,650	3,346	86,996
Reinvested on January 15, 2016	8,374	311	8,685	8,374	311	8,685
Total distributions reinvested	$ 24,058	$ 940	$ 24,998	$ 92,024	$ 3,657	$ 95,681
Distributions paid in cash[2]	$ 39,277			$ 158,632		
Reinvestment to distribution ratio	38.0%			36.7%		
Cash payout ratio	62.0%			63.3%		

(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, 2015 were $63.3 million, up $0.7 million over the prior year comparative quarter. Distributions declared for the year ended December 31, 2015 were $250.7 million, up $8.4 million over the prior year. The increase mainly reflects a larger number of Units outstanding as a result of the 4,850,000 subsidiary redeemable units issued pursuant to the reorganization of the Trust's management structure on April 2, 2015, distributions reinvested in additional Units and vested deferred trust units exchanged for REIT A Units, offset by REIT A Units buyback. Of the distributions declared for the three months ended December 31, 2015, $24.1 million, or approximately 38.0%, was reinvested in additional REIT A Units (year ended December 31, 2015 – $92.0 million, or approximately 36.7%, was reinvested in additional REIT A Units), resulting in the three months ended December 31, 2015 cash payout ratio of 62.0% (year ended December 31, 2015 – 63.3%).

The Trust is committed to preserving a strong balance sheet and bolstering its liquidity position. In consideration of these objectives, the Trust announced on February 18, 2016 a reduction to its monthly cash distribution from $0.18666 per unit to $0.125 per unit, or $1.50 per unit on an annualized basis, effective for the month of February 2016 distribution. The February 2016 distribution will be payable on March 15, 2016 to unitholders of record at February 29, 2016. In addition, in consideration of the current discount to the net asset value of the Dream Office REIT, the Trust also announced on February 18, 2016 the suspension of its DRIP until further notice effective for the February 2016 distribution.

OUR RESULTS OF OPERATIONS

Basis of accounting

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

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

			Three months ended December 31,			
			2015			2014
	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	**$ 168,349**	**$ 27,829**	**$ 196,178**	$ 176,460	$ 28,726	$ 205,186
Investment properties operating expenses	**(73,662)**	**(12,907)**	**(86,569)**	(77,702)	(13,313)	(91,015)
Net rental income	**94,687**	**14,922**	**109,609**	98,758	15,413	114,171
Other income						
Share of net income (loss) and dilution loss from investment in Dream Industrial REIT	**(5,923)**	**—**	**(5,923)**	3,699	—	3,699
Share of net income from investment in joint ventures	**10,186**	**(10,186)**	**—**	10,343	(10,343)	—
Interest and fee income	**914**	**15**	**929**	908	—	908
	5,177	**(10,171)**	**(4,994)**	14,950	(10,343)	4,607
Other expenses						
General and administrative	**(1,899)**	**(47)**	**(1,946)**	(5,879)	(3)	(5,882)
Interest:						
Debt	**(32,302)**	**(4,286)**	**(36,588)**	(33,091)	(4,734)	(37,825)
Subsidiary redeemable units	**(2,931)**	**—**	**(2,931)**	(338)	—	(338)
Amortization of external management contracts and depreciation on property and equipment	**(779)**	**(3)**	**(782)**	(800)	—	(800)
	(37,911)	**(4,336)**	**(42,247)**	(40,108)	(4,737)	(44,845)
Fair value adjustments, net losses on transactions and other activities						
Fair value adjustments to investment properties	**(79,100)**	**(300)**	**(79,400)**	(67,100)	(200)	(67,300)
Fair value adjustments to financial instruments	**20,695**	**—**	**20,695**	2,689	—	2,689
Net losses on transactions and other activities	**(57,169)**	**(115)**	**(57,284)**	(1,583)	(133)	(1,716)
	(115,574)	**(415)**	**(115,989)**	(65,994)	(333)	(66,327)
Income (loss) before income taxes	**(53,621)**	**—**	**(53,621)**	7,606	—	7,606
Deferred income tax expense	**(516)**	**—**	**(516)**	(300)	—	(300)
Net income (loss) for the period	**(54,137)**	**—**	**(54,137)**	7,306	—	7,306
Other comprehensive income (loss)						
Unrealized gain (loss) on interest rate swaps, net of tax	**377**	**—**	**377**	(323)	—	(323)
Unrealized foreign currency translation gain, net of tax	**1,406**	**—**	**1,406**	1,675	—	1,675
	1,783	**—**	**1,783**	1,352	—	1,352
Comprehensive income (loss) for the period	**$ (52,354)**	**$ —**	**$ (52,354)**	$ 8,658	$ —	$ 8,658

						Year ended December 31,
			2015			2014
	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	**$ 690,962**	**$ 111,484**	**$ 802,446**	$ 705,279	$ 112,716	$ 817,995
Investment properties operating expenses	**(303,449)**	**(51,693)**	**(355,142)**	(303,771)	(52,274)	(356,045)
Net rental income	**387,513**	**59,791**	**447,304**	401,508	60,442	461,950
Other income						
Share of net income and dilution loss from investment in Dream Industrial REIT	**6,112**	**—**	**6,112**	15,965	—	15,965
Share of net income from investment in joint ventures	**53,136**	**(53,136)**	**—**	37,611	(37,611)	—
Interest and fee income	**3,005**	**68**	**3,073**	3,199	35	3,234
	62,253	**(53,068)**	**9,185**	56,775	(37,576)	19,199
Other expenses						
General and administrative	**(12,196)**	**(47)**	**(12,243)**	(24,393)	(3)	(24,396)
Interest:						
Debt	**(131,818)**	**(17,266)**	**(149,084)**	(134,952)	(17,725)	(152,677)
Subsidiary redeemable units	**(9,171)**	**—**	**(9,171)**	(4,638)	—	(4,638)
Amortization of external management contracts and depreciation on property and equipment	**(2,949)**	**(24)**	**(2,973)**	(2,970)	—	(2,970)
	(156,134)	**(17,337)**	**(173,471)**	(166,953)	(17,728)	(184,681)
Fair value adjustments, net losses on transactions and other activities						
Fair value adjustments to investment properties	**(201,030)**	**11,030**	**(190,000)**	(124,303)	(4,153)	(128,456)
Fair value adjustments to financial instruments	**48,890**	**—**	**48,890**	2,749	—	2,749
Net losses on transactions and other activities	**(194,836)**	**(416)**	**(195,252)**	(9,848)	(985)	(10,833)
	(346,976)	**10,614**	**(336,362)**	(131,402)	(5,138)	(136,540)
Income (loss) before income taxes	**(53,344)**	**—**	**(53,344)**	159,928	—	159,928
Deferred income tax expense	**(1,695)**	**—**	**(1,695)**	(638)	—	(638)
Net income (loss) for the year	**(55,039)**	**—**	**(55,039)**	159,290	—	159,290
Other comprehensive income (loss)						
Unrealized loss on interest rate swaps, net of tax	**(139)**	**—**	**(139)**	(666)	—	(666)
Unrealized foreign currency translation gain, net of tax	**7,486**	**—**	**7,486**	3,210	—	3,210
	7,347	**—**	**7,347**	2,544	—	2,544
Comprehensive income (loss) for the year	**$ (47,692)**	**$ —**	**$ (47,692)**	$ 161,834	$ —	$ 161,834

Investment properties revenue

Investment properties revenue includes base rent from investment properties as well as the recovery of operating costs and property taxes from tenants.

Investment properties revenue for the quarter was $196.2 million, a decrease of $9.0 million, or 4.4%, over the prior year comparative quarter (for the year ended December 31, 2015 – $802.4 million, a decrease of $15.5 million, or 1.9%, over the prior year), primarily driven by dispositions during the current year and 2014, lower in-place occupancy, decrease in straight-line rent and an increase in amortization of lease incentives.

Investment properties operating expenses

Investment properties operating expenses comprises of 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, expenses that are seasonal in nature and the level of repairs and maintenance incurred during the period.

Investment properties operating expenses for the quarter were $86.6 million, a decrease of $4.4 million, or 4.9%, over the prior year comparative quarter (for the year ended December 31, 2015 – $355.1 million, a decrease of $0.9 million, or 0.3%, over the prior year), primarily driven by lower operating expenses as a result of dispositions during the current year and 2014, offset by higher operating expenses that are associated with planned maintenance work and seasonal in nature.

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 was $0.9 million, flat when compared to the prior year comparative quarter. For the year ended December 31, 2015, interest and fee income was $3.1 million, a decrease of $0.2 million, or 5.0%, over the prior year mainly due to lower third-party property management fees from sale of third-party managed properties and lower interest income on cash balances.

General and administrative expenses

The following table summarizes the nature of expenses included:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Management Services Agreement	**$ (133)**	$ —	**$ (435)**	$ —
Asset management fees	**—**	(4,244)	**(4,338)**	(17,093)
Salaries	**(152)**	—	**(346)**	—
Deferred compensation expense	**(494)**	(787)	**(2,638)**	(3,707)
Other[1]	**(1,167)**	(851)	**(4,486)**	(3,596)
General and administrative expenses	**$ (1,946)**	$ (5,882)	**$ (12,243)**	$ (24,396)

(1) Other comprises professional service fees, Board of Trustees' fees and expenses, investor relations and compliance and regulatory costs.

General and administrative ("G&A") expenses for the quarter were $1.9 million, a decrease of $3.9 million, or 66.9%, over the prior year comparative quarter (for the year ended December 31, 2015 – $12.2 million, a decrease of $12.2 million, or 49.8%, over the prior year), mainly attributable to the elimination of the Trust's obligation to pay asset management fees to DAM, and lower fair value adjustments to vested DUIP units during the year, offset by fees related to the Management Services Agreement, higher salaries, investor relations and compliance and regulatory costs.

Interest expense – debt

Interest expense on debt for the quarter was $36.6 million, a decrease of $1.2 million, or 3.3%, over the prior year comparative quarter (for the year ended December 31, 2015 – $149.1 million, a decrease of $3.6 million, or 2.4%, over the prior year). The decrease in interest expense was due to the discharge of debt related to the disposed properties in 2014 and 2015, and the refinancing of maturing debt at lower interest rates in 2014 and in 2015.

Interest expense – subsidiary redeemable units

Interest expense on subsidiary redeemable units for the quarter was $2.9 million, an increase of $2.6 million, or 767.2%, over the prior year comparative quarter (for the year ended December 31, 2015 – $9.2 million, an increase of $4.5 million, or 97.7%, over the prior year), mainly due to the issuance of 4,850,000 subsidiary redeemable units to DAM on April 2, 2015, offset by one of the holders of the subsidiary redeemable units surrendering 2,936,023 subsidiary redeemable units and receiving 2,936,023 REIT A Units on July 24, 2014 and surrendering an additional 218,611 subsidiary redeemable units and receiving 218,611 REIT A Units on May 25, 2015.

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 three months and year ended December 31, 2015 was $0.8 million and $3.0 million, respectively, which remained relatively flat when compared to the prior year.

Fair value adjustments to investment properties

The $79.4 million fair value loss recognized during the quarter (for the year ended December 31, 2015 – $190.0 million loss) was mainly driven by changes made in capital, market rental rate and leasing assumptions in Calgary downtown, Calgary suburban, Edmonton in Western Canada and Toronto suburban, to reflect the changing economics in those particular markets. The fair value loss for the year was offset by an increase in fair value related to properties in the Toronto downtown region due to cap rate compression.

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 $1.5 million during the quarter (loss of $0.7 million for the year ended December 31, 2015), mainly as a result of fluctuations in the 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 $20.0 million during the quarter (gain of $25.7 million for the year ended December 31, 2015), mainly as a result of a decrease in the unit price during the quarter and for the year ended December 31, 2015.

The remeasurement of the deferred trust units resulted in a gain of $2.1 million during the quarter (gain of $3.9 million for the year ended December 31, 2015), mainly as a result of a decrease in the unit price during the quarter and for the year ended December 31, 2015.

Net losses on transactions and other activities

The following table summarizes the nature of expenses included:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Debt settlement costs, net	**$ (1,136)**	$ (683)	**$ (1,999)**	$ (1,892)
Net loss on sale of investment properties	**(2,121)**	—	**(3,773)**	(1,496)
Internal leasing costs	**(2,442)**	(758)	**(9,246)**	(6,345)
Business transformation costs	**(373)**	(275)	**(1,490)**	(1,100)
Cost on Reorganization	**—**	—	**(128,132)**	—
Impairment of goodwill	**(51,212)**	—	**(51,212)**	—
Other activities	**—**	—	**600**	—
Total	**$ (57,284)**	$ (1,716)	**$ (195,252)**	$ (10,833)

Net losses on transactions and other activities for the quarter was $57.3 million, an increase of $55.6 million over the prior year comparative quarter, mainly due to the $51.2 million goodwill impairment charge, higher debt settlement costs incurred in relation to a property disposition during the quarter, higher net loss on sale of investment properties and higher internal leasing costs. The goodwill impairment was mainly attributable to the significant increase in the weighted average cost of capital of the Trust during the fourth quarter of 2015, resulting from the unfavourable external market conditions. For the year ended December 31, 2015, net losses on transactions and other activities was $195.3 million, an increase of $184.4 million over the prior year, primarily due to the $128.1 million related to the cost on Reorganization whereby on April 2, 2015, the Trust's obligation to pay asset management fees to DAM was eliminated, and the goodwill impairment charge of $51.2 million as at December 31, 2015.

The business transformation costs relate to process and technology improvement costs. This initiative 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 also form the foundation of our continuous improvement culture.

Related party transactions

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

Agreements with DAM

On April 2, 2015, the Trust and DAM also entered into a Management Services Agreement pursuant to which DAM will provide strategic oversight of the Trust and the services of a Chief Executive Officer as requested on a cost recovery basis. In accordance with the termination provisions of the Management Services Agreement, the Trust is subject to an incentive fee payable which is based on 15% of the Trust's Aggregate Adjusted Funds from Operations (as defined in the Management Services Agreement), including the net gain on sale of any properties during the term of the agreement, and the deemed sale of the remaining portfolio upon termination, in excess of $2.65 per REIT A Unit. As the termination of the Management Services Agreement for the first three years is solely at the discretion of the Trust and the Trust currently has no intention to terminate the Management Services Agreement, the Trust has determined that it is not probable that the incentive fee is payable and accordingly, no amounts related to the incentive fee have been recorded in the consolidated financial statements as at December 31, 2015.

On August 24, 2007, Dream Office REIT had an asset management agreement (the "Asset Management Agreement") with DAM pursuant to which DAM provided certain asset management services to Dream Office REIT and its subsidiaries. On April 2, 2015, the Trust acquired a subsidiary of DAM which was a party to the Asset Management Agreement with the Trust, resulting in the elimination of the Trust's obligation to pay asset management, acquisition and capital expenditure fees to DAM. In consideration for the Reorganization, the Trust issued 4,850,000 subsidiary redeemable units to DAM, representing total consideration of $127,313 using the closing price of REIT A Units at the date of the transaction. The total consideration of $127,313 and costs related to the Reorganization totalling $819 were charged to net income in the consolidated statement of comprehensive income.

On December 1, 2013, Dream Office REIT and DAM entered into a Shared Services and Cost Sharing Agreement. Pursuant to the Reorganization, the Trust and DAM amended the existing Shared Services and Cost Sharing Agreement as of April 2, 2015. According to the terms of the amended arrangement, DAM will continue to provide administrative and support services on an as-needed basis and will receive an annual fee to reimburse it for all expenses incurred. The Trust will continue to reimburse DAM for any shared costs allocated in each calendar year. This amended agreement provides for the automatic reappointment of DAM for additional one-year terms commencing on January 1 unless and until terminated in accordance with its terms or by mutual agreement of the parties.

Dream Office REIT, Dream Office Management LP (a wholly owned subsidiary of Dream Office LP) and DAM were parties to an administrative services agreement (the "Services Agreement with DAM"). Effective April 2, 2015, as part of the Reorganization, the existing Services Agreement with DAM was terminated and Dream Office Management Corp. ("DOMC"), a wholly owned subsidiary of Dream Office Management LP, and DAM entered into an amended Administrative Services Agreement pursuant to which DOMC will continue to provide certain administrative and support services to DAM. The terms of the agreement provide for DOMC to be reimbursed by DAM for the actual costs incurred by it in carrying out these activities on behalf of DAM. This agreement is for one-year terms unless and until terminated in accordance with its terms or by mutual agreement of the parties.

Management Services Agreement with DAM

The following is a summary of fees incurred for the three months and years ended December 31, 2015 and December 31, 2014:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Senior management compensation (included in G&A expenses)	**$ 133**	$ —	**$ 435**	$ —
Expense reimbursements related to financing arrangements (included in debt)	**122**	—	**359**	—
Expense reimbursements related to disposition arrangements (included in net loss on sale of investment properties)	**119**	—	**300**	—
Total incurred under the Management Services Agreement	**$ 374**	$ —	**$ 1,094**	$ —

Asset Management Agreement with DAM

The Asset Management Agreement provided 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 (as defined in the Asset Management Agreement) 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.

The following is a summary of fees incurred for the three months and years ended December 31, 2015 and December 31, 2014 prior to the elimination of the Asset Management Agreement with DAM as part of the Reorganization on April 2, 2015:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Base annual management fee (included in G&A expenses)	**$ —**	$ 4,244	**$ 4,338**	$ 17,093
Expense reimbursements (recovery) related to financing arrangements (included in debt)	**—**	(245)	**—**	319
Total incurred under the Asset Management Agreement	**$ —**	$ 3,999	**$ 4,338**	$ 17,412

Shared Services and Cost Sharing Agreement with DAM

The following is a summary of fees billed by DAM for the three months and years ended December 31, 2015 and December 31, 2014. Amounts billed by DAM prior to April 2, 2015 are included pursuant to the original agreement:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Business transformation costs	**$ 373**	$ 275	**$ 1,490**	$ 1,100
Strategic services and other	**352**	97	**889**	405
Total costs incurred under the Shared Services and Cost Sharing Agreement	**$ 725**	$ 372	**$ 2,379**	$ 1,505

The Trust's expected future commitment under the Shared Services and Cost Sharing Agreement, which expires on December 1, 2020, is $2,463.

Administrative Services Agreement with DAM

The following is a summary of fees received from or paid to DAM and costs incurred by DAM or the Trust on behalf of the other party for the three months and years ended December 31, 2015 and December 31, 2014. Amounts incurred prior to April 2, 2015 are included pursuant to the original agreement:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Certain costs processed on behalf of DAM	**$ 1,495**	$ 988	**$ 5,560**	$ 5,007
Operating and administration costs of regional offices processed on behalf of DAM	**810**	574	**2,979**	8,705
Total costs processed on behalf of DAM under the Administrative Services Agreement	**$ 2,305**	$ 1,562	**$ 8,539**	$ 13,712
Certain costs processed by DAM on behalf of the Trust under the Administrative Services Agreement	**$ 476**	$ —	**$ 610**	$ 37

Services Agreement with Dream Industrial REIT

Dream Office Management Corp. has entered into a separate Services Agreement with Dream Industrial REIT, 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 three months and year ended December 31, 2015 and December 31, 2014:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Total cost recoveries from Dream Industrial REIT	**$ 806**	$ 1,640	**$ 3,471**	$ 5,999

Deferred income taxes expense

Deferred income taxes expense for the three months and year ended December 31, 2015 were $0.5 million and $1.7 million, respectively, which related to the two investment properties located in the United States ("U.S.").

Other comprehensive income (loss)

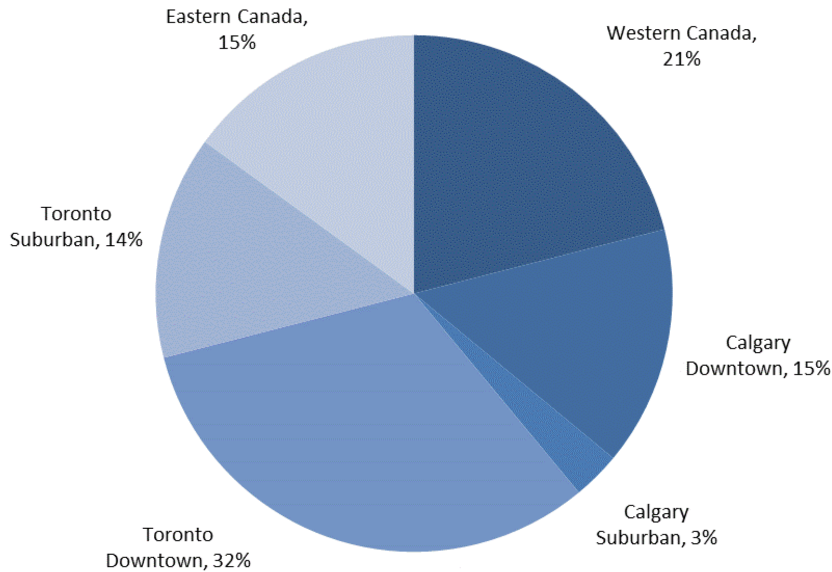
Other comprehensive income (loss) comprises unrealized gain (loss) on interest rate swaps and unrealized foreign currency translation gain related to the two properties located in the U.S. For the three months and year ended December 31, 2015, other comprehensive income amounted to $1.8 million and $7.3 million, respectively. The increase in overall comprehensive income (loss) for the three months and year ended December 31, 2015 was mainly driven by the strong U.S. dollar in relation to the Canadian dollar during the respective period.

Net operating income ("NOI")

NOI is defined 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.

The following pie chart illustrates comparative properties NOI by region as a percentage of comparative properties NOI, excluding properties sold and properties held for sale, for the three months ended December 31, 2015.

COMPARATIVE PROPERTIES NOI BY REGION
(Three months ended December 31, 2015)



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, 2014. Income from properties sold and properties held for sale contributing to NOI in comparative periods are shown separately. Comparative NOI excludes lease termination fees, bad debt expense, one-time property adjustments, straight-line rents and amortization of lease incentives.

For the three months ended December 31, 2015, NOI from comparative properties decreased by 0.7%, or $0.8 million, over the prior year comparative quarter (for the year ended December 31, 2015 – a decrease of 0.6%, or $2.6 million, over the prior year), with decreases mainly in Western Canada, Calgary downtown and Toronto suburban regions. The overall decrease was mainly driven by lower occupancy.

	Three months ended December 31,				Year ended December 31,			
			Change				Change	
	2015	2014	Amount	%	**2015**	2014	Amount	%
Western Canada	**$ 23,570**	$ 23,951	$ (381)	(1.6)	**$ 93,772**	$ 95,927	$ (2,155)	(2.2)
Calgary – downtown	**17,108**	18,309	(1,201)	(6.6)	**70,801**	76,722	(5,921)	(7.7)
Calgary – suburban	**3,242**	3,107	135	4.3	**12,789**	11,627	1,162	10.0
Toronto – downtown	**35,936**	35,138	798	2.3	**141,734**	136,391	5,343	3.9
Toronto – suburban	**14,867**	15,487	(620)	(4.0)	**60,432**	63,324	(2,892)	(4.6)
Eastern Canada	**17,008**	16,573	435	2.6	**67,855**	65,943	1,912	2.9
Comparative properties NOI[(1)]	**111,731**	112,565	(834)	(0.7)	**447,383**	449,934	(2,551)	(0.6)
Lease termination fees and other	**35**	546	(511)		**16**	1,869	(1,853)	
Properties held for redevelopment	**(121)**	(126)	5		**(432)**	(468)	36	
Straight-line rent	**484**	778	(294)		**2,852**	4,612	(1,760)	
Amortization of lease incentives	**(3,832)**	(2,726)	(1,106)		**(13,240)**	(9,952)	(3,288)	
NOI[(1)]	**108,297**	111,037	(2,740)	(2.5)	**436,579**	445,995	(9,416)	(2.1)
NOI from properties sold and properties held for sale	**1,312**	3,134	(1,822)		**10,725**	15,955	(5,230)	
NOI including income from properties sold and assets held for sale	**$ 109,609**	$ 114,171	$ (4,562)	(4.0)	**$ 447,304**	$ 461,950	$ (14,646)	(3.2)

(1) Comparative properties NOI and NOI (non-GAAP measures) – The reconciliation of NOI to net rental income can be found in the section “Non-GAAP measures and other disclosures” under the heading “NOI”.

Western Canada decreased by 1.6%, or $0.4 million, over the prior year comparative quarter (for the year ended December 31, 2015 – a decrease of 2.2%, or $2.2 million, over the prior year), largely due to a decline in weighted average in-place occupancy of approximately 66,000 square feet, partially offset by higher rents on renewals and step-up in rental rates for certain tenants.

Calgary downtown decreased by 6.6%, or $1.2 million, over the prior year comparative quarter (for the year ended December 31, 2015 – a decrease of 7.7%, or $5.9 million, over the prior year), primarily due to a decline in weighted average in-place occupancy of approximately 114,000 square feet.

Calgary suburban increased by 4.3%, or $0.1 million, over the prior year comparative quarter (for the year ended December 31, 2015 – an increase of 10.0%, or $1.2 million, over the prior year), mainly due to higher weighted average in-place occupancy of approximately 26,000 square feet.

Toronto downtown increased by 2.3%, or $0.8 million, over the prior year comparative quarter (for the year ended December 31, 2015 – an increase of 3.9%, or $5.3 million, over the prior year), mainly due to higher rents on renewals and step-up in rental rates for certain tenants.

Toronto suburban decreased by 4.0%, or $0.6 million, over the prior year comparative quarter (for the year ended December 31, 2015 – a decrease of 4.6%, or $2.9 million, over the prior year), mainly due to 196,200 square feet of previously identified vacancy that took effect at the beginning of Q3 2015.

Eastern Canada increased by 2.6%, or $0.4 million, over the prior year comparative quarter (for the year ended December 31, 2015 – an increase of 2.9%, or $1.9 million, over the prior year), mainly due to higher weighted average in-place occupancy of approximately 57,000 square feet and favourable foreign exchange adjustments in our U.S. properties.

For the three months and year ended December 31, 2015, lease termination fees and other adjustments amounted to income of $0.04 million and $0.02 million, respectively (three months and year ended December 31, 2014 – income of $0.5 million and $1.9 million, respectively).

NOI prior quarter comparison

The comparative properties disclosed in the following table include properties acquired prior to July 1, 2015.

	Three months ended			
	December 31, 2015	September 30, 2015	Change Amount	Change %
Western Canada	**$ 23,570**	$ 23,232	$ 338	1.5
Calgary – downtown	**17,108**	17,672	(564)	(3.2)
Calgary – suburban	**3,242**	3,275	(33)	(1.0)
Toronto – downtown	**35,936**	35,315	621	1.8
Toronto – suburban	**14,867**	14,506	361	2.5
Eastern Canada	**17,008**	16,897	111	0.7
Comparative properties NOI[1]	**111,731**	110,897	834	0.8
Lease termination fees and other	**35**	(361)	396	
Properties held for redevelopment	**(121)**	(58)	(63)	
Straight-line rent	**484**	544	(60)	
Amortization of lease incentives	**(3,832)**	(3,382)	(450)	
NOI[1]	**108,297**	107,640	657	0.6
NOI from properties sold and properties held for sale	**1,312**	2,672	(1,360)	
NOI including income from properties sold and assets held for sale	**$ 109,609**	$ 110,312	$ (703)	(0.6)

(1) Comparative properties NOI and NOI (non-GAAP measures) – The reconciliation of NOI to net rental income can be found in the section "Non-GAAP measures and other disclosures" under the heading "NOI".

Comparative properties NOI increased by 0.8%, or $0.8 million, over the prior quarter.

Western Canada increased by 1.5%, or $0.3 million, over the prior quarter, largely due to an increase in weighted average in-place occupancy of approximately 9,000 square feet and higher rents on renewals and step-up in rental rates for certain tenants.

Calgary downtown decreased by 3.2%, or $0.6 million, over the prior quarter, largely due to a decline in weighted average in-place occupancy of approximately 46,000 square feet.

Toronto downtown increased by 1.8%, or $0.6 million, over the prior quarter, largely due to an increase in weighted average in-place occupancy of approximately 15,000 square feet and higher rents on renewals and step-up in rental rates for certain tenants.

Toronto suburban increased by 2.5%, or $0.4 million, over the prior quarter, largely due to an increase in weighted average in-place occupancy of approximately 24,000 square feet.

Eastern Canada increased by 0.7%, or $0.1 million, over the prior quarter, largely due to higher rents on renewals and favourable foreign exchange adjustments in our U.S. properties.

Calgary suburban remained relatively stable over the prior quarter.

For the three months ended December 31, 2015, lease termination fees and other adjustments amounted to income of $0.04 million (three months ended September 30, 2015 – loss of $0.4 million).

Funds from operations (excluding Reorganization) and adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Net income (loss) for the period	**$ (54,137)**	$ 7,306	**$ (55,039)**	$ 159,290
Add (deduct):				
Share of net loss (income) and dilution loss from investment in Dream Industrial REIT	**5,923**	(3,699)	**(6,112)**	(15,965)
Share of FFO from investment in Dream Industrial REIT	**4,519**	4,565	**18,056**	16,412
Depreciation and amortization	**4,614**	3,526	**16,213**	12,922
Net loss on sale of investment properties	**2,121**	—	**3,773**	1,496
Interest expense on subsidiary redeemable units	**2,931**	338	**9,171**	4,638
Fair value adjustments to investment properties	**79,400**	67,300	**190,000**	128,456
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**(21,046)**	(2,918)	**(49,851)**	(3,441)
Debt settlement costs, net	**1,136**	683	**1,999**	1,892
Internal leasing costs	**2,442**	758	**9,246**	6,345
Deferred income taxes expense	**516**	300	**1,695**	638
Impairment of goodwill	**51,212**	—	**51,212**	—
Other	**41**	(10)	**16**	146
FFO	**$ 79,672**	$ 78,149	**$ 190,379**	$ 312,829
Add: Cost on Reorganization	**—**	—	**128,132**	—
FFO (excluding Reorganization)[1]	**$ 79,672**	$ 78,149	**$ 318,511**	$ 312,829
Funds from operations (excluding Reorganization)	**$ 79,672**	$ 78,149	**$ 318,511**	$ 312,829
Add (deduct):				
Share of FFO from investment in Dream Industrial REIT	**(4,519)**	(4,565)	**(18,056)**	(16,412)
Share of AFFO from investment in Dream Industrial REIT	**3,902**	3,767	**15,437**	13,511
Amortization of fair value adjustments on assumed debt	**(796)**	(1,110)	**(4,060)**	(4,754)
Deferred unit compensation expense	**845**	1,016	**3,599**	4,399
Straight-line rent	**(484)**	(778)	**(2,852)**	(4,612)
Business transformation costs	**373**	275	**1,490**	1,100
Other	**(18)**	(54)	**(129)**	(433)
	78,975	76,700	**313,940**	305,628
Deduct:				
Normalized initial direct leasing costs and lease incentives	**(8,053)**	(8,130)	**(32,495)**	(32,568)
AFFO[2]	**$ 70,922**	$ 68,570	**$ 281,445**	$ 273,060

(1) FFO (excluding Reorganization) (non-GAAP measure) – refer to the section “Non-GAAP measures and other disclosures” under the heading “Funds from operations (“FFO”) (excluding Reorganization)” for further details.

(2) 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 reconciliation”.

Funds from operations (excluding Reorganization)

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
FFO (excluding Reorganization)	**$ 79,672**	$ 78,149	**$ 318,511**	$ 312,829
FFO (excluding Reorganization) per unit – basic[1]	**$ 0.70**	$ 0.72	**$ 2.83**	$ 2.88
FFO (excluding Reorganization) per unit – diluted[1]	**$ 0.70**	$ 0.71	**$ 2.82**	$ 2.87

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

Total FFO (excluding Reorganization) for the three months and year ended December 31, 2015 was $79.7 million and $318.5 million, respectively, an increase of $1.5 million, or 1.9%, over the prior year comparative quarter and an increase of $5.7 million, or 1.8%, over the prior year comparative period.

Diluted FFO (excluding Reorganization) on a per unit basis for the three months and year ended December 31, 2015 was $0.70 and $2.82, respectively, compared to $0.71 and $2.87 for the three months and year ended December 31, 2014. The modest decline when compared to the prior year comparative quarter and period was mainly due to the following reasons:

- Decrease in comparative NOI;
- Decrease in lease termination fees and other one-time property adjustments;
- Disposition of properties; and
- Incremental change in straight-line rent adjustment;

Partially offset by

- General and administrative expense savings as a result of the elimination of the asset management agreement with DAM, net of the dilution impact on issuance of 4.85 million subsidiary redeemable units to DAM pursuant to the Reorganization;
- Interest rate savings upon refinancing of maturing debt;
- Incremental increase in FFO from our investment in Dream Industrial REIT on a full-year basis; and
- Compensation received on expropriation of a small parcel of land.

Adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
AFFO	**$ 70,922**	$ 68,570	**$ 281,445**	$ 273,060
AFFO per unit – basic[1]	**$ 0.62**	$ 0.63	**$ 2.50**	$ 2.52

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

Total AFFO for the three months and year ended December 31, 2015 was $70.9 million and $281.4 million, respectively, an increase of $2.4 million, or 3.4%, over the prior year comparative quarter and an increase of $8.4 million, or 3.1%, over the prior year.

AFFO on a per unit basis for the three months and year ended December 31, 2015 was $0.62 and $2.50, respectively, down slightly from $0.63 over the prior year comparative quarter and $2.52 when compared to the prior year. The change in AFFO per unit for the year ended December 31, 2015 was largely due to the same reasons as described above on change in diluted FFO (excluding Reorganization) except for the incremental change in straight-line rent adjustment as this is added back in the determination of AFFO.

SELECTED ANNUAL INFORMATION

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

	2015	2014	2013
Investment properties revenue[1]	**$ 802,446**	$ 817,995	$ 800,531
Net income (loss)	**(55,039)**	159,290	445,011
Total assets[1]	**7,286,037**	7,558,895	7,667,742
Non-current debt[1]	**2,811,936**	3,215,878	3,380,891
Total debt[1]	**3,520,486**	3,593,808	3,662,543
Distributions declared	**250,656**	242,220	235,751
Distribution rate (per unit)	**2.24**	2.24	2.23
Units outstanding:			
REIT Units, Series A	**107,860,638**	107,936,575	103,420,221
LP Class B Units, Series 1	**5,233,823**	602,434	3,538,457

(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, 2014.

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

				2015				2014
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Leasing – total portfolio								
Occupancy – including committed (period-end)	**91.3%**	91.6%	92.8%	92.8%	93.0%	93.0%	94.1%	94.2%
Occupancy – in place (period-end)	**89.8%**	89.8%	91.0%	91.4%	91.4%	91.1%	92.5%	92.5%
Occupancy – national industry average	**87.8%**	88.2%	88.6%	88.9%	89.3%	89.7%	89.6%	89.7%
Tenant retention ratio	**74.7%**	53.4%	61.8%	51.5%	64.4%	34.5%	54.8%	62.6%
Average in-place and committed net rent per square foot (period-end)	**$ 18.94**	$ 18.73	$ 18.28	$ 18.24	$ 18.22	$ 18.21	$ 18.14	$ 17.97
Market rent/in-place and committed rent (%)	**2.7%**	5.0%	6.4%	7.5%	7.8%	8.2%	8.0%	8.9%
Financing								
Weighted average effective interest rate on debt (period-end)	**4.11%**	4.12%	4.13%	4.15%	4.15%	4.20%	4.19%	4.19%
Weighted average face rate of interest on debt (period-end)	**4.05%**	4.11%	4.13%	4.16%	4.18%	4.21%	4.22%	4.23%
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)	**7.7**	7.7	7.6	7.9	7.8	7.8	7.9	8.0
Level of debt (net total debt-to-gross book value)	**48.3%**	48.0%	47.9%	47.6%	47.5%	46.9%	47.3%	47.6%
Debt – average term to maturity (years)	**3.8**	3.8	3.9	4.1	4.4	4.2	4.4	4.6
Unencumbered assets (in millions)	**$ 825**	$ 768	$ 820	$ 820	$ 796	$ 794	$ 793	$ 771
Portfolio[1]								
Number of properties	**166**	169	174	174	175	175	180	181
GLA (millions of sq. ft.)	**23.0**	23.3	24.1	24.1	24.2	24.2	24.5	24.6

(1) Excludes redevelopment properties and properties held for sale at period-end.

Results of operations

(in thousands of Canadian dollars)

				2015				2014
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment properties revenue	**$ 168,349**	$ 174,370	$ 174,402	$ 173,841	$ 176,460	$ 173,724	$ 176,432	$ 178,663
Investment properties operating expenses	**(73,662)**	(78,734)	(75,275)	(75,778)	(77,702)	(74,449)	(74,339)	(77,281)
Net rental income	**94,687**	95,636	99,127	98,063	98,758	99,275	102,093	101,382
Other income	**5,177**	19,099	15,894	22,083	14,950	12,784	14,363	14,678
Other expenses	**(37,911)**	(38,741)	(39,185)	(40,297)	(40,108)	(40,548)	(43,507)	(42,790)
Fair value adjustments, net losses on transactions and other activities	**(115,574)**	(49,259)	(164,345)	(17,798)	(65,994)	(16,608)	(26,226)	(22,574)
Income (loss) before income taxes	**(53,621)**	26,735	(88,509)	62,051	7,606	54,903	46,723	50,696
Deferred income taxes expense	**(516)**	(522)	(328)	(329)	(300)	(36)	(155)	(147)
Net income (loss) for the period	**(54,137)**	26,213	(88,837)	61,722	7,306	54,867	46,568	50,549
Other comprehensive income (loss)	**1,783**	3,315	(59)	2,308	1,352	1,708	(1,523)	1,007
Comprehensive income (loss) for the period	**$ (52,354)**	$ 29,528	$ (88,896)	$ 64,030	$ 8,658	$ 56,575	$ 45,045	$ 51,556

Calculation of funds from operations (excluding Reorganization)

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

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (loss) for the period	**$ (54,137)**	$ 26,213	$ (88,837)	$ 61,722	$ 7,306	$ 54,867	$ 46,568	$ 50,549
Add (deduct):								
Share of net loss (income) and dilution loss from investment in Dream Industrial REIT	**5,923**	(3,303)	(4,305)	(4,427)	(3,699)	(3,291)	(5,386)	(3,589)
Share of FFO from investment in Dream Industrial REIT	**4,519**	4,506	4,517	4,514	4,565	4,070	3,946	3,831
Depreciation and amortization	**4,614**	4,125	3,915	3,561	3,526	3,515	3,065	2,817
Net loss on sale of investment properties	**2,121**	1,531	—	121	—	565	931	—
Interest expense on subsidiary redeemable units	**2,931**	2,931	2,972	337	338	337	1,982	1,981
Fair value adjustments to investment properties	**79,400**	58,200	44,100	8,300	67,300	17,644	25,197	18,315
Fair value adjustments to financial instruments and DUIP included in G&A	**(21,046)**	(19,091)	(10,647)	933	(2,918)	(2,285)	746	1,016
Debt settlement costs, net	**1,136**	863	—	—	683	—	—	1,209
Internal leasing costs	**2,442**	2,411	2,342	2,051	758	1,969	1,718	1,900
Deferred income taxes expense	**516**	522	328	329	300	36	155	147
Impairment of goodwill	**51,212**	—	—	—	—	—	—	—
Other	**41**	9	(44)	(2)	(10)	(38)	265	(72)
FFO	**$ 79,672**	$ 78,917	$ (45,659)	$ 77,439	$ 78,149	$ 77,389	$ 79,187	$ 78,104
Add: Cost on Reorganization	**—**	—	128,132	—	—	—	—	—
FFO (excluding Reorganization)[1]	**$ 79,672**	$ 78,917	$ 82,473	$ 77,439	$ 78,149	$ 77,389	$ 79,187	$ 78,104
FFO per unit (excluding Reorganization) – basic[2]	**$ 0.70**	$ 0.70	$ 0.73	$ 0.71	$ 0.72	$ 0.71	$ 0.73	$ 0.73
FFO per unit (excluding Reorganization) – diluted[2]	**$ 0.70**	$ 0.69	$ 0.72	$ 0.71	$ 0.71	$ 0.71	$ 0.73	$ 0.72

(1) FFO (excluding Reorganization) (non-GAAP measure) – refer to the section "Non-GAAP measures and other disclosures" under the heading "Funds from operations ("FFO") (excluding Reorganization)" for further details.

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

Calculation of adjusted funds from operations

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

				2015				2014
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Funds from operations (excluding Reorganization)	**$ 79,672**	$ 78,917	$ 82,473	$ 77,439	$ 78,149	$ 77,389	$ 79,187	$ 78,104
Add (deduct):								
Share of FFO from investment in Dream Industrial REIT	**(4,519)**	(4,506)	(4,517)	(4,514)	(4,565)	(4,070)	(3,946)	(3,831)
Share of AFFO from investment in Dream Industrial REIT	**3,902**	3,863	3,881	3,791	3,767	3,325	3,277	3,142
Amortization of fair value adjustments on assumed debt	**(796)**	(1,033)	(1,124)	(1,107)	(1,110)	(1,166)	(1,217)	(1,261)
Deferred unit compensation expense	**845**	809	966	979	1,016	1,016	1,307	1,060
Straight-line rent	**(484)**	(544)	(739)	(1,085)	(778)	(513)	(1,489)	(1,832)
Business transformation costs	**373**	372	373	372	275	275	274	276
Other	**(18)**	(25)	(38)	(48)	(54)	(55)	(69)	(255)
	78,975	77,853	81,275	75,827	76,700	76,201	77,324	75,403
Deduct:								
Normalized initial direct leasing costs and lease incentives	**(8,053)**	(8,112)	(8,147)	(8,183)	(8,130)	(8,141)	(8,185)	(8,112)
Adjusted funds from operations[1]	**$ 70,922**	$ 69,741	$ 73,128	$ 67,644	$ 68,570	$ 68,060	$ 69,139	$ 67,291
AFFO per unit – basic[2]	**$ 0.62**	$ 0.61	$ 0.64	$ 0.62	$ 0.63	$ 0.63	$ 0.64	$ 0.62
Weighted average units outstanding								
Basic (in thousands)	**113,483**	113,532	113,664	108,718	109,232	108,758	108,301	107,728
Diluted (in thousands)	**115,019**	115,075	115,256	110,352	110,849	110,375	109,938	109,231

(1) 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 reconciliation”.

(2) 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”) (excluding Reorganization)

Management believes FFO (excluding Reorganization) 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 nor cash generated from operating activities, as defined by IFRS, 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 and Additional GAAP Measures”, FFO (excluding Reorganization) has been reconciled to net income in the section “Our Results of Operations” under the heading “Funds from operations (excluding Reorganization) 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 IFRS, 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, lease maturity profile and expected renewals and new leasing activity. Our estimates of initial direct leasing costs and lease incentives are based on our expected renewals and new leasing activity multiplied by the average normalized cost per square foot that we expect to incur over the long term, adjusted for properties that have been acquired or sold. These assumptions are evaluated and adjusted from time to time based on actual experience over the long term. An alternative approach is to calculate AFFO by deducting the actual initial direct leasing costs and lease incentives incurred and a portion of building improvement costs incurred for the three months and year ended December 31, 2015. Management does not believe this approach to be appropriate for the purpose of determining AFFO as there can be a large degree of variability in the actual amounts incurred in any given period due to timing and extent of the leasing activity and building improvement projects. In addition, current spending on initial direct leasing costs, lease incentives and building improvements may not be indicative of a normalized long-term trend.

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

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 and Additional GAAP Measures", NOI has been reconciled to net rental income in the table below:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Net rental income (per consolidated financial statements)	**$ 94,687**	$ 98,758	**$ 387,513**	$ 401,508
Add: Share of net rental income from investments in joint ventures	**14,922**	15,413	**59,791**	60,442
NOI	**109,609**	114,171	**447,304**	461,950
Less: NOI from properties sold and properties held for sale	**1,312**	3,134	**10,725**	15,955
NOI (excluding properties sold and properties held for sale)	**$ 108,297**	$ 111,037	**$ 436,579**	$ 445,995

Comparative properties NOI

Comparative properties NOI includes NOI of the same properties owned by the Trust in (i) the current and prior year comparative period and (ii) the current and prior quarter, and excludes lease termination fees, one-time property adjustments, bad debt expenses, NOI of properties sold, properties held for sale and properties held for redevelopment, straight-line rent 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 certain investment properties that are valued using the direct capitalization method; 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 (excluding Reorganization) 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, 2015 assumes the conversion of the 5.5% Series H Debentures, as they are dilutive. Diluted FFO (excluding Reorganization) per unit for the three months and year ended December 31, 2015 excludes $0.7 million and $2.8 million, respectively, in interest related to convertible debentures (for the three months and year ended December 31, 2014 – $0.7 million and $2.8 million, respectively).

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Weighted average units outstanding for basic per unit amounts (in thousands)	**113,483**	109,232	**112,370**	108,484
Weighted average units outstanding for diluted per unit amounts (in thousands)	**115,019**	110,849	**113,927**	110,100

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, 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 equivalents 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 IFRS.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures and Additional GAAP Measures", the table within this section under the heading "Cash flows from operating activities and distributions declared" reconciles adjusted cash flows from operating activities to cash generated from (utilized in) operating activities (as per consolidated financial statements).

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 IFRS.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures and Additional GAAP Measures", the table within this section under the heading "Cash flows from operating activities and distributions declared" reconciles cash flows from operating activities (including investments in joint ventures) to cash generated from (utilized in) operating activities (as per consolidated financial statements).

Investment in joint ventures and debt associated with assets held for sale

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. The reconciliation of debt tables are included in the "Our Financing" section of this MD&A. The reconciliation of the consolidated statements of comprehensive income is included in the "Our Results of Operations" section of this MD&A under the heading "Statement of comprehensive income (loss) reconciliation to consolidated financial statements". A reconciliation of the financial position and results of operations to the consolidated balance sheets is included in the following table.

Balance sheet reconciliation to consolidated financial statements

	December 31, 2015			December 31, 2014		
	Amounts per consolidated financial statements	**Share from investment in joint ventures**	**Total**	Amounts per consolidated financial statements	Share from investment in joint ventures	Total
Assets						
NON-CURRENT ASSETS						
Investment properties	**$ 5,866,595**	**$ 1,099,594**	**$ 6,966,189**	$ 6,139,070	$ 1,062,776	$ 7,201,846
Investment in Dream Industrial REIT	**184,817**	**—**	**184,817**	191,691	—	191,691
Investment in joint ventures	**595,203**	**(595,203)**	**—**	553,141	(553,141)	—
Other non-current assets	**49,984**	**4,265**	**54,249**	106,803	8,507	115,310
	6,696,599	**508,656**	**7,205,255**	6,990,705	518,142	7,508,847
CURRENT ASSETS						
Amounts receivable	**10,258**	**3,785**	**14,043**	16,565	682	17,247
Prepaid expenses and other assets	**9,052**	**340**	**9,392**	8,593	351	8,944
Cash and cash equivalents	**2,051**	**10,382**	**12,433**	10,920	9,969	20,889
	21,361	**14,507**	**35,868**	36,078	11,002	47,080
Assets held for sale	**44,914**	**—**	**44,914**	2,968	—	2,968
Total assets	**$ 6,762,874**	**$ 523,163**	**$ 7,286,037**	$ 7,029,751	$ 529,144	$ 7,558,895
Liabilities						
NON-CURRENT LIABILITIES						
Debt	**$ 2,401,104**	**$ 410,832**	**$ 2,811,936**	$ 2,730,973	$ 484,905	$ 3,215,878
Subsidiary redeemable units	**90,912**	**—**	**90,912**	15,151	—	15,151
Deferred Unit Incentive Plan	**12,596**	**—**	**12,596**	17,082	—	17,082
Deferred tax liabilities, net	**9,038**	**—**	**9,038**	6,183	—	6,183
Other non-current liabilities	**20,284**	**491**	**20,775**	19,468	378	19,846
	2,533,934	**411,323**	**2,945,257**	2,788,857	485,283	3,274,140
CURRENT LIABILITIES						
Debt	**609,644**	**74,661**	**684,305**	365,855	12,075	377,930
Amounts payable and accrued liabilities	**112,980**	**37,179**	**150,159**	97,522	31,786	129,308
	722,624	**111,840**	**834,464**	463,377	43,861	507,238
Liabilities related to assets held for sale	**24,502**	**—**	**24,502**	—	—	—
Total liabilities	**$ 3,281,060**	**$ 523,163**	**$ 3,804,223**	$ 3,252,234	$ 529,144	$ 3,781,378
Equity						
Unitholders' equity	**3,168,915**	**—**	**3,168,915**	3,171,794	—	3,171,794
Retained earnings	**301,324**	**—**	**301,324**	601,495	—	601,495
Accumulated other comprehensive income	**11,575**	**—**	**11,575**	4,228	—	4,228
Total equity	**3,481,814**	**—**	**3,481,814**	3,777,517	—	3,777,517
Total liabilities and equity	**$ 6,762,874**	**$ 523,163**	**$ 7,286,037**	$ 7,029,751	$ 529,144	$ 7,558,895

Cash generated from operating activities to AFFO reconciliation

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

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Cash generated from (utilized in) operating activities (per consolidated financial statements)	**$ 53,778**	$ 55,103	**$ 192,509**	$ 203,354
Add (deduct):				
Share of AFFO from investment in Dream Industrial REIT	**3,902**	3,767	**15,437**	13,511
Share of net income from investment in joint ventures	**10,186**	10,343	**53,136**	37,611
Initial direct leasing costs and lease incentives	**22,799**	18,295	**63,895**	49,116
Amortization of financing costs	**(748)**	(786)	**(3,060)**	(3,178)
Transaction costs related to the Reorganization	**—**	—	**819**	—
Internal leasing costs	**2,327**	625	**8,951**	6,118
Business transformation costs	**373**	275	**1,490**	1,100
Change in non-cash working capital	**(14,025)**	(11,039)	**(8,203)**	(5,648)
Adjustments for investment in joint ventures:				
Fair value adjustments to investment properties	**300**	200	**(11,030)**	4,153
Straight-line rent	**(139)**	(174)	**(539)**	(683)
Amortization of lease incentives	**79**	57	**208**	59
Internal leasing costs	**115**	133	**295**	227
Net loss on sale of investment properties	**—**	—	**121**	758
Normalized initial direct leasing costs and lease incentives	**(8,053)**	(8,130)	**(32,495)**	(32,568)
Other	**28**	(99)	**(89)**	(870)
AFFO	**$ 70,922**	$ 68,570	**$ 281,445**	$ 273,060

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, 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.

In any given period, the Trust anticipates that total distributions 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 total distributions, as well as the differences between net income and total distributions, in accordance with the guidelines.

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

	Three months ended December 31,		Year ended December 31,	
	2015	2014[1]	**2015**	2014[1]
Net income (loss) for the period	**$ (54,137)**	$ 7,306	**$ (55,039)**	$ 159,290
Cash generated from operating activities (per consolidated financial statements)	**53,778**	55,103	**192,509**	203,354
Add:				
Investment in joint ventures' cash flows from operating activities	**7,270**	3,091	**46,419**	37,596
Cash flows from operating activities (including investment in joint ventures)	**61,048**	58,194	**238,928**	240,950
Add (deduct):				
Investment in lease incentives and initial direct leasing costs	**24,653**	18,645	**67,145**	51,001
Change in non-cash working capital	**(12,591)**	(9,021)	**(15,454)**	(8,697)
Adjusted cash flows from operating activities	**73,110**	67,818	**290,619**	283,254
Total distributions[2]	**64,265**	63,347	**254,303**	244,698
Adjusted cash flows from operating activities over total distributions	**8,845**	4,471	**36,316**	38,556
Shortfall of net income (loss) over total distributions	**(118,402)**	(56,041)	**(309,342)**	(85,408)
Shortfall of cash generated from operating activities (per consolidated financial statements) over total distributions	**$ (10,487)**	$ (8,244)	**$ (61,794)**	$ (41,344)

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

(2) Includes distributions declared on LP B Units and 4% bonus on distributions reinvested.

For the three months and year ended December 31, 2015, adjusted cash flows from operating activities exceeded total distributions by $8.8 million and $36.3 million, respectively (for the three months and year ended December 31, 2014 – $4.5 million and $38.6 million, respectively).

For the three months and year ended December 31, 2015, total distributions exceeded cash generated from (utilized in) operating activities (per consolidated financial statements) by $10.5 million and $61.8 million, respectively. The shortfall of cash generated from (utilized in) operating activities over total distributions 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 they form part of the Trust's determination of its cash available for distribution.

For the three months ended December 31, 2015, total distributions exceeded cash flows from operating activities (including investment in joint ventures) by $3.2 million. For the year ended December 31, 2015, total distributions exceeded cash flows from operating activities (including investment in joint ventures) by $15.4 million. The shortfall in the current period was mainly driven by the short-term fluctuations in our investment in lease incentives and initial direct leasing costs. These investments were funded by cash and cash equivalents and our existing credit facilities. For the three months and year ended December 31, 2014, total distributions exceeded cash flows from operating activities (including investment in joint ventures) by $5.2 million and $3.7 million, respectively).

Of the total distributions for the three months and year ended December 31, 2015, $25.0 million and $95.7 million, respectively, were reinvested in units pursuant to the DRIP. Over time, reinvestments pursuant to the DRIP will increase the number of units outstanding, thereby increasing the total 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 months and year ended December 31, 2015, total distributions exceeded net loss by $118.4 million and $309.3 million, respectively, primarily due to non-cash components of net loss, which include the cost on the Reorganization of $127.3 million, goodwill impairment charge of $51.2 million, fair value loss to investment properties of $79.4 million and $190.0 million, respectively, and fair value adjustments to financial instruments of $20.7 million and $48.9 million, respectively. For the three months and year ended December 31, 2014, total distributions exceeded net income by $56.0 million and $85.4 million, respectively, primarily due to non-cash components of net income, which include the fair value loss to investment properties of $67.3 million and $128.5 million, respectively, and fair value adjustments to financial instruments of $2.7 million and $2.7 million, respectively.

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 and Additional GAAP 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, 2015 and December 31, 2014.

			As at December 31, 2015
	Amounts per consolidated financial statements	**Share of amounts from investment in joint ventures**	**Total**
Non-current debt	$ 2,401,104	$ 410,832	$ 2,811,936
Current debt	609,644	74,661	684,305
Debt before undernoted items	3,010,748	485,493	3,496,241
Add: Debt related to assets held for sale	24,245	–	24,245
Add: Overdraft (cash on hand)[1]	2,485	–	2,485
Total debt (net of cash on hand)	3,037,478	485,493	3,522,971
Less: Unsecured debt	(534,097)	–	(534,097)
Total secured debt (net of cash on hand)	2,503,381	485,493	2,988,874
Total assets	6,762,874[2]	523,163	7,286,037[3]
Add: Accumulated depreciation of property and equipment	6,471	–	6,471
Add: Overdraft (cash on hand)[1]	2,485	–	2,485
Total assets (excluding accumulated depreciation of property and equipment and cash on hand)	$ 6,771,830	$ 523,163	$ 7,294,993
Net total debt-to-gross book value			48.3%
Net secured debt-to-gross book value			41.0%

(1) Overdraft (cash on hand) represents overdraft (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 at year-end.

	As at December 31, 2014		
	Amounts per consolidated financial statements	Share of amounts from investment in joint ventures	Total
Non-current debt	$ 2,730,973	$ 484,905	$ 3,215,878
Current debt	365,855	12,075	377,930
Debt before undernoted items	3,096,828	496,980	3,593,808
Less: Cash on hand[1]	(5,466)	—	(5,466)
Total debt (net of cash on hand)	3,091,362	496,980	3,588,342
Less: Unsecured debt	(533,860)	—	(533,860)
Total secured debt (net of cash on hand)	2,557,502	496,980	3,054,482
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 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 at year-end.

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, 2015 and December 31, 2014 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 and Additional GAAP Measures", the following tables calculate the interest coverage ratio for the years ended December 31, 2015 and December 31, 2014.

	For the year ended December 31, 2015		
	Amounts per consolidated financial statements	**Share of amounts from investment in joint ventures**	**Total**
Net rental income	**$ 387,513**	**$ 59,791**	**$ 447,304**
Add: Interest and fee income	**3,005**	**68**	**3,073**
Less: General and administrative expenses	**(12,196)**	**(47)**	**(12,243)**
Total	**378,322**	**59,812**	**438,134**
Interest expense – debt	**$ 131,818**	**$ 17,266**	**$ 149,084**
Interest coverage ratio (times)			**2.9**

	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

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, amortization of external management contracts and depreciation on property and equipment, 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 and Additional GAAP Measures", the following tables calculate the annualized net average debt-to-EBITDFV and annualized net debt-to-adjusted EBITDFV for the years ended December 31, 2015 and December 31, 2014.

		December 31, 2015		
	Amounts included in consolidated financial statements	Share of amounts from investment in joint ventures	Total
Non-current debt	$ 2,401,104	$ 410,832	$ 2,811,936
Current debt	609,644	74,661	684,305
Debt before undernoted items	3,010,748	485,493	3,496,241
Add: Debt related to assets held for sale	24,245	—	24,245
Add: Weighted average debt adjustment(1)	8,430	—	8,430
Add: Overdraft (cash on hand)(2)	2,485	—	2,485
Net average debt	$ 3,045,908	$ 485,493	$ 3,531,401
Less: Weighted average debt adjustment(1)	(8,430)	—	(8,430)
Net debt	$ 3,037,478	$ 485,493	$ 3,522,971
Net income (loss) for the period	(64,323)	10,186	(54,137)
Add (deduct):			
Lease termination fees and other	(35)	—	(35)
Non-cash items included in investment properties revenue(3)	3,408	(60)	3,348
Fair value adjustments to investment properties	79,100	300	79,400
Fair value adjustments to financial instruments	(20,695)	—	(20,695)
Share of net loss from Dream Industrial REIT	5,923	—	5,923
Distributions received from Dream Industrial REIT	3,247	—	3,247
Interest – debt	32,302	4,286	36,588
Interest – subsidiary redeemable units	2,931	—	2,931
Amortization of external management contracts and depreciation on property and equipment	779	3	782
Net loss on transactions and other activities	57,169	115	57,284
Deferred income taxes	516	—	516
EBITDFV – quarterly	$ 100,322	$ 14,830	$ 115,152
Normalized NOI of acquired (disposed) properties for the quarter	(494)	—	(494)
Adjusted EBITDFV – quarterly	$ 99,828	$ 14,830	$ 114,658
EBITDFV – annualized			$ 460,608
Adjusted EBITDFV – annualized			$ 458,632
Net average debt-to-EBITDFV (years)			7.7
Net debt-to-adjusted EBITDFV (years)			7.7

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

(2) Overdraft (cash on hand) represents overdraft (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, 2014		
	Amounts included in consolidated financial statements	Share of amounts from investment in joint ventures	Total
Non-current debt	$ 2,730,973	$ 484,905	$ 3,215,878
Current debt	365,855	12,075	377,930
Debt before undernoted items	3,096,828	496,980	3,593,808
Less: Weighted average debt adjustment[1]	(41,386)	—	(41,386)
Less: Cash on hand[2]	(5,466)	—	(5,466)
Net average debt	$ 3,049,976	$ 496,980	$ 3,546,956
Add-back: Weighted average debt adjustment[1]	41,386	—	41,386
Net debt	$ 3,091,362	$ 496,980	$ 3,588,342
Net income (loss) for the period	(3,037)	10,343	7,306
Add (deduct):			
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 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 (disposed) 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 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, 2015, financial year-end, the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers"), together with other members of management, have evaluated the design and operational effectiveness of Dream 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, 2015.

There were no changes in Dream Office REIT's internal control over financial reporting during the financial year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, Dream 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 2014 Annual Report or our Annual Information Form 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.

Given the prominence of the oil and gas industry in the Province of Alberta, the economy of this province can be significantly impacted by the price of oil. As at December 31, 2015, approximately 18% of our comparative properties NOI was generated from Calgary and approximately 7% was generated from Edmonton. Accordingly, any substantial decline or prolonged weakness in the price of oil could also adversely affect the Trust's operating results and its ability to renew or refinance mortgages as it relates to the properties in these cities. We continuously evaluate the economic health of the markets in which we operate through various means to ensure that we have identified and, where possible, mitigate risks to the Trust, including the potential impacts of changes in the price of oil. As of December 31, 2015, the Trust had not identified any material adverse effect on our business as a result of the current softening of oil prices.

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.

RELIANCE ON DAM FOR CERTAIN MANAGEMENT SERVICES

We rely on DAM for certain management services, including the services of a Chief Executive Officer, as requested. DAM has the right, upon 180 days' notice, to terminate our Management Services Agreement for any reason: (i) at any time on or after April 2, 2018; and (ii) at any time on or after April 2, 2017 if the Shared Services and Cost Sharing Agreement has been terminated by Dream Office LP. Our Management Services Agreement may also be terminated in other circumstances, such as in the event of default or insolvency of DAM within the meaning of such agreement. Accordingly, there can be no assurance that DAM will continue to provide management services. If DAM should cease for whatever reason to provide such services, this may adversely impact our ability to meet our objectives and execute our strategy.

The Management Services Agreement does not obligate DAM to provide the services of any particular person to Dream Office REIT, including the services of our current senior management team. However, we have no reason to believe the services of our current senior management team will not continue to be provided by DAM.

IMPLEMENTING THE TRUST'S STRATEGIC PLAN

The Trust's Strategic Plan is intended to surface value for unitholders by reducing the current 50% discount to net asset value and creating a stronger and more flexible balance sheet. However, there can be no assurance that the Trust will be successful in executing the Strategic Plan and achieving its expected benefits. If we are unable to successfully execute the Strategic Plan, whether because we are unable to complete dispositions of our investment properties contemplated by the Strategic Plan on favourable terms or at prices which reflect fair value, because one or more of the assumptions underlying the Strategic Plan proves to be incorrect, or as a result of events outside the Trust's control that were not anticipated or expected when the Strategic Plan was implemented or for other reasons, or if the benefits of the Strategic Plan are not fully achieved or take longer to realize than anticipated, it could have a material adverse effect on the Trust's financial condition and results of operations.

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, valuations are prepared internally during each reporting period.

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

The 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.

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, the investment in Dream Industrial REIT and the investment in joint ventures. 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 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, 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.

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, 2018, with earlier application permitted. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Financial instruments

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

Financial instruments – disclosures

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

Presentation of financial statements

IAS 1, "Presentation of Financial Statements" ("IAS 1"), was amended by the IASB to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment gives guidance that information within the consolidated balance sheets and statements of comprehensive income should not be aggregated or disaggregated in a manner that obscures useful information, and that disaggregation may be required in the statement of comprehensive income in the form of additional subtotals as they are relevant to understanding the entity's financial position or performance. The amendment to IAS 1 are effective for annual periods beginning on or after January 1, 2016. This amendment to IAS 1 has no material impact on the Trust's consolidated financial statements or note disclosures.

Acquisitions of interests in joint operations

IFRS 11, "Joint Arrangements" ("IFRS 11"), has been amended to require the application of IFRS 3 to transactions where an investor obtains an interest in a joint operation that constitutes a business. The amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016. This amendment to IFRS 11 has no material impact on the Trust's consolidated financial statements or note disclosures.

Leases

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

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, 2015.

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%	300,860	300,860	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%	219,638	219,638	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%	174,383	174,383	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
2257 & 2301 Premier Way, Sherwood Park	100.0%	156,166	156,166	2003	8.7	8.7	2-storey suburban office building
2121 & 2181 Premier Way, Sherwood Park	100.0%	151,387	151,387	2005–2006	7.8	7.8	2-storey suburban 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%	142,791	142,791	1958	0.7	0.7	16-storey downtown office building with parkade
Princeton Tower, Saskatoon	100.0%	134,461	134,461	1988	0.6	0.6	11-storey downtown office building with grade level retail
340-450 3rd Avenue N., Saskatoon	100.0%	130,724	130,724	1980/1993	1.1	1.1	2-storey office building
HSBC Building, Edmonton	100.0%	118,838	118,838	1974	0.4	0.4	12-storey downtown office building with underground parking
4259-4299 Canada Way, Burnaby	100.0%	119,570	119,570	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
Scotia Centre, Yellowknife	100.0%	107,973	107,973	1991	0.7	0.7	11-storey office building
Highfield Place, Edmonton	100.0%	104,629	104,629	1978	0.3	0.3	10-storey downtown 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
Precambrian Building, Yellowknife	100.0%	92,730	92,730	1976	0.8	0.8	11-storey office building
2055 Premier Way, Strathcona County	100.0%	87,965	87,965	2007	4.3	4.3	2-storey flex 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%	85,534	85,534	1981	0.6	0.6	5-storey suburban office building
2899 Broadmoor Blvd., Strathcona County	100.0%	82,489	82,489	1999	3.5	3.5	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
2693 Broadmoor Blvd., Strathcona County	100.0%	81,808	81,808	2007	4.1	4.1	2-storey suburban office building
2665 Renfrew Street, Vancouver	100.0%	81,662	81,662	2009	3.3	3.3	2-storey suburban office building
350-450 Lansdowne Street, Kamloops(4)	40.0%	190,665	76,266	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%	74,649	74,649	2000	3.2	3.2	2-storey flex office building
2261 Keating Cross Road, Victoria(4)	40.0%	181,601	72,640	1999	4.9	2.0	One 2-storey and one 4-storey suburban office building
Financial Building, Regina	100.0%	65,739	65,739	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

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
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%	61,849	61,849	1988	1.8	1.8	4-storey suburban office building
2755 Broadmoor Blvd., Sherwood Park	100.0%	61,255	61,255	2005	2.9	2.9	2-storey suburban office building
10199 - 101st Street NW, Edmonton[(4)]	50.0%	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%	48,265	48,265	2012	0.1	0.1	3-storey office building
13183 - 146th Street NW, Edmonton	100.0%	38,561	38,561	2005	2.6	2.6	2-storey suburban office building
Harbour Landing, Phase 2, Regina	100.0%	38,738	38,738	2013	2.3	2.3	3-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%	32,128	32,128	1952	0.7	0.7	4-storey downtown office/retail complex
2208 Scarth Street, Regina	100.0%	25,129	25,129	1974	3.2	3.2	2-storey suburban office building
Royal Centre, Saskatoon	100.0%	16,411	16,411	1952	0.3	0.3	Retail component of office/retail complex
2445 - 13th Avenue, Regina	100.0%	16,316	16,316	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	**94.3%**	**4,994,037**	**4,709,999**		**104.7**	**94.4**	
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
F1RST Tower (formerly Telus Tower), Calgary [(3)]	50.0%	710,243	355,122	1983	1.7	0.9	28-storey downtown office building
840 - 7th Avenue SW, Calgary	100.0%	272,266	272,266	1979/2001	0.4	0.4	20-storey downtown office building
444 - 7th Building, Calgary	100.0%	254,545	254,545	1963/1998	0.8	0.8	10-storey downtown office building
McFarlane Tower, Calgary	100.0%	242,263	242,263	1979/2003	0.7	0.7	18-storey downtown office building
Life Plaza, Calgary	100.0%	236,688	236,688	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%	146,602	146,602	1982	0.4	0.4	14-storey downtown office building
606 4th Building & Barclay Parkade, Calgary	100.0%	132,697	132,697	1969/1998	0.3	0.3	14-storey downtown office building and parkade
Roslyn Building, Calgary	100.0%	131,764	131,764	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%	109,542	109,542	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%	98,712	98,712	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%	59,363	59,363	1979/2004	0.5	0.5	6-storey downtown office building
441 - 5th Avenue SW, Calgary	100.0%	60,787	60,787	1973	0.2	0.2	10-storey downtown office building
Calgary Downtown	**89.9%**	**3,508,104**	**3,152,983**		**12.3**	**11.5**	
Airport Corporate Centre, Calgary	100.0%	149,771	149,771	2000	—	—	8-storey suburban office building
Franklin Atrium, Calgary	100.0%	150,312	150,312	1981	7.9	7.9	Two 2-storey suburban office buildings
2891 Sunridge Way, Calgary	100.0%	87,246	87,246	2001	5.1	5.1	3-storey suburban office building
Kensington House, Calgary	100.0%	77,816	77,816	1982/2002 to 2003	0.6	0.6	5-storey suburban office building with grade level retail
3115 - 12th Street NE, Calgary	100.0%	72,753	72,753	1981	2.3	2.3	4-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
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%	54,924	54,924	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%	33,435	33,435	1981	0.9	0.9	3-storey suburban office building
Centre 70, Calgary[4]	15.0%	133,219	19,983	1977	2.0	0.3	8-storey suburban office building
Calgary Suburban	**87.0%**	**871,325**	**758,089**		**23.9**	**22.2**	
Scotia Plaza (40 King Street West), Toronto[3]	66.7%	1,577,071	1,051,433	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%	659,533	659,533	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%	298,372	298,372	1990	1.3	1.3	17-storey downtown office building
Scotia Plaza (44 King Street West), Toronto[3]	66.7%	401,705	267,817	1951/2011	0.6	0.4	26-storey downtown office building
74 Victoria St/137 Yonge St, Toronto	100.0%	265,956	265,956	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%	213,993	213,993	1875/2008 to 2009	0.5	0.5	13-storey downtown office building
18 King Street East, Toronto	100.0%	232,365	232,365	1967/2008 to 2009	0.5	0.5	18-storey downtown office building
100 Yonge Street, Toronto[3]	66.7%	244,787	163,199	1989	0.3	0.2	17-storey downtown office building
330 Bay Street, Toronto	100.0%	162,229	162,229	1926	0.4	0.4	One 16-storey and one 11-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%	150,113	150,113	1914/2006 and 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%	58,328	58,328	1955/2007 and 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%	36,364	36,364	1959/2006 and 2009	0.1	0.1	12-storey downtown office building
49 Ontario Street, Toronto[4]	40.0%	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[4]	40.0%	60,255	24,102	1988	0.1	0.04	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%**	**6,237,992**	**5,408,462**		**15.7**	**13.8**	
5915-5935 Airport Road, Mississauga	100.0%	499,934	499,934	1983	10.5	10.5	11-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
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%	205,949	205,949	1991	5.4	5.4	13-storey suburban office building
5945-5955 Airport Road, Mississauga	100.0%	177,960	177,960	1981	6.8	6.8	3-storey suburban office complex
50 Burnhamthorpe Road West, Mississauga (Sussex Centre)[(4)]	49.9%	350,525	174,912	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)[(4)]	40.0%	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)[(4)]	49.9%	326,401	162,874	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
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)[(4)]	49.9%	304,774	152,082	1989	0.9	0.5	16-storey suburban office building with retail space
185 The West Mall, Toronto[(4)]	49.9%	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
100 Gough Road, Markham	100.0%	111,840	111,840	1980	9.2	9.2	2-storey suburban data centre
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%	89,208	89,208	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[(4)]	49.9%	160,812	80,245	1984	5.1	2.5	11-storey suburban office building
191 The West Mall, Toronto[(4)]	49.9%	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[(4)]	49.9%	139,035	69,378	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
6501 Mississauga Road, Mississauga[(4)]	40.0%	84,725	33,890	1982	7.6	3.0	1-storey suburban office building
2010 Winston Park Drive, Oakville[(4)]	40.0%	79,137	31,655	1990	3.8	1.5	5-storey suburban office building
6531 Mississauga Road, Mississauga[(4)]	40.0%	71,192	28,477	1978	6.5	2.6	1-storey suburban office building
80 Whitehall Drive, Markham[(4)]	40.0%	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%**	**5,521,137**	**4,226,230**		**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
Market Square, Kitchener	100.0%	241,341	241,341	1975/1986	4.0	4.0	3-storey downtown office/retail building
101 Frederick Street, Kitchener	100.0%	239,428	239,428	1981/2005	1.8	1.8	10-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
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
275 Dundas Street West, London (London City Centre)[4]	40.0%	540,785	216,314	1974	2.8	1.1	One 21-storey and one 23-storey downtown office building
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%	174,274	174,274	1972/2000	0.5	0.5	11-storey downtown office building
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%	126,071	126,071	1992	1.1	1.1	12-storey downtown office building
130 Slater Street, Ottawa	100.0%	122,906	122,906	1968	0.4	0.4	13-storey downtown office building
Gateway Business Park, Ottawa	100.0%	121,142	121,142	1987	6.0	6.0	Three 6-storey suburban office buildings
1125 Innovation Drive, Ottawa	100.0%	116,936	116,936	2000	7.0	7.0	One 3-storey and two 2-storey suburban office buildings
150 Metcalfe Street, Ottawa	100.0%	109,006	109,006	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
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
Accelerator Building, Waterloo	100.0%	92,862	92,862	2006	5.5	5.5	3-storey office building
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[4]	40.0%	187,783	75,113	1965	0.3	0.1	14-storey downtown 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
180 Keil Drive South, Chatham	100.0%	36,927	36,927	2005	3.6	3.6	1-storey office building with parking
Seven Capella Court, Ottawa	100.0%	31,693	31,693	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%	39,669	31,418	1983/2003 and 2010	1.6	1.3	3-level retail podium
680 Broadway Street, Tillsonburg (Tillsonburg Gateway Centre)[4]	49.9%	47,016	23,461	2003	8.3	4.1	1-storey neighbourhood shopping plaza
460 Two Nations Crossing, Fredericton[4]	40.0%	50,945	20,378	2008	3.7	1.5	3-storey suburban office building
117 Kearney Lake Road, Halifax[4]	35.0%	36,353	12,724	1994	4.2	1.5	1-storey retail plaza
70 King Street East, Kitchener	100.0%	9,485	9,485	1977/2009	0.9	0.9	1-storey retail restaurant building
55 Norfolk Street South, Simcoe[4]	40.0%	12,887	5,155	1987/2000	0.6	0.2	2-storey office/retail complex
Eastern Canada[1]	**90.0%**	**5,305,565**	**4,774,690**		**102.2**	**90.5**	
Total[2]	**87.1%**	**26,438,160**	**23,030,453**		**425.6**	**368.6**	
Redevelopment properties:							
Bellanca Building, Yellowknife	100.0%	52,285	52,285	1973/1996	0.6	0.6	10-storey office building
Redevelopment properties	**100.0%**	**52,285**	**52,285**		**0.6**	**0.6**	

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
Held for sale properties:							
8550 Newman Boulevard, Montréal	100.0%	66,397	66,397	2001/2005	2.8	2.8	2-storey suburban office building
1305 Chemin Sainte-Foy, Québec City	100.0%	37,266	37,266	1957/1991	0.3	0.3	5-storey office building with parking
2450 Rue Girouard, Saint-Hyacinthe	100.0%	231,500	231,500	1959/1967	5.4	5.4	Two 5-storey office buildings
Held for sale properties	100.0%	335,163	335,163		8.5	8.5	
Total including redevelopment and held for sale properties	87.3%	26,825,608	23,417,901		434.7	377.7	

(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 vacancy in square feet	Occupancy[1]	Owned share occupancy in square feet
HSBC Bank Place, Edmonton	300,860	300,860	19	14,231	3.3	30,470	89.9%	270,390
Enbridge Place, Edmonton	262,456	262,456	5	52,491	3.0	—	100.0%	262,456
Saskatoon Square, Saskatoon	228,312	228,312	14	15,156	2.5	16,133	92.9%	212,179
Station Tower, Surrey	219,638	219,638	19	10,705	4.7	16,241	92.6%	203,397
1900 Sherwood Place, Regina	185,104	185,104	7	26,443	2.9	—	100.0%	185,104
Milner Building, Edmonton	174,383	174,383	4	42,936	2.5	2,639	98.5%	171,744
887 Great Northern Way, Vancouver	164,364	164,364	5	32,873	4.7	—	100.0%	164,364
2257 & 2301 Premier Way, Sherwood Park	156,166	156,166	15	9,054	2.7	20,357	87.0%	135,809
2121 & 2181 Premier Way, Sherwood Park	151,387	151,387	15	9,864	3.9	3,428	97.7%	147,959
Victoria Tower, Regina	144,165	144,165	2	72,083	2.8	—	100.0%	144,165
Baker Centre, Edmonton	142,791	142,791	24	5,074	3.1	21,019	85.3%	121,772
Princeton Tower, Saskatoon	134,461	134,461	18	6,564	5.2	16,302	87.9%	118,159
340-450 3rd Avenue N., Saskatoon	130,724	130,724	4	21,872	4.0	43,237	66.9%	87,487
HSBC Building, Edmonton	118,838	118,838	21	5,219	2.9	9,243	92.2%	109,595
4259-4299 Canada Way, Burnaby	119,570	119,570	18	4,904	2.0	31,292	73.8%	88,278
13888 Wireless Way, Richmond	116,530	116,530	2	58,265	2.3	—	100.0%	116,530
Highfield Place, Edmonton	104,629	104,629	5	5,504	1.8	77,110	26.3%	27,519
Scotia Centre, Yellowknife	107,973	107,973	15	7,067	7.1	1,975	98.2%	105,998
4400 Dominion Street, Burnaby	93,095	93,095	19	4,765	2.7	2,563	97.2%	90,532
Precambrian Building, Yellowknife	92,730	92,730	7	11,337	5.3	13,371	85.6%	79,359
2055 Premier Way, Strathcona County	87,965	87,965	10	8,123	3.9	6,740	92.3%	81,225
Northwest Tower, Yellowknife	87,994	87,994	13	6,225	4.7	7,070	92.0%	80,924
625 Agnes Street, New Westminster	85,534	85,534	13	5,564	4.5	13,200	84.6%	72,334
2899 Broadmoor Blvd., Strathcona County	82,489	82,489	6	13,748	2.0	—	100.0%	82,489
2693 Broadmoor Blvd., Strathcona County	81,808	81,808	8	8,787	1.6	11,509	85.9%	70,299
1914 Hamilton Street, Regina	82,264	82,264	7	11,752	3.7	—	100.0%	82,264
2665 Renfrew Street, Vancouver	81,662	81,662	1	81,662	4.5	—	100.0%	81,662
350-450 Lansdowne Street, Kamloops[5]	190,665	76,266	29	5,586	4.0	11,467	85.0%	64,799
2833 Broadmoor Blvd., Strathcona County	74,649	74,649	15	3,989	3.8	14,811	80.2%	59,838
2261 Keating Cross Road, Victoria[5]	181,601	72,640	6	24,511	1.6	13,813	81.0%	58,827
Financial Building, Regina	65,739	65,739	2	32,870	0.1	—	100.0%	65,739
4370 Dominion Street, Burnaby	63,930	63,930	9	4,307	2.8	25,164	60.6%	38,766
Preston Centre, Saskatoon	61,867	61,867	13	4,759	4.2	—	100.0%	61,867
960 Quayside Drive, New Westminster	61,849	61,849	13	4,670	1.4	1,143	98.2%	60,706
2755 Broadmoor Blvd., Sherwood Park	61,255	61,255	16	3,828	3.0	—	100.0%	61,255
10199 - 101st Street NW, Edmonton[5]	121,357	60,679	1	65,532	1.8	27,913	54.0%	32,766
2220 College Avenue, Regina	59,590	59,590	1	59,590	0.6	—	100.0%	59,590
Morgex Building, Edmonton	53,000	53,000	1	53,000	3.8	—	100.0%	53,000
Gallery Building, Yellowknife	48,265	48,265	2	24,133	6.2	—	100.0%	48,265
13183 - 146th Street NW, Edmonton	38,561	38,561	5	7,164	3.2	2,739	92.9%	35,822
Harbour Landing, Phase 2, Regina	38,738	38,738	2	19,369	7.6	—	100.0%	38,738
2400 College Avenue, Regina	35,528	35,528	4	7,062	4.5	7,281	79.5%	28,247

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 vacancy in square feet	Occupancy[1]	Owned share occupancy in square feet
Royal Centre, Saskatoon	32,128	32,128	2	16,064	3.2	—	100.0%	32,128
2208 Scarth Street, Regina	25,129	25,129	3	7,313	3.4	3,190	87.3%	21,939
Royal Centre, Saskatoon	16,411	16,411	7	2,344	1.7	—	100.0%	16,411
2445 - 13th Avenue, Regina	16,316	16,316	5	1,644	2.2	8,094	50.4%	8,222
234 - 1st Avenue South, Saskatoon	9,567	9,567	4	1,994	6.0	1,590	83.4%	7,977
Western Canada	**4,994,037**	**4,709,999**	**436**	**10,246**	**3.4**	**461,104**	**90.2%**	**4,248,895**
IBM Corporate Park, Calgary	357,277	357,277	10	35,728	3.0	—	100.0%	357,277
F1RST Tower (formerly Telus Tower), Calgary[4]	710,243	355,122	7	100,968	2.1	1,734	99.5%	353,388
840 - 7th Avenue SW, Calgary	272,266	272,266	21	8,371	4.3	96,473	64.6%	175,793
444 - 7th Building, Calgary	254,545	254,545	8	23,865	6.9	63,628	75.0%	190,917
McFarlane Tower, Calgary	242,263	242,263	30	7,480	3.1	17,878	92.6%	224,385
Life Plaza, Calgary	236,688	236,688	36	4,903	3.0	60,181	74.6%	176,507
Rocky Mountain Plaza, Calgary	205,254	205,254	12	16,050	6.1	12,654	93.8%	192,600
Northland Building, Calgary	146,602	146,602	20	5,948	3.7	27,638	81.1%	118,964
606 4th Building & Barclay Parkade, Calgary	132,697	132,697	14	7,728	2.5	24,501	81.5%	108,196
Roslyn Building, Calgary	131,764	131,764	13	8,120	4.6	26,205	80.1%	105,559
Atrium I, Calgary	109,793	109,793	7	15,685	3.7	—	100.0%	109,793
Atrium II, Calgary	109,542	109,542	13	6,759	4.1	21,669	80.2%	87,873
510 - 5th Street SW, Calgary	109,181	109,181	26	3,746	2.3	11,789	89.2%	97,392
Joffre Place, Calgary	107,261	107,261	12	7,027	4.0	22,936	78.6%	84,325
Dominion Centre, Calgary	98,712	98,712	6	16,452	4.1	—	100.0%	98,712
435 - 4th Avenue SW, Calgary	88,737	88,737	14	6,039	2.9	4,195	95.3%	84,542
1035 - 7th Ave SW, Calgary	75,129	75,129	3	23,903	1.9	3,420	95.4%	71,709
Mount Royal Place, Calgary	59,363	59,363	19	3,124	2.8	—	100.0%	59,363
441 - 5th Avenue SW, Calgary	60,787	60,787	14	3,250	2.8	15,285	74.9%	45,502
Calgary Downtown	**3,508,104**	**3,152,983**	**285**	**10,864**	**3.6**	**410,186**	**87.0%**	**2,742,797**
Airport Corporate Centre, Calgary	149,771	149,771	11	13,272	5.2	3,774	97.5%	145,997
Franklin Atrium, Calgary	150,312	150,312	10	14,301	2.8	7,298	95.1%	143,014
2891 Sunridge Way, Calgary	87,246	87,246	4	21,812	2.9	—	100.0%	87,246
Kensington House, Calgary	77,816	77,816	15	3,336	2.8	27,780	64.3%	50,036
3115 - 12th Street NE, Calgary	72,753	72,753	15	4,147	3.4	10,551	85.5%	62,202
14505 Bannister Road, SE, Calgary	61,272	61,272	4	15,318	5.2	—	100.0%	61,272
Braithwaite Boyle Centre, Calgary	54,924	54,924	9	4,936	2.5	10,496	80.9%	44,428
Franklin Building, Calgary	50,577	50,577	3	16,859	1.9	—	100.0%	50,577
2816 - 11th Street NE, Calgary	33,435	33,435	5	4,542	2.4	10,723	67.9%	22,712
Centre 70, Calgary[5]	133,219	19,983	41	2,649	2.7	3,690	81.5%	16,293
Calgary Suburban	**871,325**	**758,089**	**117**	**6,633**	**3.5**	**74,312**	**90.2%**	**683,777**
Scotia Plaza (40 King Street West), Toronto[4]	1,577,071	1,051,433	67	23,538	7.2	—	100.0%	1,051,433
Adelaide Place, Toronto	659,533	659,533	73	8,567	5.7	34,113	94.8%	625,420
State Street Financial Centre, Toronto	413,933	413,933	9	45,993	8.6	—	100.0%	413,933
AIR MILES Tower, Toronto	322,669	322,669	20	15,981	4.3	3,044	99.1%	319,625
655 Bay Street, Toronto	298,372	298,372	25	11,907	4.4	707	99.8%	297,665
Scotia Plaza (44 King Street West), Toronto[4]	401,705	267,817	1	401,705	11.5	—	100.0%	267,817
74 Victoria St/137 Yonge St, Toronto	265,956	265,956	5	53,191	4.9	—	100.0%	265,956
720 Bay Street, Toronto	247,743	247,743	1	247,743	5.0	—	100.0%	247,743
18 King Street East, Toronto	232,365	232,365	28	8,296	2.7	64	100.0%	232,301

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 vacancy in square feet	Occupancy[1]	Owned share occupancy in square feet
36 Toronto Street, Toronto	213,993	213,993	36	5,793	3.8	5,449	97.5%	208,544
100 Yonge Street, Toronto[4]	244,787	163,199	14	17,485	7.0	—	100.0%	163,199
330 Bay Street, Toronto	162,229	162,229	42	3,779	3.3	3,517	97.8%	158,712
20 Toronto St/33 Victoria St, Toronto	157,852	157,852	28	5,611	5.6	737	99.5%	157,115
8 King Street East, Toronto	150,113	150,113	51	2,685	3.6	13,177	91.2%	136,936
250 Dundas Street West, Toronto	121,593	121,593	18	6,675	3.7	1,449	98.8%	120,144
Victory Building, Toronto	101,421	101,421	45	2,227	3.0	1,219	98.8%	100,202
425 Bloor Street East, Toronto	83,527	83,527	9	8,066	3.4	10,936	86.9%	72,591
212 King Street West, Toronto	73,277	73,277	10	7,328	3.9	—	100.0%	73,277
357 Bay Street, Toronto	63,529	63,529	22	2,011	2.4	19,288	69.6%	44,241
360 Bay Street, Toronto	58,328	58,328	16	3,597	3.7	774	98.7%	57,554
10 King Street East, Toronto	57,476	57,476	22	2,613	3.4	—	100.0%	57,476
350 Bay Street, Toronto	52,796	52,796	13	4,061	3.1	—	100.0%	52,796
67 Richmond Street West, Toronto	50,158	50,158	5	10,032	4.3	—	100.0%	50,158
366 Bay Street, Toronto	36,364	36,364	10	3,019	2.1	6,175	83.0%	30,189
49 Ontario Street, Toronto[5]	87,105	34,842	2	43,553	2.2	—	100.0%	34,842
56 Temperance Street, Toronto	32,338	32,338	9	3,337	2.7	2,305	92.9%	30,033
10 Lower Spadina Avenue, Toronto[5]	60,255	24,102	7	6,744	3.3	5,218	78.4%	18,884
83 Yonge Street, Toronto	11,504	11,504	4	2,876	4.4	—	100.0%	11,504
Toronto Downtown	**6,237,992**	**5,408,462**	**592**	**10,341**	**5.7**	**108,172**	**98.0%**	**5,300,290**
5915-5935 Airport Road, Mississauga	499,934	499,934	48	7,951	5.8	118,297	76.3%	381,637
Aviva Corporate Centre, Toronto	352,425	352,425	7	49,407	1.8	6,579	98.1%	345,846
6655-6725 Airport Road, Mississauga	331,372	331,372	5	25,181	2.3	205,467	38.0%	125,905
5001 Yonge Street, Toronto	308,568	308,568	19	15,866	2.4	7,121	97.7%	301,447
2075 Kennedy Road, Toronto	205,949	205,949	13	12,389	4.9	44,897	78.2%	161,052
5945-5955 Airport Road, Mississauga	177,960	177,960	36	4,284	3.9	23,729	86.7%	154,231
50 Burnhamthorpe Road West, Mississauga[5]	350,525	174,912	36	8,231	4.7	27,052	84.5%	147,860
30 Eglinton Avenue West, Mississauga	165,012	165,012	43	3,724	5.0	4,869	97.0%	160,143
401 & 405 The West Mall, Toronto[5]	411,842	164,737	21	17,321	3.9	19,244	88.3%	145,493
300, 302 & 304 The East Mall, Toronto[5]	326,401	162,874	25	10,277	3.2	34,674	78.7%	128,200
625 Cochrane Drive, Markham	162,792	162,792	12	13,326	5.7	2,883	98.2%	159,909
Valleywood Corporate Centre, Markham	154,774	154,774	15	9,860	3.1	6,872	95.6%	147,902
90 Burnhamthorpe Road West, Mississauga[5]	304,774	152,082	20	13,388	5.2	18,468	87.9%	133,614
185 The West Mall, Toronto[5]	297,292	148,349	20	13,698	4.7	11,646	92.1%	136,703
2645 Skymark Ave., Mississauga	142,436	142,436	2	42,282	5.6	57,872	59.4%	84,564
100 Gough Road, Markham	111,840	111,840	1	111,840	10.7	—	100.0%	111,840
6299 Airport Road, Mississauga	90,779	90,779	23	3,326	4.2	14,276	84.3%	76,503
1020 Birchmount Road, Toronto	89,208	89,208	1	89,208	3.1	—	100.0%	89,208
6303 Airport Road, Mississauga	80,325	80,325	9	8,606	5.0	2,869	96.4%	77,456
195 The West Mall, Toronto[5]	160,812	80,245	1	160,812	5.0	—	100.0%	80,245
191 The West Mall, Toronto[5]	158,260	78,972	9	16,684	3.5	4,045	94.9%	74,927
586 Argus Road, Oakville	74,570	74,570	5	14,914	2.7	—	100.0%	74,570
2810 Matheson Boulevard East, Mississauga[5]	139,035	69,378	8	13,237	6.4	16,537	76.2%	52,841
6509 Airport Road, Mississauga	60,000	60,000	1	60,000	5.0	—	100.0%	60,000
2550 Argentia Road, Mississauga	51,639	51,639	15	2,462	4.7	14,703	71.5%	36,936

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 vacancy in square feet	Occupancy[1]	Owned share occupancy in square feet
6501 Mississauga Road, Mississauga[5]	84,725	33,890	25	3,282	3.0	1,066	96.9%	32,824
2010 Winston Park Drive, Oakville[5]	79,137	31,655	8	8,463	6.2	4,572	85.6%	27,083
6531 Mississauga Road, Mississauga[5]	71,192	28,477	19	2,572	3.7	8,930	68.6%	19,547
80 Whitehall Drive, Markham[5]	60,805	24,322	2	30,403	4.0	—	100.0%	24,322
3035 Orlando Drive, Mississauga	16,754	16,754	1	16,754	6.4	—	100.0%	16,754
Toronto Suburban	**5,521,137**	**4,226,230**	**450**	**10,446**	**4.3**	**656,668**	**84.5%**	**3,569,562**
700 De la Gauchetière Street West, Montréal	956,725	956,725	13	71,988	6.4	20,881	97.8%	935,844
445 Opus Industrial Boulevard, Mount Juliet, Nashville	717,160	717,160	1	717,160	10.3	—	100.0%	717,160
Market Square, Kitchener	241,341	241,341	19	12,525	2.9	3,373	98.6%	237,968
101 Frederick Street, Kitchener	239,428	239,428	17	10,758	3.6	56,550	76.4%	182,878
1 Riverside Drive, Windsor	235,915	235,915	8	25,536	5.9	31,630	86.6%	204,285
275 Dundas Street West, London[5]	540,785	216,314	19	26,798	6.5	12,646	94.2%	203,668
12800 Foster Street, Overland Park	185,178	185,178	1	185,178	4.9	—	100.0%	185,178
400 Cumberland Road, Ottawa	174,274	174,274	3	58,091	2.0	—	100.0%	174,274
50 Queen Street North, Kitchener	170,333	170,333	13	11,493	2.9	20,922	87.7%	149,411
55 King Street West, Kitchener	126,071	126,071	11	10,877	4.3	6,420	94.9%	119,651
130 Slater Street, Ottawa	122,906	122,906	22	5,074	3.6	11,285	90.8%	111,621
Gateway Business Park, Ottawa	121,142	121,142	39	2,896	4.3	8,194	93.2%	112,948
1125 Innovation Drive, Ottawa	116,936	116,936	4	29,234	5.1	—	100.0%	116,936
150 Metcalfe Street, Ottawa	109,006	109,006	21	4,751	3.2	9,244	91.5%	99,762
22 Varennes Street, Gatineau	107,783	107,783	1	107,783	1.8	—	100.0%	107,783
360 Laurier Avenue West, Ottawa	107,298	107,298	7	15,328	2.2	—	100.0%	107,298
235 King Street East, Kitchener	100,797	100,797	4	19,645	3.7	22,216	78.0%	78,581
22 Frederick Street, Kitchener	95,855	95,855	16	3,865	3.5	34,010	64.5%	61,845
Accelerator Building, Waterloo	92,862	92,862	4	23,216	6.6	—	100.0%	92,862
250 King Street, Fredericton	80,162	80,162	3	26,721	3.8	—	100.0%	80,162
277 Pleasant Street, Dartmouth	76,527	76,527	4	15,685	2.3	13,788	82.0%	62,739
219 Laurier Avenue West, Ottawa[5]	187,783	75,113	5	37,557	11.6	—	100.0%	75,113
236 Brownlow Avenue, Dartmouth	60,739	60,739	2	19,595	0.6	21,550	64.5%	39,189
2625 Queensview Drive, Ottawa	46,156	46,156	5	8,427	2.9	4,021	91.3%	42,135
180 Keil Drive South, Chatham	36,927	36,927	1	36,927	2.3	—	100.0%	36,927
Seven Capella Court, Ottawa	31,693	31,693	2	15,847	8.4	—	100.0%	31,693
111 Ilsley Avenue, Dartmouth	27,428	27,428	4	5,532	1.0	5,300	80.7%	22,128
700 De la Gauchetière Street West, Montréal	39,669	31,418	27	1,469	6.5	—	100.0%	31,418
680 Broadway Street, Tillsonburg[5]	47,016	23,461	4	11,754	7.2	—	100.0%	23,461
460 Two Nations Crossing, Fredericton[5]	50,945	20,378	1	50,945	12.6	—	100.0%	20,378
117 Kearney Lake Road, Halifax[5]	36,353	12,724	12	2,693	3.9	1,413	88.9%	11,311
70 King Street East, Kitchener	9,485	9,485	1	9,485	3.3	—	100.0%	9,485
55 Norfolk Street South, Simcoe[5]	12,887	5,155	1	12,887	1.2	—	100.0%	5,155
Eastern Canada[2]	**5,305,565**	**4,774,690**	**295**	**16,951**	**5.6**	**283,443**	**94.1%**	**4,491,247**
Total[3]	**26,438,160**	**23,030,453**	**2,175**	**11,109**	**4.6**	**1,993,885**	**91.3%**	**21,036,568**

(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/State
Government of Canada	1,411,488	2 Properties	Yellowknife	Northwest Territories
		1 Property	Surrey	British Columbia
		1 Property	New Westminster	British Columbia
		4 Properties	Saskatoon	Saskatchewan
		3 Properties	Calgary	Alberta
		1 Properties	Edmonton	Alberta
		5 Properties	Toronto	Ontario
		3 Properties	Kitchener	Ontario
		5 Properties	Ottawa	Ontario
		1 Property	Windsor	Ontario
Bank of Nova Scotia	1,002,340	1 Property	Yellowknife	Northwest Territories
		1 Property	Calgary	Alberta
		2 Properties	Saskatoon	Saskatchewan
		6 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	464,232	6 Properties	Toronto	Ontario
		1 Property	Ottawa	Ontario
		1 Property	Kitchener	Ontario
Bell Canada	376,694	Northwest Tower	Yellowknife	Northwest Territories
		350-450 Lansdowne Street	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	340,019	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
		F1RST Tower (formerly Telus Tower)	Calgary	Alberta
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
Government of British Columbia	210,828	Station Tower	Surrey	British Columbia
		2 Properties	New Westminster	British Columbia
		4370 Dominion Street	Burnaby	British Columbia
		2261 Keating Cross Road	Victoria	British Columbia
		350-450 Lansdowne Street	Kamloops	British Columbia
SNC-Lavalin Inc.	203,383	1 Property	Yellowknife	Northwest Territories
		1 Property	Calgary	Alberta
		4 Properties	Toronto	Ontario
Loyalty Management	194,018	AIR MILES Tower	Toronto	Ontario
Dream Office Management Corp.	191,096	2 Properties	Yellowknife	Northwest Territories
		1 Property	Surrey	British Columbia
		1 Property	New Westminster	British Columbia
		2 Properties	Saskatoon	Saskatchewan
		1 Property	Regina	Saskatchewan
		7 Properties	Calgary	Alberta
		2 Properties	Edmonton	Alberta

Tenant	Owned area of total GLA in square feet	Properties	City	Province/State
		7 Properties	Toronto	Ontario
		1 Property	Ottawa	Ontario
		4 Properties	Mississauga	Ontario
		4 Properties	Kitchener	Ontario
		1 Property	Windsor	Ontario
		1 Property	Montréal	Québec
Newalta Corporation	187,297	3 Properties	Calgary	Alberta
TD Canada Trust	185,870	Saskatoon Square	Saskatoon	Saskatchewan
		1914 Hamilton Street	Regina	Saskatchewan
		300, 302 & 304 The East Mall	Toronto	Ontario
		275 Dundas Street West	London	Ontario
U.S. Bank National Association	185,178	12800 Foster Street	Overland Park	Kansas, U.S.
AON Canada Inc.	166,609	700 De la Gauchetière Street West	Montréal	Québec
Government of Québec	164,362	700 De la Gauchetière Street West	Montréal	Québec
IBM Canada Ltd.	163,608	IBM Corporate Park	Calgary	Alberta
		100 Gough Road	Markham	Ontario
The City of Edmonton	156,106	HSBC Bank Place	Edmonton	Alberta
ATCO Group	146,942	Milner Building	Edmonton	Alberta
AECOM Canada Ltd.	143,993	2 Properties	Edmonton	Alberta
		Preston Centre	Saskatoon	Saskatchewan
Cenovus Energy Inc.	140,605	Rocky Mountain Plaza	Calgary	Alberta
Government of Northwest Territories	139,516	3 Properties	Yellowknife	Northwest Territories
Miller Thomson	137,149	Valleywood Corporate Centre	Markham	Ontario
		Accelerator Building	Waterloo	Kitchener
		Scotia Plaza	Toronto	Ontario
Daimler Chrysler Canada Inc.	132,500	1 Riverside Drive	Windsor	Ontario
Borell Management	124,795	Scotia Plaza	Toronto	Ontario
Goodlife Fitness Centre Inc.	117,893	Market Square	Kitchener	Ontario
		5 Properties	Toronto	Ontario
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	**9,240,515**			

Largest tenants by annualized gross rent

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

Rank	Tenant	Cumulative gross contractual rents
	$2.5 million or greater:	$367.6 million
1	Bank of Nova Scotia	
2	Government of Canada	
3	Government of Ontario	
4	Bell Canada	
5	Telus	
6	Enbridge Pipelines Inc.	
7	State Street Trust Company	
8	Government of Saskatchewan	
9	Government of Alberta	
10	Newalta Corporation	
11	Aviva Canada Inc.	
12	Borell Management	
13	Loyalty Management	
14	Government of British Columbia	
15	Dream Office Management Corp.	
16	SNC-Lavalin Inc.	
17	Miller Thomson	
18	Cenovus Energy	
19	Government of Northwest Territories	
20	Cassels Brock Blackwell	
21	Government of Québec	
22	Daimler Chrysler Canada Inc.	
23	ATCO Group	
24	IBM Canada Ltd.	
25	AON Canada Inc.	
26	The City of Edmonton	
27	Penn West Energy Trust	
28	International Financial Data Services	
29	TD Canada Trust	
30	U.S. Bank National Association	
31	Discovery Parks Holdings Ltd.	
32	AECOM Canada Ltd.	
33	Royal Bank of Canada	
34	Goodlife Fitness Centre Inc.	
35	Nissan North America Inc.	
36	Medcan Health Management Inc.	
37	The Art Institute of Vancouver	
38	Co-operators Life Insurance	
39	Hatch Optima Ltd	
40	Stantec Consulting Ltd.	
41	Bank of Montreal	
42	CIBC	
43	CB Richard Ellis Limited	
44	Sage Software Canada Ltd.	
45	National Bank of Canada	

Rank	Tenant	Cumulative gross contractual rents
	Between $1.0 million and $2.5 million:	$104.1 million
46	Great West Life Assurance Co.	
47	Gemini Corporation	
48	BDO Dunwoody	
49	Agence Metropolitaine de Transport	
50	Carswell	
51	Livingston International Inc.	
52	Minacs Worldwide Inc.	
53	Rogers Communication Inc.	
54	DBRS	
55	Encana Corporation	
56	Bereskin & Parr Management	
57	MCAP Services Corporation	
58	Ensign Resource Service Group	
59	Raymond James Ltd.	
60	Mark Anthony Group	
61	Maple Leaf Foods	
62	Government of New Brunswick	
63	Delcan Corporation	
64	International Civil Aviation Organization	
65	Canadian Energy Services LP	
66	Government of Nova Scotia	
67	Intact Financial Corporation	
68	CGI Group	
69	Cardinia Real Estate Canada Inc.	
70	Edward D. Jones & Co.	
71	AMEC Americas Ltd Energy	
72	Conexus Credit Union	
73	Care Factor Computer Services	
74	Gardiner Roberts	
75	Trident Exploration Corp.	
76	Reg. Municipality of Waterloo	
77	Johnson Inc.	
78	CAE Professional Services Inc.	
79	Toronto Central Community Care	
80	Canadian Western Bank	
81	Stewart Weir and Co.	
82	Yellow Pages	
83	Wells Fargo Foothill Canada	
84	Saskatchewan Telecommunication	
85	Dutton Brock	
86	Exchange Solutions Inc.	
87	GCAN Insurance Company	
88	Jardine Lloyd Thompson Canada	
89	MKRT Management Corporation	
90	Wardrop Engineering Inc.	
91	Lindt & Sprungli (Canada), Inc	
92	BHP Billiton Diamonds	
93	IMV Projects Inc.	
94	Bantrel	
95	Precision Drilling Corp.	
96	Wawanesa Mutual Insurance	
97	Technicolor Creative Services	
98	MLT Management Inc.	

Rank	Tenant	Cumulative gross contractual rents	Rank	Tenant	Cumulative gross contractual rents
			99	HSBC Bank Canada	
			100	Family Guidance Group Inc.	
			101	Yardi Systems Inc.	
			102	The Insurance Institute of Canada	
			103	Cambridge Mercantile Corp.	
			104	Tartan Engineering	
			105	Gilliland, Gold, Young Consulting	
			106	Lafarge Canada Inc.	
			107	Ontario Bar Association	
			108	Trader Corporation	
			109	The Record	
			110	City of Windsor	
			111	Connor, Clark & Lunn Financial	
			112	Smart & Biggar Management	
			113	Parmalat Canada Inc.	
			114	Saxon Energy Services	
			115	Inmet Mining Corporation	

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

Total annualized owned net rental income	$198.8 million
Total annualized owned gross rental income	$367.6 million
Total GLA in square feet (owned share)	10,089,680
Average base rent (PSF)	$19.70
Average recoveries (PSF)	$16.73

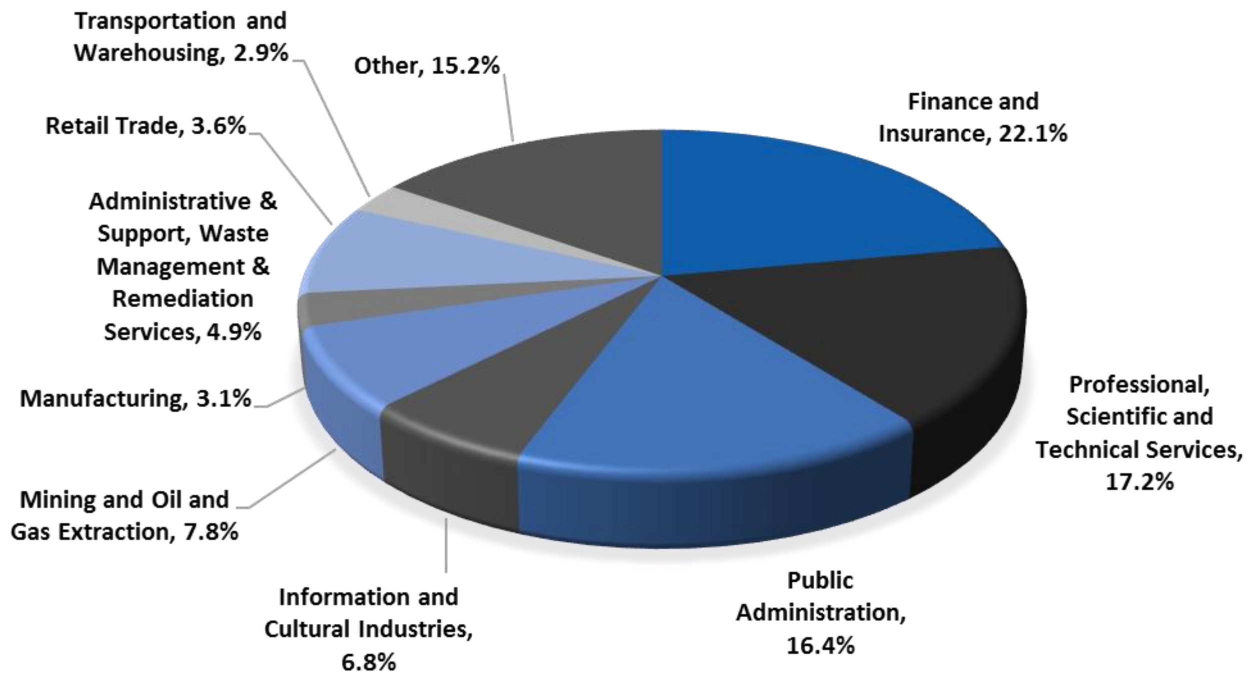
Entire owned portfolio:

Total annualized owned net rental income	$398.4 million
Total annualized owned gross rental income	$747.8 million
Total occupied and committed GLA in square feet	21,036,568
Average base rent (PSF)	$18.94
Average recoveries (PSF)	$16.61

Portfolio tenant base (by NAICS codes)

Sector	By GLA	By contractual rent
Finance and Insurance	20.1%	22.1%
Professional, Scientific and Technical Services	17.6%	17.2%
Public Administration	15.8%	16.4%
Information and Cultural Industries	7.3%	6.8%
Mining and Oil and Gas Extraction	6.6%	7.8%
Manufacturing	6.2%	3.1%
Administrative & Support, Waste Management & Remediation Services	4.8%	4.9%
Retail Trade	3.3%	3.6%
Transportation and Warehousing	3.2%	2.9%
Other	15.1%	15.2%
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 auditor to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditor. The audit committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

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

P. Jane Gavan
Chief Executive Officer

Rajeev Viswanathan
Chief Financial Officer

Toronto, Ontario, February 18, 2016

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 (together, Dream Office REIT), which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 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.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dream Office REIT as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario, February 18, 2016

Consolidated balance sheets

(in thousands of Canadian dollars)	Note	**December 31, 2015**	December 31, 2014
Assets			
NON-CURRENT ASSETS			
Investment properties	6	**$ 5,866,595**	$ 6,139,070
Investment in Dream Industrial REIT	7	**184,817**	191,691
Investment in joint ventures	8	**595,203**	553,141
Other non-current assets	9	**49,984**	106,803
		6,696,599	6,990,705
CURRENT ASSETS			
Amounts receivable	10	**10,258**	16,565
Prepaid expenses and other assets		**9,052**	8,593
Cash and cash equivalents		**2,051**	10,920
		21,361	36,078
Assets held for sale	18	**44,914**	2,968
Total assets		**$ 6,762,874**	$ 7,029,751
Liabilities			
NON-CURRENT LIABILITIES			
Debt	11	**$ 2,401,104**	$ 2,730,973
Subsidiary redeemable units	12	**90,912**	15,151
Deferred Unit Incentive Plan	13	**12,596**	17,082
Deferred tax liabilities, net	21	**9,038**	6,183
Other non-current liabilities	14	**20,284**	19,468
		2,533,934	2,788,857
CURRENT LIABILITIES			
Debt	11	**609,644**	365,855
Amounts payable and accrued liabilities	15	**112,980**	97,522
		722,624	463,377
Liabilities related to assets held for sale	18	**24,502**	—
Total liabilities		**3,281,060**	3,252,234
Equity			
Unitholders' equity	17	**3,168,915**	3,171,794
Retained earnings	17	**301,324**	601,495
Accumulated other comprehensive income	17, 26	**11,575**	4,228
Total equity	17	**3,481,814**	3,777,517
Total liabilities and equity		**$ 6,762,874**	$ 7,029,751

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 (loss)

(in thousands of Canadian dollars)	Note	Year ended December 31, 2015	2014
Investment properties revenue		**$ 690,962**	$ 705,279
Investment properties operating expenses		**(303,449)**	(303,771)
Net rental income		**387,513**	401,508
Other income			
Share of net income and dilution loss from investment in Dream Industrial REIT	7	**6,112**	15,965
Share of net income from investment in joint ventures	8	**53,136**	37,611
Interest and fee income		**3,005**	3,199
		62,253	56,775
Other expenses			
General and administrative	23	**(12,196)**	(24,393)
Interest:			
Debt	19	**(131,818)**	(134,952)
Subsidiary redeemable units	19	**(9,171)**	(4,638)
Amortization of external management contracts and depreciation on property and equipment		**(2,949)**	(2,970)
		(156,134)	(166,953)
Fair value adjustments, net losses on transactions and other activities			
Fair value adjustments to investment properties		**(201,030)**	(124,303)
Fair value adjustments to financial instruments	20	**48,890**	2,749
Net losses on transactions and other activities	31	**(194,836)**	(9,848)
		(346,976)	(131,402)
Income (loss) before income taxes		**(53,344)**	159,928
Deferred income taxes	21	**(1,695)**	(638)
Net income (loss) for the year		**(55,039)**	159,290
Other comprehensive income (loss)			
Items that will be reclassified subsequently to net income:			
Unrealized loss on interest rate swaps, net of tax	26	**(139)**	(666)
Unrealized foreign currency translation gain, net of tax	26	**7,486**	3,210
		7,347	2,544
Comprehensive income (loss) for the year		**$ (47,692)**	$ 161,834

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, 2015	Note	Number of REIT A Units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income	Total equity
Balance at January 1, 2015		**107,936,575**	**$ 3,171,794**	**$ 601,495**	**$ 4,228**	**$ 3,777,517**
Net loss for the year		**—**	**—**	**(55,039)**	**—**	**(55,039)**
Distributions paid and payable	16	**—**	**—**	**(245,132)**	**—**	**(245,132)**
Distribution Reinvestment Plan	17	**4,040,965**	**93,122**	**—**	**—**	**93,122**
Unit Purchase Plan	17	**13,727**	**343**	**—**	**—**	**343**
Deferred units exchanged for REIT A Units	13	**137,233**	**3,269**	**—**	**—**	**3,269**
REIT B Units exchanged for REIT A Units	17	**218,611**	**5,795**	**—**	**—**	**5,795**
Cancellation of REIT A Units	17	**(4,486,473)**	**(105,114)**	**—**	**—**	**(105,114)**
Issue costs		**—**	**(294)**	**—**	**—**	**(294)**
Other comprehensive income	26	**—**	**—**	**—**	**7,347**	**7,347**
Balance at December 31, 2015		**107,860,638**	**$ 3,168,915**	**$ 301,324**	**$ 11,575**	**$ 3,481,814**

				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 and payable	16	—	—	(240,060)	—	(240,060)
Distribution Reinvestment Plan	17	2,236,530	63,248	—	—	63,248
Unit Purchase Plan	17	4,765	135	—	—	135
Deferred units exchanged for REIT A Units	13	157,608	4,338	—	—	4,338
REIT B Units exchanged for REIT A Units	17	2,936,023	85,350	—	—	85,350
Cancellation of REIT A Units	17	(832,200)	(20,924)	—	—	(20,924)
Conversion of debentures	17	13,628	500	—	—	500
Conversion feature on converted debentures		—	(7)	—	—	(7)
Issue costs		—	(35)	—	—	(35)
Other comprehensive income	26	—	—	—	2,544	2,544
Balance at December 31, 2014		107,936,575	$ 3,171,794	$ 601,495	$ 4,228	$ 3,777,517

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flow

(in thousands of Canadian dollars)	Note	Year ended December 31, 2015	2014
Generated from (utilized in) operating activities			
Net income (loss) for the year		**$ (55,039)**	$ 159,290
Non-cash items:			
Share of net income and dilution loss from investment in Dream Industrial REIT	7	**(6,112)**	(15,965)
Share of net income from investment in joint ventures	8	**(53,136)**	(37,611)
Amortization and depreciation	25	**14,981**	11,287
Fair value adjustments to investment properties		**201,030**	124,303
Fair value adjustments to financial instruments	20	**(48,890)**	(2,749)
Other adjustments	25	**186,196**	3,081
Investment in lease incentives and initial direct leasing costs		**(63,895)**	(49,116)
Interest expense on subsidiary redeemable units	19	**9,171**	4,638
Change in non-cash working capital	25	**8,203**	6,196
		192,509	203,354
Generated from (utilized in) investing activities			
Investment in building improvements		**(44,755)**	(31,255)
Investment in property and equipment		**(1,450)**	(1,367)
Net proceeds from disposal of investment properties and expropriation of land		**130,582**	14,957
Net proceeds from disposal of equity accounted investments		**—**	12,843
Distributions from investment in Dream Industrial REIT		**12,986**	11,795
Distributions from investment in joint ventures		**33,577**	55,644
Contributions to investment in joint ventures		**(19,535)**	(43,919)
Change in restricted cash		**2,101**	(942)
		113,506	17,756
Generated from (utilized in) financing activities			
Borrowings	11	**572,628**	460,054
Principal repayments	11	**(63,792)**	(67,135)
Lump sum repayments	11	**(512,633)**	(416,431)
Lump sum repayments on property disposition	11	**(44,674)**	(11,070)
Financing costs	11	**(1,987)**	(3,007)
Distributions paid on Units	16	**(151,945)**	(175,912)
Interest paid on subsidiary redeemable units	19, 25	**(8,306)**	(5,186)
Cancellation of REIT A Units	17	**(105,114)**	(20,924)
REIT A Units issued for cash	17	**343**	135
Debt settlement and REIT A Unit issue costs		**(1,408)**	(1,927)
		(316,888)	(241,403)
Decrease in cash and cash equivalents		**(10,873)**	(20,293)
Foreign exchange gain on cash held in foreign currency		**2,004**	196
Cash and cash equivalents, beginning of year		**10,920**	31,017
Cash and cash equivalents, end of year		**$ 2,051**	$ 10,920

See accompanying notes to the consolidated financial statements.

Note 1

ORGANIZATION

Dream Office Real Estate Investment Trust ("Dream Office REIT" or the "Trust") 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 principal office and centre of administration of the Trust is 30 Adelaide Street East, Suite 301, State Street Financial Centre, Toronto, ON 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, 2015 were authorized for issuance by the Board of Trustees on February 18, 2016, 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

On April 2, 2015, 4,850,000 subsidiary redeemable units were issued to Dream Asset Management Corporation ("DAM"), a subsidiary of Dream Unlimited Corp., pursuant to the reorganization of the Trust's management structure (see Note 24).

At December 31, 2015, DAM held 773,939 REIT A Units and 5,233,823 subsidiary redeemable units (December 31, 2014 – 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 ventures 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 net income in the period in which they arise. The fair value of each investment property is based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the consolidated balance sheet dates, less future estimated cash outflows in respect of such properties. To determine fair value, the Trust first considers whether it can use current prices in an active market for a similar property in the same location and condition, 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 two methods: the overall capitalization rate method, whereby the stabilized net operating income is capitalized at the requisite overall capitalization rate, and/or the discounted cash flow method, in which the income and expenses are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate. 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 (geographic 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 geographic 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 geographic 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.

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 the life of the contract.

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. Deferred tax assets are recognized only to the extent that they are realizable.

Unit-based compensation plan

As described in Note 13, 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. 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		
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 loan and revolving credit facilities	Other liabilities	Amortized cost
Debentures	Other liabilities	Amortized cost
Subsidiary redeemable units	Other liabilities	Amortized cost
Tenant security 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 of all principal and interest is unlikely 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, valuations are prepared internally during each reporting period.

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

The 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.

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, the investment in Dream Industrial REIT and the investment in joint ventures. 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 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, 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

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, 2018, with earlier application permitted. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Financial instruments

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

Financial instruments – disclosures

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

Presentation of financial statements

IAS 1, "Presentation of Financial Statements" ("IAS 1"), was amended by the IASB to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment gives guidance that information within the consolidated balance sheets and statements of comprehensive income should not be aggregated or disaggregated in a manner that obscures useful information, and that disaggregation may be required in the statement of comprehensive income in the form of additional subtotals as they are relevant to understanding the entity's financial position or performance. The amendment to IAS 1 is effective for annual periods beginning on or after January 1, 2016. This amendment to IAS 1 has no material impact on the Trust's consolidated financial statements or note disclosures.

Acquisitions of interests in joint operations

IFRS 11, "Joint Arrangements" ("IFRS 11"), has been amended to require the application of IFRS 3 to transactions where an investor obtains an interest in a joint operation that constitutes a business. The amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016. This amendment to IFRS 11 has no material impact on the Trust's consolidated financial statements or note disclosures.

Leases

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

Note 6

INVESTMENT PROPERTIES

	Year ended December 31,	
	2015	2014
Balance at beginning of year	**$ 6,139,070**	$ 6,241,685
Additions:		
Building improvements	**51,937**	29,979
Lease incentives and initial direct leasing costs	**66,416**	47,414
Total additions to investment properties	**118,353**	77,393
Dispositions and assets held for sale		
Investment properties and land disposed of during the year	**(30,034)**	(53,947)
Investment properties classified as held for sale during the year	**(159,473)**	—
Total investment properties and land disposed and classified as held for sale	**(189,507)**	(53,947)
Losses included in net income:		
Fair value adjustments to investment properties	**(207,000)**	(124,303)
Amortization of lease incentives	**(13,032)**	(9,893)
Total losses included in net income	**(220,032)**	(134,196)
Gains included in other comprehensive income:		
Foreign currency translation gain and other	**18,711**	8,135
Total gains included in other comprehensive income	**18,711**	8,135
Balance at end of year	**$ 5,866,595**	$ 6,139,070
Change in unrealized losses included in net income for the year		
Change in fair value of investment properties	**$ (195,866)**	$ (123,064)

Investment properties have been reduced by $32,536 (December 31, 2014 – $33,382) related to straight-line rent receivables, which have been reclassified to other non-current assets.

The key valuation metrics for investment properties, including investment in joint ventures, are set out below:

	December 31, 2015		December 31, 2014	
Capitalization rate ("cap rate")	**Range (%)**	**Weighted average (%)**	Range (%)	Weighted average (%)
Investment properties	**5.00–8.25**	**6.21**	5.15–9.00	6.32
Investment in joint ventures	**4.65–6.25**	**4.89**	5.15–6.00	5.29
Total portfolio	**4.65–9.00**	**6.02**	5.15–9.00	6.17

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 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 $284,424. 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 $310,268.

Investment properties, including investment in joint ventures and excluding assets held for sale, with an aggregate fair value of $2,992,179 for the year ended December 31, 2015 (for the year ended December 31, 2014 – $2,475,687) 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 $5,505,881 as at December 31, 2015 (December 31, 2014 – $5,768,109), are pledged as security for the mortgages.

Investment properties, including investment in joint ventures and excluding assets held for sale, with a fair value of $912,227 as at December 31, 2015 (December 31, 2014 – $928,707), are pledged as security for demand revolving credit facilities and the term loan facility.

Note 7

INVESTMENT IN DREAM INDUSTRIAL REIT

Dream 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 219 primarily light industrial properties comprising approximately 17.0 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 Dream Industrial REIT’s distribution reinvestment plan, deferred unit incentive plan, and other transactions entered during the years ended December 31, 2015 and December 31, 2014, Dream Industrial REIT issued additional units, which resulted in a net change to the Trust’s ownership to 24.0% and 24.2%, respectively.

	Year ended December 31,	
	2015	2014
Balance as at beginning of year	**$ 191,691**	$ 166,317
Units received on sale of properties to Dream Industrial REIT	**—**	21,336
Distributions received	**(12,986)**	(11,927)
Share of net income from investment in Dream Industrial REIT	**6,112**	16,225
Dilution loss	**—**	(260)
Balance as at end of year	**$ 184,817**	$ 191,691
Dream Industrial LP Class B limited partnership units held, end of year	**18,551,855**	18,551,855
Ownership %, end of year	**24.0%**	24.2%

The fair value of the Trust’s interest in Dream Industrial REIT of $133,202 (December 31, 2014 – $156,206) was determined using the Dream Industrial REIT closing unit price at period-end multiplied by the number of units held by the Trust as at December 31, 2015.

Pursuant to the reorganization of the Trust’s management structure (see Note 24), the Trust has granted DAM a right of first offer to purchase up to 18,551,855 Dream Industrial LP Class B limited partnership units, in the event the Trust sells its interest in Dream Industrial REIT.

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, 2015, 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, 2015.

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,	
	2015	2014	**2015**	2014
Non-current assets	**$ 1,701,307**	$ 1,723,693	**$ 413,110**	$ 399,025
Current assets	**19,613**	19,017	**4,762**	4,402
Total assets	**$ 1,720,920**	$ 1,742,710	**$ 417,872**	$ 403,427
Non-current liabilities	**900,326**	947,970	**319,475**	339,496
Current liabilities	**193,711**	166,089	**46,782**	28,446
Total liabilities	**$ 1,094,037**	$ 1,114,059	**$ 366,257**	$ 367,942
Net assets	**$ 626,883**	$ 628,651	**$ 51,615**	$ 35,485
Add-back:				
Subsidiary redeemable units			**133,202**	156,206
Investment in Dream Industrial REIT			**$ 184,817**	$ 191,691

	At 100 %		At % ownership interest	
	Year ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Net rental income	**$ 119,446**	$ 112,764	**$ 29,004**	$ 26,104
Other revenue and expenses, fair value adjustments and other items	**(84,257)**	(44,763)	**(12,874)**	(11,967)
Net income before the undernoted adjustments	**$ 35,189**	$ 68,001	**$ 16,130**	$ 14,137
Add-back:				
Interest on subsidiary redeemable units			**12,986**	11,927
Fair value adjustments to subsidiary redeemable units			**(23,004)**	(9,839)
Share of net income from investment in Dream Industrial REIT			**$ 6,112**	$ 16,225
Add (deduct):				
Dilution loss			**—**	(260)
Share of net income and dilution loss from investment in Dream Industrial REIT			**$ 6,112**	$ 15,965

Note 8

JOINT ARRANGEMENTS

Investment in joint ventures

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

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

		Ownership interest (%)	
Property	Location	**December 31, 2015**	December 31, 2014
Scotia Plaza	Toronto, Ontario	**66.7**	66.7
Other joint ventures:			
100 Yonge Street	Toronto, Ontario	**66.7**	66.7
F1RST Tower (formerly Telus Tower)	Calgary, Alberta	**50.0**	50.0

	Net assets at % ownership interest as at December 31,	
Property	**2015**	2014
Scotia Plaza	**$ 491,603**	$ 448,906
Other joint ventures	**103,600**	104,235
Total net assets	**$ 595,203**	$ 553,141

	Share of net income at % ownership interest for the year ended December 31,	
Property	**2015**	2014
Scotia Plaza	**$ 46,465**	$ 31,345
Other joint ventures	**6,671**	6,266
Share of net income from investment in joint ventures	**$ 53,136**	$ 37,611

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 7.

	Scotia Plaza At 100%		Scotia Plaza At 66.7%	
		December 31,		December 31,
	2015	2014	**2015**	2014
Non-current assets	**$ 1,367,333**	$ 1,316,805	**$ 911,555**	$ 877,870
Current assets	**17,661**	14,150	**11,774**	9,433
Total assets	**$ 1,384,994**	$ 1,330,955	**$ 923,329**	$ 887,303
Non-current liabilities	**585,380**	599,255	**390,253**	399,503
Current liabilities	**62,210**	58,341	**41,473**	38,894
Total liabilities	**$ 647,590**	$ 657,596	**$ 431,726**	$ 438,397
Net assets	**$ 737,404**	$ 673,359	**$ 491,603**	$ 448,906

	Scotia Plaza At 100%		Scotia Plaza At 66.7%	
		Year ended December 31,		Year ended December 31,
	2015	2014	**2015**	2014
Net rental income	**$ 70,813**	$ 70,404	**$ 47,209**	$ 46,936
Other income and expenses, fair value adjustments, net losses on transactions and other activities	**(1,116)**	(23,387)	**(744)**	(15,591)
Net income for the year	**$ 69,697**	$ 47,017	**$ 46,465**	$ 31,345

	Scotia Plaza At 100%		Scotia Plaza At 66.7%	
		Year ended December 31,		Year ended December 31,
	2015	2014	**2015**	2014
Cash flows generated from (utilized in):				
Operating activities	**$ 51,426**	$ 43,976	**$ 34,284**	$ 29,317
Investing activities	**(32,900)**	(710)	**(21,933)**	(473)
Financing activities	**(20,298)**	(33,468)	**(13,532)**	(22,312)
Increase (decrease) in cash and cash equivalents	**$ (1,772)**	$ 9,798	**$ (1,181)**	$ 6,532

	Other joint ventures At 100%		Other joint ventures At proportionate share	
		December 31,		December 31,
	2015	2014	**2015**	2014
Non-current assets	**$ 356,618**	$ 360,801	**$ 192,304**	$ 193,413
Current assets	**5,009**	2,879	**2,733**	1,569
Total assets	**$ 361,627**	$ 363,680	**$ 195,037**	$ 194,982
Non-current liabilities	**31,605**	160,704	**21,070**	85,780
Current liabilities	**139,871**	9,139	**70,367**	4,967
Total liabilities	**$ 171,476**	$ 169,843	**$ 91,437**	$ 90,747
Net assets	**$ 190,151**	$ 193,837	**$ 103,600**	$ 104,235

	Other joint ventures At 100%		Other joint ventures At proportionate share	
		Year ended December 31,		Year ended December 31,
	2015	2014	**2015**	2014
Net rental income	**$ 23,727**	$ 26,694	**$ 12,582**	$ 13,506
Other income and expenses, fair value adjustments, net losses on transactions and other activities	**(13,882)**	(16,879)	**(5,911)**	(7,240)
Net income for the year	**$ 9,845**	$ 9,815	**$ 6,671**	$ 6,266

	Other joint ventures At 100%		Other joint ventures At proportionate share	
		Year ended December 31,		Year ended December 31,
	2015	2014	**2015**	2014
Cash flows generated from (utilized in):				
Operating activities	**$ 23,330**	$ 13,373	**$ 12,135**	$ 8,279
Investing activities	**8,730**	64,504	**1,916**	14,442
Financing activities	**(30,422)**	(80,419)	**(12,847)**	(22,996)
Increase (decrease) in cash and cash equivalents	**$ 1,638**	$ (2,542)	**$ 1,204**	$ (275)

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 (%)	
		December 31,	December 31,
Property	Location	**2015**	2014
10199 - 101st Street North West	Edmonton, Alberta	**50.0**	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, 2015	December 31, 2014
Non-current assets	**$ 446,827**	$ 445,314
Current assets	**4,804**	8,315
Total assets	**$ 451,631**	$ 453,629
Non-current liabilities	**$ 191,617**	$ 160,553
Current liabilities	**29,828**	68,445
Total liabilities	**$ 221,445**	$ 228,998
Net assets	**$ 230,186**	$ 224,631

	Year ended December 31,	
	2015	2014
Net rental income	**$ 24,433**	$ 24,753
Other income and expenses, fair value adjustments, net losses on transactions and other activities	**(15,629)**	(12,652)
Share of net income from investment in co-owned properties	**$ 8,804**	$ 12,101

Note 9

OTHER NON-CURRENT ASSETS

		December 31, 2015		December 31, 2014
Property and equipment, net of accumulated depreciation of $6,471 (December 31, 2014 – $4,813)	**$**	**6,190**	$	6,398
Deposits		**1,838**		2,125
Restricted cash		**1,458**		3,559
Straight-line rent receivable		**32,536**		33,382
External management contracts, net of accumulated amortization of $5,040 (December 31, 2014 – $3,749)		**7,962**		9,253
Goodwill		**—**		52,086
Total	**$**	**49,984**	$	106,803

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 one year.

As a result of the Trust's disposition of assets during the year ended December 31, 2015 (see Note 18), goodwill associated with the cash-generating unit of $874 (December 31, 2014 – $285) was derecognized and included in the determination of the net loss on sale of investment properties.

External management contracts and goodwill

		External management contracts		Goodwill
As at January 1, 2014	$	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
Amortization of external management contracts		(1,291)		—
Derecognition of goodwill due to investment properties disposed of during the year		—		(874)
Impairment of goodwill		—		(51,212)
As at December 31, 2015	$	7,962	$	—

The Trust performed its annual goodwill impairment test as at December 31, 2015 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	$	10,225
Calgary downtown		8,517
Calgary suburban		1,301
Toronto downtown		16,735
Toronto suburban		6,848
Eastern Canada		7,586
Total goodwill	$	51,212

For the purpose of this impairment test, management used projected financial forecasts for a period of ten years. The key assumptions used included weighted average cost of capital, estimated growth, discount and terminal rates. The weighted average cost of capital, discount and terminal rates used in this impairment test ranged from 7.06% to 8.96% depending on the geographic segment.

Based on the impairment test performed on each of the geographic segments, the Trust concluded that goodwill for each of the geographic segments was impaired as at December 31, 2015. As a result, the Trust has recognized a goodwill impairment loss of $51,212 in the consolidated statement of comprehensive income. The goodwill impairment was mainly attributable to the significant increase in the weighted average cost of capital of the Trust during the fourth quarter of 2015, resulting from the unfavourable external market conditions.

Note 10

AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments aggregating $6,674 (December 31, 2014 – $5,992).

	Note		**December 31, 2015**		December 31, 2014
Trade receivables		**$**	**4,932**	$	8,296
Less: Provision for impairment of trade receivables			**(1,615)**		(2,419)
Trade receivables, net			**3,317**		5,877
Other amounts receivable	24		**6,941**		10,688
Total		**$**	**10,258**	$	16,565

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

	Year ended December 31,			
		2015		2014
Balance at beginning of year	**$**	**2,419**	$	2,113
Provision for impairment of trade receivables		**1,785**		1,812
Reversal of provision for previously impaired trade receivables		**(869)**		(589)
Receivables written off during the year as uncollectible		**(1,720)**		(917)
Balance at end of year	**$**	**1,615**	$	2,419

The carrying value of amounts receivable approximates fair value due to their current nature. As at December 31, 2015, trade receivables of approximately $2,785 (December 31, 2014 – $2,642) 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, 2015
No more than 1 year	$	378,737
1–5 years		1,139,047
5+ years		399,902
	$	1,917,686

Note 11

DEBT

	December 31, 2015	December 31, 2014
Mortgages[1][2]	**$ 2,244,161**	$ 2,380,708
Demand revolving credit facilities[2]	**49,500**	—
Term loan facility[2]	**182,990**	182,260
Convertible debentures	**50,923**	51,160
Debentures	**483,174**	482,700
Total	**3,010,748**	3,096,828
Less: Current portion	**609,644**	365,855
Non-current debt	**$ 2,401,104**	$ 2,730,973

(1) Net of financing costs of $8,248 (December 31, 2014 – $7,943).

(2) Secured by charges on specific investment properties (refer to Note 6).

Demand revolving credit facilities

The amounts available and drawn under the demand revolving credit facilities are as follows:

		Secured investment properties			December 31, 2015		December 31, 2014	
	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 $171,500	March 5, 2016	8	—	2.62%[1]	**$ 156,500[2]**	**$ 15,000**	$ 171,500[2]	$ —
Formula-based maximum not to exceed $27,690	April 30, 2016[3]	2	—	3.55%[3]	**27,247[4]**	**—**	27,247[4]	—
Formula-based maximum not to exceed $15,000	November 1, 2016[5]	—	2	3.40%[5]	**350[6]**	**14,500**	34,850[6]	—
Formula-based maximum not to exceed $55,000	November 1, 2016[5]	1	1	2.54%[5]	**2,398[7]**	**20,000**	17,943[7]	—
		11	3		**$ 186,495**	**$ 49,500**	$ 251,540	$ —

(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 (2.70% as at December 31, 2015) plus 0.75%.

(2) Formula-based amount available under this facility was $171,500 less $15,000 drawn as at December 31, 2015 and $171,500 as at December 31, 2014.

(3) This facility matured on April 30, 2015 and was renewed to April 30, 2016 in the form of rolling one-month BAs bearing interest at the BA rate plus 1.85% or at the bank's prime rate (2.70% as at December 31, 2015) plus 0.85%.

(4) 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, 2015 and December 31, 2014.

(5) These facilities matured on June 30, 2015 and were renewed to November 1, 2016 in the form of rolling one-month BAs bearing interest at the BA rate plus 1.70% or at the bank's prime rate (2.70% as at December 31, 2015) plus 0.70%.

(6) Effective June 30, 2015, the formula-based maximum will not exceed $15,000. Formula-based amount available under this facility was $15,000 less $14,500 drawn and $150 in the form of LOC as at December 31, 2015, and under the previous facility, the formula-based amount available was $35,000 less $150 in the form of LOC as at December 31, 2014.

(7) Effective June 30, 2015, the formula-based maximum will not exceed $55,000. Formula-based amount available under this facility was $55,000 less $20,000 drawn and $32,602 in the form of LOC as at December 31, 2015, and under the previous facility, the formula-based amount available was $35,000 less $17,057 in the form of LOC as at December 31, 2014.

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, 2015, $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 two 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. The first interest rate swap agreement is for a five-year term on a notional balance of $133,000, fixing interest at a BA rate of 1.67% plus a spread of 185 bps and the second interest rate swap agreement is for a three-year term on a notional balance of $55,000, fixing interest at a BA rate of 1.28% plus a spread of 185 bps. On August 15, 2014, the three-year interest rate swap expired and was not subsequently renewed. On December 31, 2015, the notional amount of interest rate swap agreement hedged against the term loan facility was $129,783. 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.

The principal amount and the carrying value for the term loan facility is as follows:

					Outstanding principal amount	
	Date issued	Maturity date	Original principal issued	Weighted average face interest rate	**December 31, 2015**	December 31, 2014
Term loan facility	August 15, 2011	August 15, 2016	$ 188,000	3.28%	**$ 183,453**	$ 183,453

	Carrying value	
	December 31, 2015	December 31, 2014
Term loan facility	**$ 182,990**	$ 182,260

Convertible debentures

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 on and after March 31, 2016 at their principal amount. Interest on the 5.5% Series H Debentures is payable semi-annually on March 31 and September 30.

For the year ended December 31, 2015, no debentures were converted. For the year ended December 31, 2014, $500 of 5.5% Series H Debentures were converted to REIT A Units (see Note 17).

The principal amount outstanding and the carrying value for the convertible debentures is as follows:

					Outstanding principal amount	
	Date issued	Maturity date	Original principal issued	Face interest rate	**December 31, 2015**	December 31, 2014
5.5% Series H Debentures	December 9, 2011	March 31, 2017	$ 51,650	5.50%	**$ 50,628**	$ 50,628

	Carrying value	
	December 31, 2015	December 31, 2014
5.5% Series H Debentures	**$ 50,923**	$ 51,160

Debentures

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

					December 31, 2015		December 31, 2014
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**	**$ 174,218**	$ 173,900
Series B Debentures	October 9, 2013	January 9, 2017	125,000	2.50%(1)	**125,000**	**124,778**	124,556
Series C Debentures	January 21, 2014	January 21, 2020	150,000	4.07%	**150,000**	**149,047**	148,813
Series K Debentures	April 26, 2011	April 26, 2016	35,000	5.95%	**25,000**	**25,097**	25,312
Series L Debentures	August 8, 2011	September 30, 2016	10,000	5.95%	**10,000**	**10,034**	10,119
			$ 495,000		**$ 485,000**	**$ 483,174**	$ 482,700

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

The following tables provide a continuity of debt for the years ended December 31, 2015 and December 31, 2014:

						Year ended December 31, 2015
	Mortgages	**Demand revolving credit facilities**	**Term loan facility**	**Convertible debentures**	**Debentures**	**Total**
Balance as at January 1, 2015	**$ 2,380,708**	**$ —**	**$ 182,260**	**$ 51,160**	**$ 482,700**	**$ 3,096,828**
Borrowings	**282,708**	**289,920**	**—**	**—**	**—**	**572,628**
Principal repayments	**(63,792)**	**—**	**—**	**—**	**—**	**(63,792)**
Lump sum repayments	**(272,213)**	**(240,420)**	**—**	**—**	**—**	**(512,633)**
Lump sum repayments on property disposition	**(44,674)**					**(44,674)**
Debt assumed by purchaser on disposal of investment properties	**(21,959)**	**—**	**—**	**—**	**—**	**(21,959)**
Financing costs additions	**(1,987)**	**—**	**—**	**—**	**—**	**(1,987)**
Debt classified as assets held for sale	**(24,245)**	**—**	**—**	**—**	**—**	**(24,245)**
Foreign exchange adjustments	**12,069**	**—**	**—**	**—**	**—**	**12,069**
Other adjustments[1]	**(2,454)**	**—**	**730**	**(237)**	**474**	**(1,487)**
Balance as at December 31, 2015	**$ 2,244,161**	**$ 49,500**	**$ 182,990**	**$ 50,923**	**$ 483,174**	**$ 3,010,748**

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

						Year ended December 31, 2014
	Mortgages	Demand revolving credit facilities	Term loan facility	Convertible debentures	Debentures	Total
Balance as at January 1, 2014	$ 2,477,183	$ 103,946	$ 181,530	$ 51,885	$ 333,647	$ 3,148,191
Borrowings	231,707	78,347	—	—	150,000	460,054
Principal repayments	(66,843)	—	—	—	—	(66,843)
Lump sum repayments	(234,084)	(182,347)	—	—	—	(416,431)
Lump sum repayments on property disposition	(11,070)	—	—	—	—	(11,070)
Debt assumed by purchaser on disposal of investment properties	(17,047)	—	—	—	—	(17,047)
Financing costs additions	(1,607)	—	—	—	(1,400)	(3,007)
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	$ —	$ 182,260	$ 51,160	$ 482,700	$ 3,096,828

(1) Other adjustments include 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, 2015	December 31, 2014	Maturity dates	**December 31, 2015**	December 31, 2014
Fixed rate					
Mortgages	**4.38%**	4.43%	2016–2028	**$ 2,205,183**	$ 2,284,364
Term loan facility[2]	**3.83%**	3.83%	2016	**129,459**	128,948
Convertible debentures	**3.80%**	3.80%	2017	**50,923**	51,160
Debentures	**4.04%**	4.04%	2016–2020	**358,396**	358,144
Total fixed rate debt	**4.30%**	4.34%		**2,743,961**	2,822,616
Variable rate					
Mortgages	**2.98%**	3.65%	2018	**38,978**	96,344
Demand revolving credit facilities	**2.82%**	—	2016	**49,500**	—
Term loan facility[3]	**3.83%**	3.83%	2016	**53,531**	53,312
Series B Debentures	**3.09%**	3.09%	2017	**124,778**	124,556
Total variable rate debt	**3.21%**	3.43%		**266,787**	274,212
Total debt	**4.20%**	4.26%		**$ 3,010,748**	$ 3,096,828

(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 an interest rate swap agreement to fix the interest rate of a portion 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. The effective interest rate on the term loan facility is 3.83% after accounting for financing costs.

(3) The notional balance of $53,670 bears interest at the one-month BA rate plus 185 bps.

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

	Mortgages	Demand revolving credit facility	Term loan facility	Convertible debentures	Debentures	Total
2016	$ 341,691	$ 49,500	$ 183,453	$ —	$ 35,000	$ 609,644
2017	286,861	—	—	50,628	125,000	462,489
2018	234,422	—	—	—	175,000	409,422
2019	99,360	—	—	—	—	99,360
2020	413,372	—	—	—	150,000	563,372
2021–2028	872,300	—	—	—	—	872,300
	2,248,006	49,500	183,453	50,628	485,000	3,016,587
Financing costs	(8,248)	—	(463)	—	(1,957)	(10,668)
Fair value adjustments	4,403	—	—	295	131	4,829
	$ 2,244,161	$ 49,500	$ 182,990	$ 50,923	$ 483,174	$ 3,010,748

Other financial instruments

The Trust has other financial instruments included as part of other non-current liabilities as follows (see Note 14):

	December 31, 2015	December 31, 2014
Fair value of interest rate swaps – liability	**$ 770**	$ 592
Conversion feature on the convertible debentures – asset	**(38)**	(760)
Other financial instruments – net liabilities (assets)	**$ 732**	$ (168)

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 swap

The following table summarizes the details of the interest rate swap that is outstanding at December 31, 2015:

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	$	770

For the interest rate swap designated as cash flow hedge, the Trust has assessed that there is no ineffectiveness in the hedge 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, 2015, the fair value of the remaining interest rate swap amounted to a $770 financial liability (December 31, 2014 – $592 financial liability).

Conversion feature on the convertible debentures

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

		Year ended December 31,			
	Note		**2015**		2014
Balance at beginning of year		**$**	**(760)**	$	(317)
Reduction of conversion feature on the convertible debentures converted during the year			**—**		7
Remeasurement of conversion feature on convertible debentures	20		**722**		(450)
Balance at end of year		**$**	**(38)**	$	(760)

Short form base shelf prospectus

On April 27, 2015, the Trust filed 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, debt securities, with an aggregate offering price of up to $2.0 billion. For the year ended December 31, 2015, no debt securities had been issued under the short form base shelf prospectus.

For the year ended December 31, 2014, the Trust completed the issuance of $150,000 aggregate principal amount of senior unsecured debentures under the previous short form base shelf prospectus, which expired on December 26, 2014.

Note 12
SUBSIDIARY REDEEMABLE UNITS

The Trust has the following subsidiary redeemable units outstanding:

		Year ended December 31, 2015			Year ended December 31, 2014		
	Note	**Number of units issued and outstanding**		**Amount**	Number of units issued and outstanding		Amount
Balance at beginning of year		**602,434**	**$**	**15,151**	3,538,457	$	101,978
Units issued pursuant to the Reorganization	24	**4,850,000**		**127,313**	—		—
Subsidiary redeemable units surrendered		**(218,611)**		**(5,795)**	(2,936,023)		(85,350)
Remeasurement of carrying value of subsidiary redeemable units	20	**—**		**(45,757)**	—		(1,477)
Balance at end of year		**5,233,823**	**$**	**90,912**	602,434	$	15,151

During the year ended December 31, 2015, the Trust incurred $9,171 (December 31, 2014 – $4,638) in distributions on the subsidiary redeemable units, which is included as interest expense in comprehensive income (see Note 19).

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, 2015 and December 31, 2014, 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 May 25, 2015, one of the holders surrendered 218,611 subsidiary redeemable units and received 218,611 REIT B Units. On the same day, such REIT B Units were converted by the holder into 218,611 REIT A Units. The exchanges were valued based on the carrying amount of the subsidiary redeemable units on the day prior to the surrender.

On April 2, 2015, the Trust acquired a subsidiary of DAM which was a party to the Asset Management Agreement with the Trust, resulting in the elimination of the Trust's obligation to pay asset management, acquisition and capital expenditure fees to DAM (the "Reorganization"). In consideration for the Reorganization, the Trust issued 4,850,000 subsidiary redeemable units at $26.25 per unit to DAM, representing total consideration of $127,313.

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, 2015, 5,233,823 Special Trust Units were issued and outstanding (December 31, 2014 – 602,434).

Note 13

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. 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, 2015, up to a maximum of 1.75 million (December 31, 2014 – 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, 2014		$	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	20		(822)
As at December 31, 2014			17,082
Compensation expense			2,638
REIT A Units issued for vested deferred trust units			(3,269)
Remeasurements of carrying value of deferred trust units	20		(3,855)
As at December 31, 2015		$	12,596

During the year ended December 31, 2015, $2,638 of compensation expense was recorded (December 31, 2014 – $3,707) and included in general and administrative ("G&A") expenses. For the same period, a fair value gain of $3,855 (December 31, 2014 – fair value gain of $822) was recognized, representing the remeasurement of the DUIP liability during the year.

	Total units
Outstanding and payable as at January 1, 2014	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
Granted	131,833
Income deferred units	79,652
REIT A Units issued	(137,233)
Fractional Units paid in cash	(6)
Cancelled	(18,474)
Outstanding and payable as at December 31, 2015	847,071
Vested but not issued as at December 31, 2015	421,649

For the year ended December 31, 2015, 131,833 deferred trust units were granted to trustees, officers and employees as well as affiliates with the grant price ranging from $17.59 to $27.34 per unit. For the year ended December 31, 2014, 122,386 deferred trust units were granted to trustees, officers and employees as well as affiliates with the grant price ranging from $28.96 to $29.36 per unit.

For the year ended December 31, 2015, 18,474 deferred trust units were cancelled (December 31, 2014 – 2,177).

Note 14
OTHER NON-CURRENT LIABILITIES

	Note		**December 31, 2015**		December 31, 2014
Tenant security deposits		**$**	**19,319**	$	19,103
Finance leases			**233**		533
Other financial instruments – net liabilities (assets)	11		**732**		(168)
Total		**$**	**20,284**	$	19,468

Note 15
AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note		**December 31, 2015**		December 31, 2014
Trade payables		**$**	**3,460**	$	3,013
Accrued liabilities and other payables	24		**59,662**		49,972
Accrued interest			**13,603**		12,654
Rent received in advance			**15,797**		11,490
Distributions payable	16		**20,458**		20,393
Total		**$**	**112,980**	$	97,522

Note 16

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
		2015		2014
Paid in cash	**$**	**151,945**	$	175,912
Paid by way of reinvestment in REIT A Units		**93,122**		63,248
Less: Payable at December 31, 2014 (December 31, 2013)		**(20,393)**		(19,493)
Plus: Payable at December 31, 2015 (December 31, 2014)		**20,458**		20,393
Total	**$**	**245,132**	$	240,060

On February 18, 2016, the Trust announced a reduction to its monthly cash distribution from $0.18666 per REIT A Unit to $0.125 per REIT A Unit, or $1.50 per REIT A Unit on an annualized basis, effective for the month of February 2016 distribution. The February 2016 distribution will be payable on March 15, 2016 to unitholders of record at February 29, 2016.

On January 19, 2016, the Trust announced a cash distribution of $0.18666 per REIT A Unit for the month of January 2016. The January 2016 distribution was satisfied on February 15, 2016 by $12,159 in cash and $8,325 in connection with the issuance of 551,336 REIT A Units.

On December 17, 2015, the Trust announced a cash distribution of $0.18666 per REIT A Unit for the month of December 2015. The amount payable at December 31, 2015 was satisfied on January 15, 2016 by $11,759 in cash and $8,709 in connection with the issuance of 571,077 REIT A Units.

During 2015 and 2014, the Trust declared monthly distributions of $0.18666 per unit, or $2.24 per unit for the years ended December 31, 2015 and December 31, 2014.

Note 17

EQUITY

		December 31, 2015			December 31, 2014		
	Note	**Number of REIT A Units**		**Amount**	Number of REIT A Units		Amount
REIT A Units		**107,860,638**	**$**	**3,168,915**	107,936,575	$	3,171,794
Retained earnings		**—**		**301,324**	—		601,495
Accumulated other comprehensive income	26	**—**		**11,575**	—		4,228
Total		**107,860,638**	**$**	**3,481,814**	107,936,575	$	3,777,517

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.

Distribution Reinvestment and Unit Purchase Plan

The Distribution Reinvestment 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, 2015, 4,040,965 REIT A Units were issued under the DRIP for $93,122 (December 31, 2014 – 2,236,530 REIT A Units for $63,248).

On February 18, 2016, the Trust announced the suspension of its DRIP until further notice effective for the February 2016 distribution.

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, 2015, 13,727 REIT A Units were issued under the Unit Purchase Plan for $343 (December 31, 2014 – 4,765 REIT A Units for $135).

Debenture conversions

For the year ended December 31, 2015, no debentures were converted. For the year ended December 31, 2014, $500 of 5.5% Series H Debentures were converted for 13,628 REIT A Units.

Exchange of REIT B Units for REIT A Units

On May 25, 2015, 218,611 REIT B Units were exchanged for 218,611 REIT A Units totalling $5,795. The exchange was valued based on the carrying amount of the subsidiary redeemable units on the day prior to the exchange for REIT B 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 on the day prior to the exchange for REIT B Units.

Normal course issuer bid

On June 22, 2015, the Trust renewed its normal course issuer bid (the "Bid") which expired on June 19, 2015. The Bid will remain in effect until the earlier of June 21, 2016 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 10,648,031 REIT A Units (representing 10% of the Trust's public float of 106,480,305 REIT A Units at the time of entering the bid through the facilities of the TSX). Daily purchases are limited to 73,273 REIT A Units, other than purchases pursuant to applicable block purchase exceptions.

For the year ended December 31, 2015, 4,486,473 REIT A Units had been purchased and subsequently cancelled under the Bid for a total cost of $105,114 (December 31, 2014 – 832,200 REIT A Units cancelled for $20,924).

Subsequent to year-end, the Trust purchased an additional 406,573 REIT A Units under the normal course issuer bid for cancellation for a cost of $6,486.

Note 18

ASSETS HELD FOR SALE AND DISPOSITIONS

Assets held for sale

As at December 31, 2015, the Trust classified three properties located in Québec as assets held for sale totalling $44,914 and their associated liabilities totalling $24,502. At December 31, 2015, management had committed to a plan of sale of the underlying properties and the sale was considered to be highly probable. As a result, these properties have been reclassified as assets held for sale.

As at December 31, 2014, the Trust held an investment in a joint venture totalling $2,968 as assets held for sale. The Trust's share of the joint venture's assets and liabilities were $2,990 and $22, respectively. At December 31, 2014, management had committed to a plan of sale of the underlying properties and the sale was considered to be highly probable. As a result, the investment in the joint ventures had been reclassified as assets held for sale as at December 31, 2014.

		December 31, 2015		December 31, 2014
Non-current assets	**$**	**44,732**	$	2,968
Current assets		**182**		—
Total assets	**$**	**44,914**	$	2,968
Non-current liabilities		**24,268**		—
Current liabilities		**234**		—
Total liabilities	**$**	**24,502**	$	—
Net assets	**$**	**20,412**	$	2,968

Investment properties held for sale

		Year ended December 31, 2015		Year ended December 31, 2014
Balance at beginning of year	**$**	**—**	$	—
Add (deduct):				
Investment properties classified as held for sale during the year		**159,473**		—
Investment properties disposed of during the year		**(120,805)**		—
Fair value adjustment to investment properties		**5,970**		—
Balance at end of year	**$**	**44,638**	$	—

Dispositions

For the year ended December 31, 2015, the Trust disposed of the following properties:

	Property type	Disposed GLA (sq. ft.)		Sales price[1]		Loss on sale[2]		Mortgages discharged/ assumed	Date disposed
8100 Granville Avenue, Vancouver	office	95,298	$	28,759	$	(714)	$	—	July 15, 2015
2200–2204 Walkley Road, Ottawa	office	158,898		27,910		(817)		15,279	August 27, 2015
Québec City Portfolio[3]	office	634,132		95,122		(2,121)		51,354[4]	October 30, 2015
		888,328	$	151,791	$	(3,652)	$	66,633	

(1) Sales price reflects gross proceeds net of adjustments and before transaction costs.

(2) Loss on sale includes mainly the transaction costs and the write-off of a pro rata share of goodwill associated with the cash-generating unit.

(3) Includes four properties in Québec City: 900 Place D'Youville, 580 Rue Grand Allée, 200 Chemin Sainte-Foy and 141 Saint Jean Street.

(4) Of this mortgage amount, $21,959 was assumed by the purchaser on disposal of investment properties.

On April 30, 2015, a parcel of land at 60 Columbia Way, Markham, Ontario, was expropriated by the City of Markham to build a highway off-ramp, for total gross proceeds of $2,674. The gross proceeds represented fair market value. In addition to the gross proceeds, the Trust recorded a one-time compensation income of $600 in its results for the year ended December 31, 2015 for the expropriation of the parcel of land.

On March 12, 2015, the Trust disposed of its 25% interest in an investment property of Capital Centre, Edmonton (an investment in joint venture) for total gross proceeds of $2,340. As a result of the sale, the Trust recognized a net loss of $121, which was included in share of net income from investment in joint ventures.

For the year ended December 31, 2014, the Trust disposed of the following properties:

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

(1) Sales price reflects gross proceeds net of adjustments and before transaction costs.

(2) Loss on sale includes mainly the transaction costs and the write-off of a pro rata share of goodwill associated with the cash-generating unit.

(3) Mortgage assumed by purchaser on disposal of investment property.

(4) These investment properties were sold to Dream Industrial REIT.

On June 3, 2014, the Trust disposed of its 25% investment in three 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.

Note 19

INTEREST

Interest on debt

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

	Year ended December 31, 2015	2014
Interest expense incurred, at contractual and hedged rate of debt	**$ 132,818**	$ 136,528
Amortization of financing costs	**3,060**	3,178
Amortization of fair value adjustments on assumed debt	**(4,060)**	(4,754)
Interest expense	**131,818**	134,952
Add (deduct):		
Amortization of financing costs	**(3,060)**	(3,178)
Amortization of fair value adjustments on assumed debt	**4,060**	4,754
Change in accrued interest	**545**	(1,736)
Cash interest paid	**$ 133,363**	$ 134,792

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, 2015	2014
Paid in cash	**$ 8,306**	$ 5,186
Less: Interest payable at December 31, 2014 (December 31, 2013)	**(112)**	(660)
Plus: Interest payable at December 31, 2015 (December 31, 2014)	**977**	112
Total	**$ 9,171**	$ 4,638

Note 20

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Note	Year ended December 31, 2015	2014
Remeasurement of conversion feature on convertible debentures	11	**$ (722)**	$ 450
Remeasurement of carrying value of subsidiary redeemable units	12	**45,757**	1,477
Remeasurement of carrying value of deferred trust units	13	**3,855**	822
		$ 48,890	$ 2,749

Note 21

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, 2014 – 38.46%). A deferred tax asset arises from the loss carry-forwards of the U.S. subsidiaries, and is recognized only to the extent that it is realizable. 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. As at December 31, 2015, the Trust had a deductible temporary difference of $4,434 (December 31, 2014 – $3,226) that was not recognized as a deferred tax asset as it did not meet the probable recognition criteria under IAS 12. However, the deductible temporary difference can be carried forward indefinitely.

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, 2015	December 31, 2014
Deferred tax assets		
Deferred financing costs	**$ 331**	$ 327
Financial instruments	**1,375**	1,350
Loss carry-forwards	**1,292**	915
	2,998	2,592
Deferred tax liabilities		
Investment properties	**(12,036)**	(8,775)
Deferred tax liabilities, net	**$ (9,038)**	$ (6,183)

A reconciliation between the expected income taxes based upon the 2015 and 2014 statutory rates and the income tax expense recognized during the years ended December 31, 2015 and December 31, 2014 is as follows:

	December 31, 2015	December 31, 2014
Income taxes computed at the statutory rate of nil that is applicable to the Trust	**$ —**	$ —
Deferred income tax expense on U.S. properties	**1,695**	638
	$ 1,695	$ 638

As part of the deferred tax balance, $1,160 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 22

SEGMENTED INFORMATION

For the years ended December 31, 2015 and December 31, 2014, the Trust's reportable operating segments of its investment properties and results of operations were segmented geographically, 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, 2014, sold properties and assets held for sale at period-end, 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 losses on transactions and other activities (excluding impairment of goodwill), and deferred income taxes were not allocated to the segments.

For the years ended December 31, 2015 and 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, 2015	Western Canada	Calgary downtown	Calgary suburban	Toronto downtown	Toronto suburban	Eastern Canada	Segment total[1]	Other[2]	Reconciliation[1]	Total
Operations										
Investment properties revenue	$ 152,835	$ 120,293	$ 22,642	$ 259,867	$ 111,009	$ 124,892	$ 791,538	$ 10,908	$ (111,484)	$ 690,962
Investment properties operating expenses	(59,063)	(49,492)	(9,853)	(118,133)	(50,577)	(57,037)	(344,155)	(10,987)	51,693	(303,449)
Net rental income (segment income)	93,772	70,801	12,789	141,734	60,432	67,855	447,383	(79)	(59,791)	387,513
Other income	—	—	—	—	—	—	—	9,185	53,068	62,253
Other expenses	—	—	—	—	—	—	—	(173,471)	17,337	(156,134)
Fair value adjustments, net losses on transactions and other activities	(10,225)	(8,517)	(1,301)	(16,735)	(6,848)	(7,586)	(51,212)	(285,150)	(10,614)	(346,976)
Income (loss) before income taxes	83,547	62,284	11,488	124,999	53,584	60,269	396,171	(449,515)	—	(53,344)
Deferred income taxes	—	—	—	—	—	—	—	(1,695)	—	(1,695)
Net income (loss) for the year	$ 83,547	$ 62,284	$ 11,488	$ 124,999	$ 53,584	$ 60,269	$ 396,171	$ (451,210)	$ —	$ (55,039)

Year ended December 31, 2015	Western Canada	Calgary downtown	Calgary suburban	Toronto downtown	Toronto suburban	Eastern Canada	Segment total[1]	Other[3]	Reconciliation[1][4]	Total
Capital expenditures[5]	$ 21,519	$ 23,357	$ 3,180	$ 52,645	$ 21,610	$ 19,773	$ 142,084	$ 1,786	$ (25,517)	$ 118,353
Investment properties	$ 1,310,713	$ 1,068,134	$ 165,977	$ 2,543,398	$ 951,030	$ 916,937	$ 6,956,189	$ 54,638	$ (1,144,232)	$ 5,866,595

(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, 2014, sold properties and assets held for sale at period-end.

(3) Includes properties held for redevelopment, sold properties and assets held for sale at period-end.

(4) Includes assets held for sale at period-end.

(5) Includes building improvements and initial direct leasing costs and lease incentives.

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	$	154,316	$	125,935	$	21,273	$	254,243	$	114,293	$	121,381	$	791,441	$	26,554	$	(112,716)	$	705,279
Investment properties operating expenses		(58,389)		(49,213)		(9,646)		(117,852)		(50,969)		(55,440)		(341,509)		(14,536)		52,274		(303,771)
Net rental income (segment income)		95,927		76,722		11,627		136,391		63,324		65,941		449,932		12,018		(60,442)		401,508
Other income		—		—		—		—		—		—		—		19,199		37,576		56,775
Other expenses		—		—		—		—		—		—		—		(184,681)		17,728		(166,953)
Fair value adjustments, net losses on transactions and other activities		—		—		—		—		—		—		—		(136,540)		5,138		(131,402)
Income before income taxes		95,927		76,722		11,627		136,391		63,324		65,941		449,932		(290,004)		—		159,928
Deferred income taxes		—		—		—		—		—		—		—		(638)		—		(638)
Net income for the year	$	95,927	$	76,722	$	11,627	$	136,391	$	63,324	$	65,941	$	449,932	$	(290,642)	$	—	$	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, 2014, sold properties and assets held for sale at period-end.

(3) Includes properties held for redevelopment, sold properties and assets held for sale at period-end.

(4) Includes assets held for sale at period-end.

(5) Includes building improvements and initial direct leasing costs and lease incentives.

Note 23

GENERAL AND ADMINSTRATIVE EXPENSES

		Year ended December 31,		
	Note		2015	2014
Management Services Agreement	24	$	**435**	$ —
Asset management fees	24		**4,338**	17,093
Salaries			**346**	—
Deferred compensation expense			**2,638**	3,707
Other[1]			**4,439**	3,593
General and administrative expenses		**$**	**12,196**	$ 24,393

(1) Other comprises professional service fees, Board of Trustees' fees and expenses, investor relations, compliance and regulatory costs.

Note 24

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.

Agreements with DAM

On April 2, 2015, the Trust and DAM also entered into a Management Services Agreement pursuant to which DAM will provide strategic oversight of the Trust and the services of a Chief Executive Officer as requested on a cost recovery basis. In accordance with the termination provisions of the Management Services Agreement, the Trust is subject to an incentive fee payable which is based on 15% of the Trust's Aggregate Adjusted Funds from Operations (as defined in the Management Services Agreement), including the net gain on sale of any properties during the term of the agreement, and the deemed sale of the remaining portfolio upon termination, in excess of $2.65 per REIT A Unit. As the termination of the Management Services Agreement for the first three years is solely at the discretion of the Trust and the Trust currently has no intention to terminate the Management Services Agreement, the Trust has determined that it is not probable that the incentive fee is payable and accordingly, no amounts related to the incentive fee have been recorded in the consolidated financial statements as at December 31, 2015.

On August 24, 2007, Dream Office REIT had an asset management agreement (the "Asset Management Agreement") with DAM pursuant to which DAM provided certain asset management services to Dream Office REIT and its subsidiaries. On April 2, 2015, the Trust acquired a subsidiary of DAM which was a party to the Asset Management Agreement with the Trust, resulting in the elimination of the Trust's obligation to pay asset management, acquisition and capital expenditure fees to DAM. In consideration for the Reorganization, the Trust issued 4,850,000 subsidiary redeemable units to DAM, representing total consideration of $127,313 using the closing price of REIT A Units at the date of the transaction. The total consideration of $127,313 and costs related to the Reorganization totalling $819 were charged to net income in the consolidated statement of comprehensive income.

On December 1, 2013, Dream Office REIT and DAM entered into a Shared Services and Cost Sharing Agreement. Pursuant to the Reorganization, the Trust and DAM amended the existing Shared Services and Cost Sharing Agreement as of April 2, 2015. According to the terms of the amended arrangement, DAM will continue to provide administrative and support services on an as-needed basis and will receive an annual fee to reimburse it for all expenses incurred. The Trust will continue to reimburse DAM for any shared costs allocated in each calendar year. This amended agreement provides for the automatic reappointment of DAM for additional one-year terms commencing on January 1 unless and until terminated in accordance with its terms or by mutual agreement of the parties.

Dream Office REIT, Dream Office Management LP (a wholly owned subsidiary of Dream Office LP) and DAM were parties to an administrative services agreement (the "Services Agreement with DAM"). Effective April 2, 2015, as part of the Reorganization, the existing Services Agreement with DAM was terminated and Dream Office Management Corp. ("DOMC"), a wholly owned subsidiary of Dream Office Management LP, and DAM entered into an amended Administrative Services Agreement pursuant to which DOMC will continue to provide certain administrative and support services to DAM. The terms of the agreement provide for DOMC to be reimbursed by DAM for the actual costs incurred by it in carrying out these activities on behalf of DAM. This agreement is for one-year terms unless and until terminated in accordance with its terms or by mutual agreement of the parties.

Management Services Agreement with DAM

The following is a summary of fees incurred for the year ended December 31, 2015 and December 31, 2014:

	Year ended December 31,	
	2015	2014
Senior management compensation (included in G&A expenses)	**$ 435**	$ —
Expense reimbursements related to financing arrangements (included in debt)	**359**	—
Expense reimbursements related to disposition arrangements (included in net loss on sale of investment properties)	**300**	—
Total incurred under the Management Services Agreement	**$ 1,094**	$ —

Asset Management Agreement with DAM

The Asset Management Agreement provided 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 (as defined in the Asset Management Agreement) 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.

The following is a summary of fees incurred for the years ended December 31, 2015 and December 31, 2014 prior to the elimination of the Asset Management Agreement with DAM as part of the Reorganization on April 2, 2015:

	Year ended December 31,			
		2015		2014
Base annual management fee (included in G&A expenses)	**$**	**4,338**	$	17,093
Expense reimbursements related to financing arrangements (included in debt)		**—**		319
Total incurred under the Asset Management Agreement	**$**	**4,338**	$	17,412

Shared Services and Cost Sharing Agreement with DAM

The following is a summary of fees billed by DAM for the years ended December 31, 2015 and December 31, 2014. Amounts billed by DAM prior to April 2, 2015 are included pursuant to the original agreement:

	Year ended December 31,			
		2015		2014
Business transformation costs	**$**	**1,490**	$	1,100
Strategic services and other		**889**		405
Total costs incurred under the Shared Services and Cost Sharing Agreement	**$**	**2,379**	$	1,505

The Trust's expected future commitment under the Shared Services and Cost Sharing Agreement, which expires on December 1, 2020, is $2,463.

Administrative Services Agreement with DAM

The following is a summary of fees received from or paid to DAM and costs incurred by DAM or the Trust on behalf of the other party for the years ended December 31, 2015 and December 31, 2014. Amounts incurred prior to April 2, 2015 are included pursuant to the original agreement:

	Year ended December 31,			
		2015		2014
Shared services and costs processed on behalf of DAM	**$**	**5,560**	$	5,007
Operating and administration costs of regional offices processed on behalf of DAM		**2,979**		8,705
Total costs processed on behalf of DAM under the Administrative Services Agreement	**$**	**8,539**	$	13,712
Costs processed by DAM on behalf of the Trust under the Administrative Services Agreement	**$**	**610**	$	37

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, 2015 and December 31, 2014:

	Year ended December 31, 2015	2014
Total cost recoveries from Dream Industrial REIT	**$ 3,471**	$ 5,999

Other transactions with Dream Industrial REIT

As discussed in Note 7 and Note 18, 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 from (to) related parties

	December 31, 2015	December 31, 2014
Amounts due from DAM		
Administrative Services Agreement with DAM	**$ 552**	$ 447
Parking revenue received on behalf of the Trust	**260**	546
Total amounts due from DAM	**$ 812**	$ 993

	December 31, 2015	December 31, 2014
Amounts due from (to) DAM		
Various agreements with DAM[1]	**$ (2,536)**	$ 148
Distributions payable to DAM[2]	**(144)**	(144)
Subsidiary redeemable interest payable to DAM[3]	**(977)**	(72)
Total amounts due to DAM	**$ (3,657)**	$ (68)

(1) Includes Management Services Agreement, Asset Management Agreement, Shared Services and Cost Sharing Agreement, and Administrative Services Agreement.

(2) Distributions payable is in relation to the 773,939 REIT A Units held by DAM.

(3) Subsidiary redeemable interest payable is in relation to the 5,233,823 subsidiary redeemable units held by DAM.

	December 31, 2015	December 31, 2014
Amounts due from Dream Industrial REIT		
Service Agreement with Dream Industrial REIT	**$ 256**	$ 808
Distributions from Dream Industrial REIT	**1,082**	1,082
Total amounts due from Dream Industrial REIT	**$ 1,338**	$ 1,890
Total amounts due to Dream Industrial REIT related to Dream Industrial REIT properties	**$ (135)**	$ (35)

Compensation of key management personnel

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

	Year ended December 31,	
	2015	2014
Unit-based awards[1]	**$ 1,405**	$ 925

(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 25

SUPPLEMENTARY CASH FLOW INFORMATION

The components of amortization and depreciation under operating activities include:

		Year ended December 31,	
	Note	**2015**	2014
Amortization of lease incentives	6	**$ 13,032**	$ 9,893
Amortization of external management contracts	9	**1,291**	1,292
Amortization of financing costs	19	**3,060**	3,178
Amortization of fair value adjustments on assumed debt	19	**(4,060)**	(4,754)
Depreciation on property and equipment		**1,658**	1,678
Total amortization and depreciation		**$ 14,981**	$ 11,287

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

		Year ended December 31,	
	Note	**2015**	2014
Cost on Reorganization	24	**$ 127,313**	$ —
Debt settlement and Unit issue costs, net	31	**1,999**	1,927
Net loss on sale of investment properties	18, 31	**3,652**	738
Deferred unit compensation expense	13	**2,638**	3,707
Straight-line rent adjustment		**(2,313)**	(3,929)
Deferred income taxes	21	**1,695**	638
Impairment of goodwill	9, 31	**51,212**	—
Total other adjustments		**$ 186,196**	$ 3,081

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

	Year ended December 31,	
	2015	2014
Decrease in amounts receivable	**$ 6,155**	$ 12,043
Decrease (increase) in prepaid expenses and other assets	**(481)**	857
Decrease in other non-current assets	**287**	794
Increase (decrease) in amounts payable and accrued liabilities	**2,026**	(7,753)
Increase in non-current liabilities	**216**	255
Change in non-cash working capital	**$ 8,203**	$ 6,196

The following amounts were paid on account of interest:

	Note	Year ended December 31, 2015	2014
Interest:			
Debt	19	**$ 133,363**	$ 134,792
Subsidiary redeemable units	19	**8,306**	5,186

Note 26

ACCUMULATED OTHER COMPREHENSIVE INCOME

	2015			2014		
	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 loss on interest rate swaps, net of tax	**$ (1,002)**	**$ (139)**	**$ (1,141)**	$ (336)	$ (666)	$ (1,002)
Unrealized foreign currency translation gain, net of tax	**5,230**	**7,486**	**12,716**	2,020	3,210	5,230
Accumulated other comprehensive income	**$ 4,228**	**$ 7,347**	**$ 11,575**	$ 1,684	$ 2,544	$ 4,228

Note 27

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.

During the year, a subsidiary of the Trust received notices of reassessment from both the Canada Revenue Agency and the Alberta Minister of Finance with respect to its 2007, 2008 and 2010 taxation years. These reassessments relate to the deductibility of certain tax losses claimed by the subsidiary prior to its acquisition by the Trust. These federal and provincial reassessments if upheld could increase total current taxes payable including interest and penalties by $10,619. No cash payment is expected to be made unless it is ultimately established that the Trust has an obligation to make one. Management is of the view that there is a strong case to support the position as filed and has contested both the federal and provincial reassessments. Since management believes that it is more likely than not that its position will be sustained, no amounts related to these reassessments have been recorded in the consolidated financial statements as of December 31, 2015.

At December 31, 2015, Dream Office REIT's future minimum commitments under operating leases, finance leases, and fixed price contracts to purchase electricity and steam are as follows:

	Minimum payments due < 1 year	1–5 years	> 5 years	Total
Operating lease payments	$ 784	$ 899	$ 8,165	$ 9,848
Finance lease payments	195	38	—	233
Fixed price contracts – electricity	2,873	—	—	2,873
Fixed price contracts – steam	315	1,576	4,412	6,303
Total	$ 4,167	$ 2,513	$ 12,577	$ 19,257

During the year ended December 31, 2015, the Trust paid $817 (December 31, 2014 – $1,065) 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 $37,825.

The Trust's share of contingent liabilities for the obligation of the other owners of investments in joint ventures is $275,735 (December 31, 2014 – $282,738).

Note 28

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, 2015.

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. 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 29

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, 2015 was 8.9% of the Trust's total debt (December 31, 2014 – 8.9%). 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]	$	2,051	$	(21)	$	(21)	$	21	$	21
Financial liabilities										
Fixed rate debt due to mature in 2016 and total variable debt	$	713,141	$	7,131	$	7,131	$	(7,131)	$	(7,131)

(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 an interest rate swap to manage its cash flow associated with changes in interest rates on variable rate debt. As at December 31, 2015, the Trust had the following interest rate swap outstanding (December 31, 2014 – $129,783):

Hedging item	Notional	Rate (%)	Maturity		Fair value	Hedged item
Interest rate swap	$ 129,783	3.52	August 15, 2016	$	770	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 30

FAIR VALUE MEASUREMENT

Fair value of financial instruments

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, 2015	Fair value as at December 31, 2015 Level 1	Level 2	Level 3
Recurring measurements					
Non-financial assets					
Investment properties	6	**$ 5,866,595**	**$ —**	**$ —**	**$ 5,866,595**
Financial liabilities (assets)					
Interest rate swaps	11	**770**	**—**	**770**	**—**
Conversion feature on the convertible debentures	11	**(38)**	**—**	**(38)**	**—**

	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	6	$ 6,139,070	$ —	$ —	$ 6,139,070
Financial liabilities (assets)					
Interest rate swaps	11	592	—	592	—
Conversion feature on the convertible debentures	11	(760)	—	(760)	—

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, 2015	Fair value as at December 31, 2015 Level 1	Level 2	Level 3
Fair values disclosed					
Mortgages	11	**$ 2,244,161**	**$ —**	**$ —**	**$ 2,325,458**
Term loan facility	11	**182,990**	**—**	**—**	**185,009**
Convertible debentures	11	**50,923**	**50,628**	**—**	**—**
Debentures	11	**483,174**	**485,000**	**—**	**—**
Investment in Dream Industrial REIT	7	**184,817**	**—**	**133,202**	**—**

	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	11	$ 2,380,708	$ —	$ —	$ 2,491,411
Term loan facility	11	182,260	—	—	186,069
Convertible debentures	11	51,160	51,641	—	—
Debentures	11	482,700	485,200	—	—
Investment in Dream Industrial REIT	7	191,691	—	156,206	—

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

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", as at December 31, 2015, the Trust classified three properties located in Québec as assets held for sale totalling $44,914 and its associated liabilities totalling $24,502. 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. 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 Trust's internal valuations team prepares a valuation of each investment property every quarter. The internal valuations team is headed by portfolio managers with valuations experience. 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 internal valuations team verifies all major inputs to the valuation and reviews the results with the independent valuators. Changes in Level 3 fair values are analyzed at each reporting date.

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 11) 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 a market-based methodology. 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 a number of inputs. The critical inputs are the unit price, the units' distribution yield, the underlying unit volatility, the risk-free rate and the assumed credit spread, all of which are observable.

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, 2015 and December 31, 2014 are the following:

- Volatility: Historical volatility as at December 31, 2015 and December 31, 2014 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 trade price of the convertible debentures as at December 31, 2015 and December 31, 2014.

5.5% Series H Debentures	**December 31, 2015**	December 31, 2014
Credit spread	**4.55%**	2.39%
Volatility	**15.64%**	13.6%

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, 2015	**$ —**	**$ —**	**$ 38**	**$ (460)**

	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)

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, 2015 is determined by discounting the expected cash flows of each mortgage and term loan facility using spreads ranging from 1.85% to 2.40% (December 31, 2014 – 1.60% to 1.70%). 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, 2015 and December 31, 2014 is based on the convertible debentures' trading price on or about December 31, 2015 and December 31, 2014, respectively.

Debentures

The fair value of debentures that are traded as at December 31, 2015 and December 31, 2014 is based on the debentures' trading price on or about December 31, 2015 and December 31, 2014, respectively. The fair values of debentures that are non-trading as at December 31, 2015 are based on the debentures' par value.

Demand revolving credit facilities

The fair value of the demand revolving credit facilities as at December 31, 2015 and December 31, 2014 approximates their carrying value due to their short-term nature.

Note 31

NET LOSSES ON TRANSACTIONS AND OTHER ACTIVITIES

		Year ended December 31,	
	Note	**2015**	2014
Debt settlement costs, net		**$ (1,999)**	$ (1,892)
Net loss on sale of investment properties	18	**(3,652)**	(738)
Internal leasing costs		**(8,951)**	(6,118)
Business transformation costs	24	**(1,490)**	(1,100)
Cost on Reorganization	24	**(128,132)**	—
Impairment of goodwill	9	**(51,212)**	—
Other activities		**600**	—
Total		**$ (194,836)**	$ (9,848)

Net debt settlement costs comprise of fees related to the discharge of mortgages prior to the original maturity dates during the year, offset by the write-off of associated fair value adjustments and financing costs. Net loss on sale of investment properties for the year mainly comprise of transaction costs and the write-off of a pro rata share of goodwill associated with the cash-generating unit. Business transformation costs related to process and technology improvement costs incurred pursuant to the Shared Services and Cost Sharing Agreement (see Note 24).

In consideration for the Reorganization, the Trust issued 4,850,000 subsidiary redeemable units to DAM, representing total consideration of $127,313. The total consideration of $127,313 and costs related to the Reorganization totalling $819 were charged to net income in the consolidated statement of comprehensive income (see Note 24).

Note 32

SUBSEQUENT EVENTS

On February 18, 2016, the Trust announced a reduction to its monthly cash distribution from $0.18666 per REIT A Unit to $0.125 per REIT A Unit, or $1.50 per REIT A Unit on an annualized basis, effective for the month of February 2016 distribution. The February 2016 distribution will be payable on March 15, 2016 to unitholders of record at February 29, 2016.

On February 18, 2016, the Trust announced the suspension of its DRIP until further notice effective for the February 2016 distribution.

Subsequent to year-end, the Trust has committed to a new three-year, $800,000 revolving credit facility with an expected closing date on or before March 4, 2016. This revolving credit facility is expected to replace the existing $171,500 revolving credit facility due on March 5, 2016 and $183,453 term loan facility due on August 15, 2016.

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Trustees

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

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

Michael J. Cooper[2,4]
Toronto, Ontario
President and Chief Responsible Officer
Dream Unlimited Corp.

Joanne Ferstman[1,2]
Toronto, Ontario
Corporate Director

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

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

The Hon. Dr. Kellie Leitch
Creemore, Ontario
Member of Parliament for Simcoe–Grey

Karine MacIndoe[1]
Toronto, Ontario
Corporate Director

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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TAXATION OF DISTRIBUTIONS

Distributions paid to unitholders in respect of the tax year ending December 31, 2015, are taxed as follows:
Other income: 28.1%
Capital gains: 14.3%
Return of capital: 57.6%

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

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