Dream Office REIT

Annual Report 2020


2200 Eglinton Ave. E.
Toronto, ON

Dream Office REIT (TSX: D.UN) is an unincorporated, open-ended real estate investment trust. Dream Office REIT owns, leases and manages well-located, high-quality office properties, primarily in downtown Toronto.

Dream Office REIT

Letter to Unitholders

2020 has had its share of challenges for all, Dream Office included. Despite a nearly year-long public health crisis, we are pleased with the resiliency that our business has shown, allowing us to support our tenants and employees through the pandemic. We entered the pandemic having substantially completed our strategic plan to transform the business into a pure-play downtown Toronto office REIT, which has resulted in a safer, less volatile business – a strategy that has proved particularly important this year.

Prior to the pandemic, the Toronto office leasing market was very favourable for the Company – vacancy was 2% and rents were at record highs on new leases and renewals. Demand for office space from the tech, finance and creative industries provided tremendous tailwinds for commercial landlords in downtown Toronto. The pandemic has resulted in office vacancy in downtown Toronto increasing to 7.2% as at Q4 2020, a level not seen since the Great Financial Crisis. New leasing has slowed as a direct result of the states of emergency enacted in Ontario and tenants are understandably delaying decisions about their future real estate strategy. Despite this, it was an active year of leasing for Dream Office, and rents held up well on 500,000 square feet of leases we completed during 2020.

Currently, real estate is very thematic and the narrative is unfavourable for office REITs. We feel that while it is too early to tell how tenants will behave post pandemic, businesses will continue to need space to collaborate, meet clients, drive sales, and provide a separation between work and home. As the city opens back up and the things that make Toronto a world-class city return, it is only a matter of time until the people do as well. For many businesses, providing a desirable workplace will be critical for talent recruitment and retention.

Until then, it is business as usual at Dream Office and we will focus on managing our assets to their best potential until the world returns to normal. We have a high-quality portfolio that we have carefully curated over the past five years. Our leverage remains low at 41.1%, and we have almost $150 million of liquidity with an unencumbered asset pool of $245 million to manage the business through the rest of the pandemic. Collections have been strong through the year, and we expect they will continue to hold given the significant government support systems in place. We believe the pandemic has resulted in a dislocation between our unit price and the intrinsic value of our portfolio – as a result, we acted on the opportunity and repurchased 5.8 million units through our NCIB in 2020.

We believe our boutique assets have advantages compared to larger buildings and are well-positioned for a post-COVID world. Although work on the Bay Street Collection was delayed due to construction shutdowns, we hope to substantially complete the rest of our investment in 2021. We are also continuing to move forward with applications for our long-term development projects as the approvals advance these assets to the highest and best use of each site. In the meantime, we will remain cautious regarding the pace of development and total exposure we take on, particularly in the current environment.

We continue to hold $340 million of Dream Industrial units at market value, an investment we were happy to have over the last year. While the pandemic impacted its business in a similar manner, the industrial sector continues to be an in-favour sector, benefiting from accelerating e-commerce trends due to national stay-at-home orders. Our holdings have provided stability in income, a safer balance sheet and flexibility on liquidity. Looking forward, Dream Industrial is well-positioned to deliver strong growth in 2021 as its acquisition program resumes and the company continues its European expansion.

We think 2021 could remain bumpy, but we continue to like the longer-term prospects for our portfolio. We have great assets with a unique value proposition which will differentiate Dream Office in a more challenging environment. At the same time, we are putting greater emphasis on being a good corporate citizen, implementing more ESG initiatives across the Company and obtaining our first GRESB score in 2021. We hope to share more details about these initiatives in the coming quarters.

We look forward to navigating the challenges in 2021 and our strategy remains to improve our buildings to increase their desirability to tenants and investors, in good times and bad. Thank you for your continued support of the business.

Sincerely,

Michael J. Cooper
Chief Executive Officer

February 18, 2021

Sustainability Report

Sustainability is ingrained in how we run our business both internally and externally. It fits naturally with Dream's purpose to "Build Better Communities" and with our focus on impact investing.

See our 2019 Sustainability Report under the Sustainability section of our website at dream.ca/office

Bay Street Collection, The Alleyway
Toronto, ON

Dream Office REIT

At a Glance*

Dream Office REIT is a premier office landlord in downtown Toronto with approximately 3.5 million square feet owned and managed. We have carefully curated an investment portfolio of high-quality assets in irreplaceable locations in one of the finest office markets in the world. We intend to enhance these properties to elevate their desirability to tenants and investors, and improve the overall community experience.

30

investment properties

5.5 million

square feet of gross leasable area

88.0%

in-place and committed occupancy

$2.9 billion

in total assets

$28.69

net asset value per unit

* All figures as at December 31st, 2020.

212 King St. W,
Toronto, ON

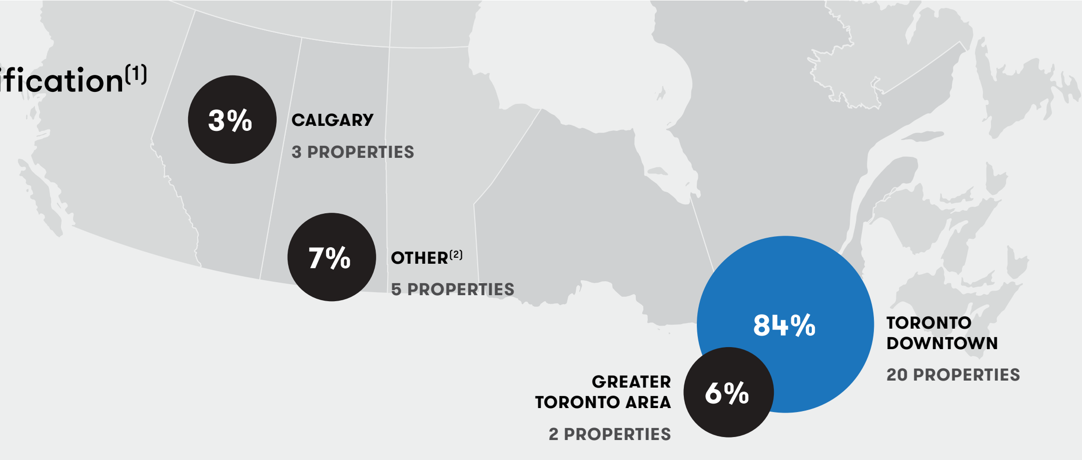
Dream Office REIT

At a Glance

36 Toronto St.
Toronto, ON

30 Adelaide St. E.
Toronto, ON

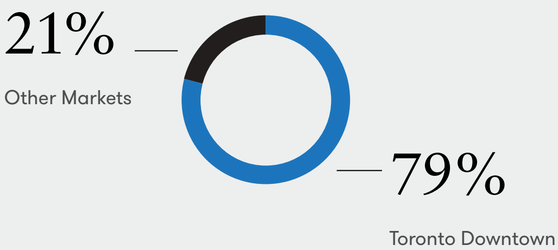
Geographic Diversification[1]



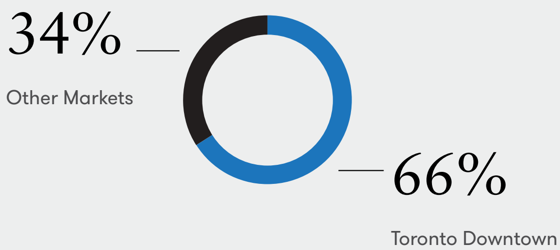
Top Ten Tenants with Weighted Average Lease Term of 5.1 Years

TENANT	GROSS RENTAL REVENUE (%)	OWNED AREA (THOUSANDS OF SQ. FT.)	OWNED AREA (%)	CREDIT RATING[3]
Government of Ontario	11.3	595	11.3	A+/A-1
Government of Canada	7.8	344	6.5	AAA/A-1+
State Street Trust Company	5.4	219	4.2	AA-/A/A-1+
International Financial Data Services	3.2	137	2.6	N/R
Medcan Health Management Inc.	2.6	88	1.7	N/R
U.S. Bank National Association	2.3	185	3.5	AA-/A-1+
WeWork	2.0	65	1.2	CCC+
CIBC	1.4	54	1.0	A+/A-1
Goodlife Fitness Centre Inc.	1.2	54	1.0	N/R
Field Law	1.2	64	1.2	N/R
Total	**38.4**	**1,805**	**34.2**	

Comparative Properties NOI by Region[4]



Gross Leasable Area by Region[5]



(1) This chart illustrates the fair value of investment properties by region, excluding investment in joint ventures, as at December 31, 2020.
(2) Other includes 5% in Saskatchewan and 2% in the U.S. based on investment property fair value.
(3) Credit ratings are obtained from Standard & Poor's Credit Rating Services Inc. and may reflect the parent's or guarantor's credit rating. N/R – not rated.
(4) For the year ended December 31, 2020. Excludes properties under development, completed properties under development, acquired properties and investments in joint ventures.
(5) This chart illustrates the gross leasable area of investment properties by region, excluding properties under development and investment in joint ventures.


357 Bay St.
Toronto, ON

Dream Office REIT

Table of Contents

Management's discussion and analysis
(All dollar amounts in our tables are presented in thousands of Canadian dollars, except for rental rates and per unit amounts, or unless otherwise stated)

SECTION I

KEY PERFORMANCE INDICATORS AT A GLANCE
Performance is measured by these and other key indicators:

			As at
	December 31, 2020	September 30, 2020	December 31, 2019
Total properties[1]			
Number of properties	**30**	30	31
Gross leasable area ("GLA")[2]	**5.5**	5.5	5.5
Investment properties value	**$ 2,471,879**	$ 2,458,246	$ 2,420,945
Total portfolio[3]			
Occupancy rate – including committed (period-end)	**88.0%**	88.0%	90.8%
Occupancy rate – in-place (period-end)	**85.2%**	87.8%	90.2%
Average in-place and committed net rent per square foot (period-end)	**$ 23.31**	$ 23.15	$ 22.56
Weighted average lease term ("WALT") (years)	**5.1**	5.1	5.5

			Three months ended		Year ended
	December 31, 2020	September 30, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
Operating results					
Net income	**$ 15,551**	$ 39,294	$ 63,193	**$ 177,276**	$ 117,320
Funds from operations ("FFO")[4]	**22,723**	23,088	25,188	**93,029**	108,887
Net rental income	**27,945**	27,890	31,083	**112,942**	127,575
Comparative properties net operating income ("NOI")[4][5]	**28,906**	30,150	31,039	**120,378**	122,557
Per unit amounts					
FFO (diluted)[4][6]	**$ 0.40**	$ 0.38	$ 0.40	**$ 1.54**	$ 1.70
Distribution rate	**0.25**	0.25	0.25	**1.00**	1.00

			As at
	December 31, 2020	September 30, 2020	December 31, 2019
Financing			
Weighted average face rate of interest on debt (period-end)[7]	**3.56%**	3.60%	3.88%
Interest coverage ratio (times)[4][8]	**3.2**	3.2	2.9
Net total debt-to-adjusted EBITDAFV (years)[4][8]	**8.8**	8.4	7.5
Level of debt (net total debt-to-net total assets)[4]	**41.1%**	39.9%	37.6%
Average term to maturity on debt (years)	**4.1**	4.3	4.7
Available liquidity and unencumbered assets			
Available liquidity[4]	**$ 148,455**	$ 152,534	$ 413,580
Unencumbered assets[4]	**$ 244,792**	$ 292,688	$ 281,274
Capital (period-end)			
Total number of REIT A Units and LP B Units (in millions)[9]	**55.9**	58.0	61.5
Net asset value ("NAV") per unit[4]	**$ 28.69**	$ 28.17	$ 26.70

(1) Total properties excludes properties held for sale and joint ventures that are equity accounted at the end of each period, as applicable.

(2) In millions of square feet.

(3) Total portfolio excludes properties under development, properties held for sale and joint ventures that are equity accounted at the end of each period.

(4) FFO, comparative properties NOI, diluted FFO per unit, interest coverage ratio, net total debt-to-adjusted EBITDAFV, level of debt (net total debt-to-net total assets), available liquidity, unencumbered assets and NAV per unit are non-GAAP measures used by management in evaluating operating and financial performance. Please refer to the section "Non-GAAP Measures" for details of these measures and reconciliations to the nearest comparable GAAP measure.

(5) Current and comparative periods exclude acquired properties, properties sold, properties under development, completed properties under development and joint ventures that are equity accounted as at December 31, 2020. Acquired properties, properties under development and completed properties under development are excluded from comparative properties NOI until they have been operating for two full calendar years.

(6) A description of the determination of diluted amounts per unit can be found in the section "Our Equity" under the heading "Weighted average number of units".

(7) Weighted average face rate of interest on debt is calculated as the weighted average face rate of all interest bearing debt balances excluding debt in joint ventures that are equity accounted.

(8) Interest coverage ratio and net total debt-to-adjusted EBITDAFV as at September 30, 2019 have been restated to conform to current period presentation due to a change in the calculation of EBITDAFV. For further details, please refer to the "Non-GAAP Measures" section under the heading "Earnings before interest, taxes, depreciation, amortization and fair value adjustments ("EBITDAFV")".

(9) Total number of REIT A Units and LP B Units includes 5.2 million LP B Units (or subsidiary redeemable units) which are classified as a liability under IFRS.

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 and the accompanying notes for the year ended December 31, 2020. Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The Canadian dollar is the functional and reporting currency for purposes of preparing the consolidated financial statements.

This management's discussion and analysis ("MD&A") is dated February 18, 2021.

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

- "REIT A Units", meaning the REIT Units, Series A of the Trust;
- "REIT B Units", meaning the REIT Units, Series B of the Trust;
- "REIT Units", meaning the REIT Units, Series A, and REIT Units, Series B, of the Trust;
- "Units", meaning REIT Units, Series A, REIT Units, Series B, and Special Trust Units, collectively; and
- "LP B Units" and "subsidiary redeemable units", meaning the LP Class B, Series 1 limited partnership units of Dream Office LP (a subsidiary of the Trust).

When we use terms such as "we", "us" and "our", we are referring to Dream Office REIT and its subsidiaries.

Certain figures in this document are presented on a comparative portfolio basis. Comparative portfolio figures represent the results and values of investment properties which the Trust has owned in all periods presented. Acquired properties are excluded from comparative portfolio figures until the properties have been owned for two full calendar years. Except as specifically noted, the results of investments that are equity accounted are excluded from disclosures in this document.

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

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

FORWARD-LOOKING DISCLAIMER

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation, including but not limited to statements relating to the Trust's objectives, strategies to achieve those objectives, the Trust's beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth, stability of NOI at our properties, results of operations, performance, business prospects and opportunities, acquisitions or divestitures, tenant base, rent collection, future maintenance and development plans and costs, capital investments, financing, the availability of financing sources, income taxes, vacancy, renewal and leasing assumptions, future leasing costs and lease incentives, litigation and the real estate industry in general (including statements regarding our distributions, redevelopment and intensification plans and timelines, expected capital requirements and cost to complete development projects, anticipated income and yield from properties under development, timing of project completion, the effect of building improvements on tenant experience, tenant retention, our acquisition and leasing pipeline, leasing velocity, property operating costs and rates on future leasing, the effectiveness of the CERS program, the ability of our tenants to qualify for government programs, our expectations regarding parking revenues after the COVID-19 pandemic, the recoverability of capital investments from future tenants, the future composition of our portfolio, future cash flows, debt levels, liquidity and leverage, our ability to meet obligations with current cash and cash equivalents on hand, cash flows generated from operations, net proceeds from investment property dispositions, demand revolving credit facilities and conventional mortgage refinancing, and our future capital requirements and ability to meet those requirements), 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, including foreign exchange rates; employment levels; mortgage and interest rates and regulations; the uncertainties around the timing and amount of future financings; the impact of the COVID-19 pandemic on the Trust; the ability of the Trust and its tenants to access government programs; regulatory risks; environmental risks; consumer confidence; the financial condition of tenants and borrowers; 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 and rental rates on future leases; 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 section “Our Objectives”. 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; costs to complete development activities; NOI from development properties on completion; 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, 2021. 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 available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com. Certain filings are also available on our website at www.dreamofficereit.ca.

OUR OBJECTIVES

We have been and remain committed to:

- Managing our business and assets to provide both yield and growth over the longer term;
- Driving superior risk-adjusted returns and growth in our net asset value by investing in our assets through upgrades, intensification and redevelopment, and selectively disposing of assets with lower long-term return potential;
- Building and maintaining a strong, flexible and resilient balance sheet; and
- Maintaining a REIT status that satisfies the REIT exception under the SIFT legislation.

BUSINESS UPDATE

As at December 31, 2020, the Trust had over $148 million of available liquidity[1], approximately $245 million of unencumbered assets[1] and a level of debt (net total debt-to-net total assets)[1] of 41.1%. During the fourth quarter of 2020, the Trust closed on a mortgage totalling $44.0 million secured by a property in downtown Toronto for a seven-year term at an annual interest rate of 3.17%.

Since March 2020, the COVID-19 pandemic continues to cause significant economic and social disruptions to Canadian residents and businesses. The province of Ontario is currently under its second provincial emergency shutdown under the *Emergency Management and Civil Protection Act*. At this time, we still do not know the duration and extent of the pandemic or shutdown and the impact they may have on the financial performance of the Trust for the next two years and beyond. Since we announced the launch of our strategic plan in 2016, we have transformed Dream Office REIT into a safer, higher quality company. As a result of these initiatives, we believe Dream Office REIT is currently well positioned, with a portfolio of exceptional real estate, primarily located in downtown Toronto, combined with a strong balance sheet and ample liquidity.

Despite COVID-19's disruption to the leasing market, our tenants' abilities to make decisions for their businesses and the stay-at-home order currently in place, the Trust is continuing to manage an active pipeline of renewals and new leases with existing and prospective tenants.

During 2020, the Trust executed leases totalling approximately 500,000 square feet across our portfolio at a weighted average net rent of approximately $29.91 per square foot, or 32.6% higher than the weighted average expiring net rent on the same space. Of that total, approximately 450,000 square feet were leased during the COVID-19 period from April 1, 2020 to the end of the year. The majority of these leases commence in 2021 and 2022. To date, the Trust has already secured commitments for approximately 70%, or just over 600,000 square feet, of 2021 total portfolio lease expiries.

Approximately 2.4% of the Trust's total portfolio is currently sublet, with a weighted average in-place net rent of just over $25 per square foot. This ratio is in-line with the Trust's historical percentages pre-COVID.

The following table summarizes selected operational statistics with respect to the trailing three quarters and the month of January 2021, all presented as a percentage of recurring contractual gross rent as at February 18, 2021:

	Cash Collected*	Deferral arrangements**	25% of rent forgiven under CECRA program	Outstanding***
Q2 2020	96.5%	0.9%	1.3%	1.3%
Q3 2020	97.1%	0.5%	1.3%	1.1%
Q4 2020	97.2%	—%	n/a	2.8%
January 2021	96.9%	—%	n/a	3.1%

* Includes the 50% of recurring contractual gross rent that the Trust received from the government through the CECRA program.

** Deferral arrangements are presented net of subsequently received cash receipts.

*** Outstanding balances in Q4 2020 and January 2021 include balances relating to tenants that may qualify for the CERS program totalling 1.1% and 1.3% of recurring contractual gross rents, respectively.

Our tenant relations team continues to engage and support our tenants through the pandemic so that they can recover quickly with an economically viable business for the long term. We have been educating tenants on government-led relief initiatives and assisting tenants with back to work planning for their employees. In certain instances, the Trust has granted deferrals and rent repayment arrangements to select tenants on a case-by-case basis.

From April to September of 2020, we worked with our tenants to apply for the Canada Emergency Commercial Rent Assistance ("CECRA") program operated jointly by the federal and provincial governments. Under the program, tenants paid 25% of their April to September gross rents, while the Trust forgave 25% and the government reimbursed the Trust for the remaining 50%. Through participation in the CECRA program we were able to help approximately 100 tenants to meet their rental obligations during this difficult time. The Trust has collected substantially all of the 25% rent that the participating tenants owe to the Trust.

On October 9, 2020, the federal government announced the new Canada Emergency Rent Subsidy ("CERS") program, which is currently in effect. Under this new program, eligible tenants would have their rent subsidized based on a sliding scale of up to 65%, with an additional 25% for businesses which were required to shut down as a result of a mandatory public health order. We worked collaboratively with a significant portion of our tenants who qualify for the program and we believe the strong collections in Q4 2020 have been assisted by this program's support for our tenants.

During Q2 2020 and Q3 2020 we agreed to work with certain tenants representing 1.6% and 1.0% of recurring contractual gross rents, respectively, by deferring their gross rent for a period of time to help their business. During Q4 2020, the Trust received payments on outstanding deferral arrangements representing 0.7% and 0.5% of Q2 2020 and Q3 2020 recurring contractual gross rents, respectively. The current weighted average deferral period on current arrangements is approximately five months.

During the three months and year ended December 31, 2020, the Trust has recorded COVID-related provisions totalling approximately $0.8 million and $3.5 million, respectively, which are included in the line item "COVID-related provisions and adjustments" within net rental income. These provision balances represent an estimate of potential credit losses on our trade receivables for all uncollected rent during the three months and year ended December 31, 2020. Partially offsetting the impact of provisions included in "COVID-related provisions and adjustments" is the impact of government programs totalling $0.2 million and $2.0 million, respectively, that the Trust qualified for during the fourth quarter and for the year.

The COVID-19 pandemic and the measures taken to control it have affected the Trust's risk exposure and led to elevated uncertainties in the estimates used in preparing the consolidated financial statements. These risks and uncertainties are detailed in Section VI of this MD&A.

(1) Available liquidity, unencumbered assets and level of debt (net total debt-to-net total assets) are non-GAAP measures used by management in evaluating operating and financial performance. Please refer to the "Non-GAAP Measures" section of the MD&A for a full description of these non-GAAP measures and a reconciliation, where available, to the consolidated financial statements.

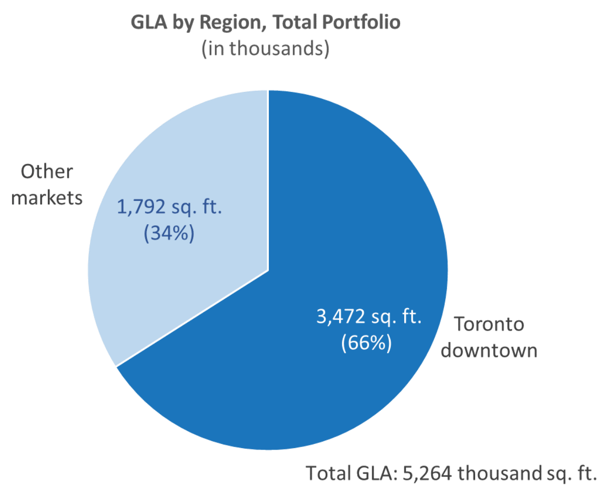
SECTION II

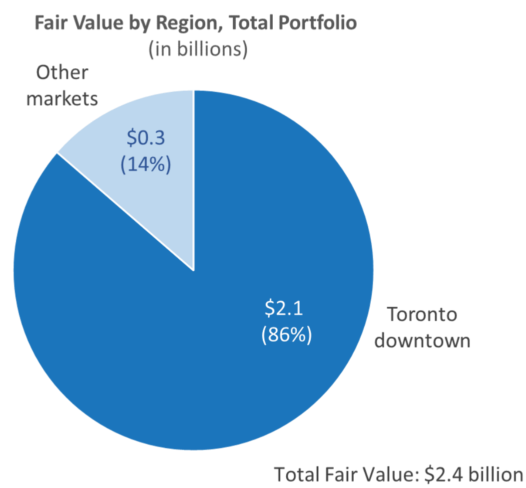
OUR PROPERTIES

At December 31, 2020, our ownership interests included 5.5 million square feet of GLA across 30 properties, which comprise 29 active office properties (5.3 million square feet) and one property under development (0.2 million square feet). In addition, we have a 50% interest in a joint venture arrangement that owns 220 King Street West, Toronto (11,000 square feet at our share). We have excluded this joint venture from all of our metrics throughout the MD&A.

Total portfolio owned gross leasable area and fair value by region

The following pie charts illustrate the Trust's total GLA and the fair value of investment properties by region, excluding an investment property under development and investment in joint ventures as at December 31, 2020.





Top ten tenants

Our external tenant base includes provincial and federal governments as well as a wide range of high-quality large international corporations, including Canada's major banks and small to medium-sized businesses across Canada. With just over 470 tenants and an average tenant size of approximately 10,000 square feet in our portfolio, excluding an investment property under development and investment in joint ventures, our risk exposure to any single large lease or tenant is mitigated.

The following table outlines the contributions to total annualized gross rental revenue of our ten largest external tenants in our properties. Our top ten tenants have a weighted average lease term of 5.1 years.

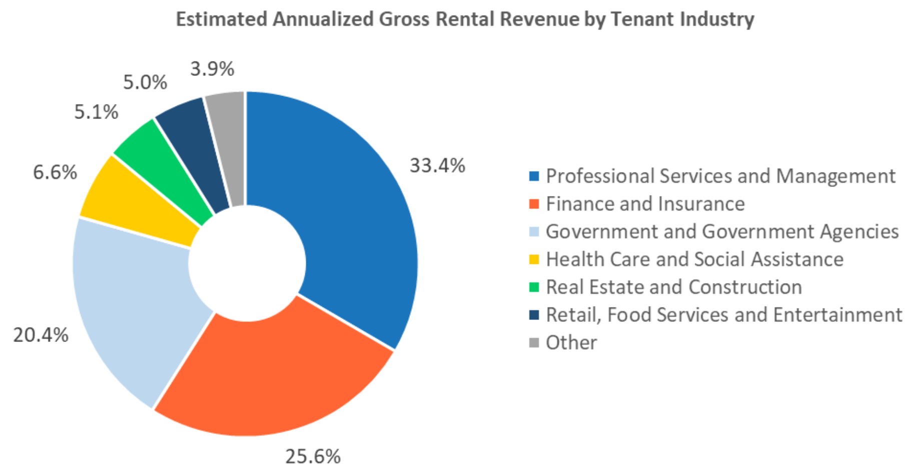
	Tenant	Gross rental revenue (%)	Owned area (thousands of sq. ft.)	Owned area (%)	Credit rating(1)
1	Government of Ontario	11.3	595	11.3	A+/A-1
2	Government of Canada	7.8	344	6.5	AAA/A-1+
3	State Street Trust Company	5.4	219	4.2	AA-/A/A-1+
4	International Financial Data Services	3.2	137	2.6	N/R
5	Medcan Health Management Inc.	2.6	88	1.7	N/R
6	U.S. Bank National Association	2.3	185	3.5	AA-/A-1+
7	WeWork	2.0	65	1.2	CCC+
8	CIBC	1.4	54	1.0	A+/A-1
9	Goodlife Fitness Centre Inc.	1.2	54	1.0	N/R
10	Field Law	1.2	64	1.2	N/R
	Total	38.4	1,805	34.2	

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

N/R – not rated

Our top ten tenants make up more than 38% of gross rental revenue and 50% of our top tenants have credit ratings of A or higher.

The following chart profiles the industries in which our tenants operate based on estimated annualized gross rental revenue. As illustrated in the chart below, the Trust has a diversified and healthy tenant mix.



OUR OPERATIONS

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

Performance indicators	**December 31, 2020**	September 30, 2020	December 31, 2019
Total portfolio(1)			
Occupancy rate – including committed (period-end)	**88.0%**	88.0%	90.8%
Occupancy rate – in-place (period-end)	**85.2%**	87.8%	90.2%
Average in-place and committed net rent per square foot (period-end)	**$ 23.31**	$ 23.15	$ 22.56
WALT (years)	**5.1**	5.1	5.5

(1) Total portfolio excludes properties under development, investment in joint ventures and assets held for sale (as applicable) at the end of each period.

Occupancy

The following table details our in-place and committed occupancy and in-place occupancy rates, by geographical area, excluding properties under development, investments in joint ventures and assets held for sale (as applicable) at December 31, 2020, September 30, 2020 and December 31, 2019. Our in-place and committed occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

	In-place and committed occupancy rate			In-place occupancy rate		
Occupancy rate (percentage)	**December 31, 2020**	September 30, 2020	December 31, 2019	**December 31, 2020**	September 30, 2020	December 31, 2019
Toronto downtown	**95.7**	96.9	97.6	**94.6**	96.7	97.2
Other markets	**73.1**	71.3	77.9	**66.8**	70.8	77.2
Total portfolio(1)	**88.0**	88.0	90.8	**85.2**	87.8	90.2

(1) Total portfolio excludes properties under development, investment in joint ventures and assets held for sale (as applicable) at the end of each period.

Total portfolio in-place occupancy on a quarter-over-quarter basis decreased by 2.6% relative to Q3 2020. In Toronto downtown, 75,000 square feet of negative leasing absorption during the quarter was partially offset by the single tenant taking occupancy at our newly completed 357 Bay Street property in Toronto downtown during the quarter. The Trust currently has commitments for 35,000 square feet of vacant space in the region which will take occupancy during 2021.

In the Other markets region, we had 71,000 square feet of transitory vacancy and early terminations of which 39,000 square feet related to an early termination of a tenant's lease to accommodate a new technology tenant seeking to take early occupancy for a term of over 15 years at rates slightly above market for the property. The Trust has secured leases for a further 74,000 square feet of currently vacant space, of which 55,000 square feet relates to a logistics company for a lease commencing in February 2021 at net rental rates substantially higher than the previous bankrupt tenant in that space, improving the overall tenant profile of that property.

Total portfolio in-place occupancy on a year-over-year basis decreased from 90.2% at Q4 2019 to 85.2% this quarter. The decrease year-over-year was largely due to the same reasons noted above.

During the quarter, our leasing team remained focused on working with prospective tenants and secured an additional 135,000 square feet of lease commitments relative to the prior quarter. At December 31, 2020, vacant space committed for future occupancy approximated 148,000 square feet, bringing our overall total property in-place and committed occupancy to 88.0%. This future committed occupancy is scheduled to take occupancy during 2021.

The following table details the change in total portfolio in-place and committed occupancy for the three months and year ended December 31, 2020:

	Three months ended December 31, 2020			Year ended December 31, 2020		
	Weighted average net rents per sq. ft.	Thousands of sq. ft.	As a percentage of total GLA	Weighted average net rents per sq. ft.	Thousands of sq. ft.	As a percentage of total GLA
Occupancy (in-place and committed) at beginning of period		4,579	88.0%		4,784	90.8%
Vacancy committed for future occupancy		(13)	(0.2%)		(39)	(0.6%)
Occupancy (in-place) at beginning of period		4,566	87.8%		4,745	90.2%
Occupancy related to sold properties		—			(62)	
Occupancy related to completed properties under development	$ 45.00	65		$ 45.00	65	
Remeasurements/reclassifications		(2)			(2)	
Occupancy (in-place) at beginning of period – adjusted		4,629	87.9%		4,746	90.2%
Natural expiries and relocations	$ (18.78)	(283)	(5.4%)	$ (21.75)	(495)	(9.5%)
Early terminations and bankruptcies	(22.95)	(64)	(1.2%)	(14.80)	(131)	(2.5%)
Temporary lease expiries	—	(8)	(0.1%)	(11.23)	(32)	(0.6%)
Temporary leasing	—	—	0.0%	6.33	3	0.1%
New leases	21.54	12	0.2%	25.94	78	1.5%
Renewals and relocations	17.71	198	3.8%	21.87	315	6.0%
Total portfolio occupancy (in-place) at end of period(1)		4,484	85.2%		4,484	85.2%
Vacancy committed for future occupancy(1)		148	2.8%		148	2.8%
Total portfolio occupancy (in-place and committed) at end of period(1)		4,632	88.0%		4,632	88.0%

(1) Excludes properties under development and investment in joint ventures that are equity accounted.

The table below summarizes the total portfolio retention ratio with a comparison between the renewal and relocation rate and expiring rate on retained tenant space for the three months and year ended December 31, 2020.

As a result of the timing of lease executions, the renewal rates shown below were based on commitments signed in previous periods and may not be reflective of the renewal rates on leases executed during the quarter for future occupancy.

	Three months ended December 31, 2020(1)	Year ended December 31, 2020(1)
Tenant retention ratio	70.0%	63.6%
Renewal and relocation rate (per sq. ft.)	$ 17.71	$ 21.87
Expiring rate on retained tenant space (per sq. ft.)	17.37	19.46
Renewal and relocation rate to expiring rate spread (per sq. ft.)	0.34	2.41
Renewal and relocation rate to expiring rate spread (%)	2.0%	12.4%

(1) Excludes properties under development and investments in joint ventures that are equity accounted.

The renewal and relocation to expiring rate spreads for the three months and year ended December 31, 2020 were 2.0% and 12.4% above expiring rates. For the year ended December 31, 2020, positive leasing spreads on renewals in Toronto downtown of 37.8% were offset by negative leasing spreads on renewals of 1.3% in our Other markets region due to some negative leasing spreads on renewals in Saskatchewan within Other markets and a 185,200 square foot renewal near expiring rates at our single tenant property in Kansas, U.S. This U.S. lease includes annual rent steps throughout the term of the lease.

Total portfolio rental rates

Average in-place and committed net rents across our total portfolio increased to $23.31 per square foot at December 31, 2020, compared to $23.15 per square foot at September 30, 2020 and $22.56 per square foot at December 31, 2019.

The overall increase in our total portfolio average in-place and committed net rents on a quarter-over-quarter basis was primarily driven by increases in net rents in Toronto downtown due to rent steps, increases in net rents for new leases and renewals, and the single tenant taking occupancy at our newly completed 357 Bay Street property in Toronto downtown during the quarter at initial net rents of $45.00 per square foot. Increases in Toronto downtown net rents were partially offset by lower rates in the Other markets region as leases expired at rates above the regional average and a new lease for 55,000 square feet of industrial space which was vacant as at September 30, 2020. As net rents on industrial space are lower than office rents, this industrial lease lowered average net rents for the region despite a significant increase in net rents relative to the tenant in place during the prior year.

The increase in total portfolio net rents on a year-over-year basis was primarily due to the same reasons noted above.

The following table details the average in-place and committed net rental rates in our total portfolio as at December 31, 2020, September 30, 2020 and December 31, 2019:

	Average in-place and committed net rent (per sq. ft.)		
	December 31, 2020	September 30, 2020	December 31, 2019
Toronto downtown	**$ 25.85**	$ 25.22	$ 24.63
Other markets	**16.77**	17.70	17.75
Total portfolio[1]	**$ 23.31**	$ 23.15	$ 22.56

(1) Total portfolio excludes properties under development, investment in joint ventures and assets held for sale (as applicable) at the end of each period.

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 do not take into account allowance for increases in future years. The market rents presented in the table below are based on the best available information as at the current period and may vary significantly from period to period as a result of changes in economic conditions, including the effects of the COVID-19 pandemic.

As a result of when leases are executed, there is typically a lag between leasing spreads on current period lease commencements relative to our estimates of the spread between estimated market rents and average in-place and committed net rental rates as at December 31, 2020. During the quarter, estimated market rents increased slightly as 357 Bay Street in Toronto came online at an initial rate of $45.00 per square foot which we believe to be market rent for a building of that calibre.

The following table compares market rents in our total portfolio to the average in-place and committed net rent as at December 31, 2020:

	As at December 31, 2020		
	Market rent[1] (per sq. ft.)	Average in-place and committed net rent (per sq. ft.)	Market rent/ average in-place and committed net rent
Toronto downtown	$ 31.28	$ 25.85	21.0%
Other markets	14.10	16.77	(15.9%)
Total portfolio[2]	$ 26.47	$ 23.31	13.6%

(1) Market rents include office and retail space.

(2) Total portfolio excludes properties under development and investments in joint ventures that are equity accounted.

Total portfolio 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, cash allowances and landlord works. Initial direct leasing costs and lease incentives are dependent upon asset type, location, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions.

Initial direct leasing costs shown in the table below include costs attributable to leases that commenced in the respective periods. Due to the timing of the signing of lease agreements, certain costs, such as broker commissions, may be incurred in advance of the lease commencement.

For the three months and year ended December 31, 2020, our total portfolio average initial direct leasing costs and lease incentives, excluding leasing costs associated with the property previously under development that came online during the quarter, were $5.21 and $5.00 per square foot per year, respectively, representing increases of $3.80 and $1.56 per square foot per year over the prior year comparative periods, respectively. The increase in leasing costs was primarily driven by leasing costs provided to tenants in our Other markets region, where leasing costs remain elevated due to the challenging leasing conditions in that particular region, while the higher demand for space in Toronto downtown resulted in relatively lower leasing costs offered to tenants over the same period.

	Three months ended December 31,		Year ended December 31,	
Performance indicators	**2020[(1)]**	2019[(1)]	**2020[(1)]**	2019[(1)]
Leases that commenced during the period				
Thousands of square feet	**210**	156	**393**	896
Average lease term (years)	**5.7**	6.7	**5.7**	5.4
Initial direct leasing costs and lease incentives				
In thousands of dollars	**$ 6,178**	$ 1,467	**$ 11,103**	$ 16,709
Per square foot	**29.42**	9.40	**28.25**	18.65
Per square foot per year	**5.21**	1.41	**5.00**	3.44

(1) Current and comparative periods exclude temporary leases. Total portfolio excludes properties under development, investment in joint ventures that are equity accounted and assets held for sale (as applicable) at the end of each period.

On completion of our redevelopment project at 357 Bay Street in Toronto downtown during the quarter, a single tenant took occupancy of the entire building. Included in the total development cost for the project was $10.8 million in leasing costs for this building to support our tenant's vision to fit out their space that complemented our strategy in transforming 357 Bay Street into a best-in-class boutique office property.

Total portfolio lease maturity profile, lease commitments and expiring net rental rates

The following table details our in-place lease maturity profile, lease commitments and expiring net rental rates by geographical region and by year, excluding a property under development and investments in joint ventures that are equity accounted as at December 31, 2020.

(in thousands of square feet)	Temporary leases	2021	2022	2023	2024	2025	2026+
Toronto downtown							
Expiries	(13)	(744)	(677)	(518)	(230)	(317)	(786)
Expiring net rents at maturity	$ 21.00	$ 23.55	$ 26.11	$ 26.75	$ 27.67	$ 27.78	$ 29.82
Commencements	n/a	447	251	233	—	1	42
Commencements as a percentage of expiries	n/a	60%	37%	45%	—	—	5%
Other markets							
Expiries	(24)	(138)	(63)	(54)	(88)	(250)	(579)
Expiring net rents at maturity	$ 1.27	$ 17.66	$ 20.40	$ 18.72	$ 22.88	$ 17.88	$ 18.53
Commencements	n/a	162	20	—	—	—	—
Commencements as a percentage of expiries	n/a	117%	32%	—	—	—	—
Total portfolio							
Expiries	(37)	(882)	(740)	(572)	(318)	(567)	(1,365)
Expiring net rents at maturity	$ 8.17	$ 22.63	$ 25.63	$ 26.00	$ 26.34	$ 23.42	$ 25.04
Commencements	n/a	609	271	233	—	1	42
Commencements as a percentage of expiries	n/a	69%	37%	41%	—	—	3%

n/a – not applicable

Due to the timing of when leases are executed, there may be a lag between changes in market rents and the commencement of leases negotiated at market rents. Committed net rents on commencements in 2021 are $24.10 per square foot in Toronto downtown and $13.27 per square foot in Other markets. In Toronto downtown, the average committed net rents include approximately 248,000 square feet relating to the exercise of a legacy renewal option at an in-place rate of $19.50 per square foot and a government lease totalling approximately 72,000 square feet which commences at $23.28 per square foot but increases to approximately $40.00 per square foot in 2023. Options for tenants to renew at expiring rates are minimal in the Trust's portfolio and are not consistent with the Trust's current leasing practices. Excluding the effects of these two tenants, Toronto downtown net rents on commencements are $33.17 per square foot for 2021. In Toronto downtown, the committed net rents on commencements for 2022 are $32.42 per square foot.

Net rental income

Net rental income is defined by the Trust as total investment property revenue less investment property operating expenses plus property management and other service fees. Property management and other service fees comprise property management fees earned from properties owned by Dream Asset Management Corporation ("DAM") and properties owned by or co-owned with Dream Impact Trust (formerly Dream Hard Asset Alternatives Trust), and fees earned from managing tenant construction projects and other tenant services. Fees earned from managing tenant construction projects and tenant services are not necessarily of a recurring nature and the amounts may vary year-over-year and quarter-over-quarter.

For a detailed discussion about investment properties revenue and expenses for the three months and year ended December 31, 2020, refer to the "Our Results of Operations" section.

Comparative properties NOI (year-over-year comparison)

Comparative properties NOI is a non-GAAP measure used by management in evaluating the performance of properties owned by the Trust in the current and comparative periods presented. When the Trust compares comparative properties NOI on a year-over-year basis for the three months and years ended December 31, 2020 and December 31, 2019, the Trust excludes investment properties acquired and properties under development completed subsequent to January 1, 2019, assets held for sale or properties sold as at or prior to the current period. Comparative properties NOI also excludes lease termination fees; one-time property adjustments, if any; bad debt expenses; NOI from properties under development; investment in joint ventures; property management and other service fees; straight-line rent; and amortization of lease incentives. This measure is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

	Three months ended					
	December 31, 2020	December 31, 2019	Change Amount	Change %	Change in weighted average occupancy %	Change in in-place net rents %
Toronto downtown	**$ 23,544**	$ 23,974	$ (430)	(1.8)	(1.9)	2.8
Other markets	**5,362**	7,065	(1,703)	(24.1)	(8.5)	(1.1)
Comparative properties NOI	**28,906**	31,039	(2,133)	(6.9)	(4.2)	2.5
6 Adelaide Street East, Toronto downtown(1)	**287**	364	(77)			
357 Bay Street, Toronto downtown(2)	**468**	(170)	638			
Property under development	**241**	243	(2)			
Property management and other service fees	**645**	593	52			
Lease termination fees and other	**570**	629	(59)			
COVID-related provisions and adjustments	**(564)**	—	(564)			
Straight-line rent	**(113)**	(429)	316			
Amortization of lease incentives(3)	**(2,536)**	(3,695)	1,159			
Sold properties(4)	**41**	2,509	(2,468)			
Net rental income from continuing operations	**$ 27,945**	$ 31,083	$ (3,138)			
Net rental income (loss) from discontinued operations(5)	**$ 36**	$ (26)	$ 62			

(1) Acquired on September 12, 2019.

(2) This property was reclassified from properties under development upon completion of the development project during Q4 2020 with the exclusive tenant lease commencement on November 1, 2020.

(3) For the three months ended December 31, 2020 and December 31, 2019, amortization of lease incentives included $(153) and $(192), respectively, related to acquired, held for sale and sold properties, a property under development and a completed property under development, as applicable.

(4) For the three months ended December 31, 2020, NOI from sold properties comprises post-closing adjustments for properties sold in current and prior periods.

(5) Net rental income (loss) from discontinued operations comprises the net rental income (loss) from the previously segmented Ottawa and Montréal region.

		Year ended				Change in weighted average occupancy %	Change in in-place net rents %
	December 31, 2020	December 31, 2019	Amount	Change %			
Toronto downtown	**$ 95,644**	$ 95,650	$ (6)	0.0		(0.9)	2.9
Other markets	**24,734**	26,907	(2,173)	(8.1)		(2.7)	(0.5)
Comparative properties NOI	**120,378**	122,557	(2,179)	(1.8)		(1.5)	2.3
6 Adelaide Street East, Toronto downtown(1)	**1,536**	439	1,097				
357 Bay Street, Toronto downtown(2)	**(279)**	(742)	463				
Property under development	**1,096**	1,025	71				
Property management and other service fees	**1,848**	2,510	(662)				
Lease termination fees and other	**920**	1,288	(368)				
COVID-related provisions and adjustments	**(1,472)**	—	(1,472)				
Straight-line rent	**(397)**	(369)	(28)				
Amortization of lease incentives(3)	**(11,568)**	(12,453)	885				
Sold properties(4)	**880**	13,320	(12,440)				
Net rental income from continuing operations	**$ 112,942**	$ 127,575	$ (14,633)				
Net rental income from discontinued operations(5)	**$ 28**	$ 10,874	$ (10,846)				

(1) Acquired on September 12, 2019.

(2) This property was reclassified from properties under development upon completion of the development project during Q4 2020 with the exclusive tenant lease commencement on November 1, 2020.

(3) For the years ended December 31, 2020 and December 31, 2019, amortization of lease incentives included $(413) and $(1,084), respectively, related to acquired, held for sale and sold properties, a property under development and a completed property under development, as applicable.

(4) For the year ended December 31, 2020, NOI from sold properties comprises post-closing adjustments for properties sold in current and prior periods.

(5) Net rental income from discontinued operations comprises the net rental income from the previously segmented Ottawa and Montréal region.

For the three months ended December 31, 2020, comparative properties NOI decreased by 6.9%, or $2.1 million, over the prior year comparative quarter, primarily driven by lower transient parking revenues of $0.9 million across the portfolio as a result of city lockdown restrictions and lower weighted average occupancy, primarily as a result of transitory vacancy. We expect parking revenues to improve when lockdown restrictions are lifted and traffic to our properties improves. Partially offsetting the declines were higher in-place net rents in Toronto downtown.

Toronto downtown saw a decrease in comparative properties NOI of $0.4 million, or 1.8%, over the prior year comparative quarter primarily due to lower transient parking revenues. Excluding the effect of lost revenue from parking lot closures, comparative properties NOI for Toronto downtown increased by 0.4%, primarily driven by higher net rental rates.

Other markets experienced a decrease in comparative properties NOI of $1.7 million, or 24.1%, over the prior year comparative quarter. In Other markets, we had 169,000 square feet of transitory vacancy and early terminations of which 39,000 square feet was the previously mentioned early termination during the quarter to accommodate a new technology tenant requesting to take early occupancy for a term of over 15 years at Saskatoon Square and a 55,000 square foot industrial tenant bankruptcy at the Eglinton and Birchmount property. However, we have subsequently leased this industrial space to a logistics company at net rental rates substantially higher than the previous bankrupt tenant, improving the overall tenant profile of that property. Excluding the effect of parking lot closures, comparative properties NOI for Other markets decreased by $1.4 million, or 23.2%, over the prior year comparative quarter.

For the year ended December 31, 2020, comparative properties NOI decreased by 1.8%, or $2.2 million, over the prior year, primarily driven by lower transient parking revenues of $2.5 million across the portfolio as a result of city lockdown restrictions and lower weighted average occupancy in Other markets, partially offset by higher weighted average net rental rates in Toronto downtown. Excluding the effect of lost revenues from parking lot closures, Toronto downtown comparative properties NOI for the year ended December 31, 2020 would have increased by 1.8%, primarily driven by renewals and new leasing totalling 104,000 square feet taking occupancy during the year, with rental increases of 43.0% due to spreads of 37.8% on renewals and 52.9% for new leases relative to the expiring rates for the previous tenants. In Other markets, comparative properties NOI decreased by 8.1%, primarily due to the same reasons noted above. Excluding the effect of lost revenue from parking lot closures, the year-over-year reduction in comparative properties NOI in Other markets would have improved to a decline of 5.8%.

During the quarter, the Trust marked the completion of the redevelopment project and commencement of the exclusive lease at 357 Bay Street in Toronto downtown. The lease term is for a period of 15 years starting at $45 net rent per square foot. As income has begun stabilization, the property was reclassified to completed properties under development. After a period of two calendar years has passed, the property will be reclassified to comparative properties.

The remaining property under development is 1900 Sherwood Place in Regina. The redevelopment project to revitalize this property commenced in Q3 2018 and we are nearing completion with the tenant at this property beginning to take partial occupancy. NOI at this property under development is expected to stabilize upon final completion of the development project, at which time the tenant will take full occupancy in the latter half of 2021.

For the three months ended December 31, 2020, property management and other service fees remained stable at $0.6 million, relative to the prior year comparative quarter. For the year ended December 31, 2020, property management and other service fees decreased by $0.7 million primarily due to reduced construction activity as a result of city lockdown restrictions on and off throughout the current year.

Lease termination fees and other are not necessarily of a recurring nature and the amounts may vary year-over-year. For the three months and year ended December 31, 2020, lease termination fees and other amounted to income of $0.6 million and $0.9 million, respectively.

Included in COVID-related provisions and adjustments for the quarter are provisions for outstanding and deferred accounts receivable totalling $0.8 million, partially offset by the effect of government subsidy programs totalling $0.2 million. For the year ended December 31, 2020, COVID-related provisions and adjustments included provisions for outstanding and deferred accounts receivable and CECRA program related losses totalling $3.5 million, partially offset by the effect of government subsidy programs totalling $2.0 million.

Comparative properties NOI (quarter-over-quarter comparison)

When the Trust compares comparative properties NOI, as defined above, on a quarter-over-quarter basis for the three months ended December 31, 2020 and September 30, 2020, the Trust excludes investment properties acquired and properties under development completed after January 1, 2019, assets held for sale or properties disposed of as at or prior to the current period, and the other exclusions outlined above.

	Three months ended				Change in	Change in
	December 31, 2020	September 30, 2020	Amount	Change %	weighted average occupancy %	in-place net rents %
Toronto downtown	**$ 23,544**	$ 24,083	$ (539)	(2.2)	(1.4)	(0.3)
Other markets	**5,362**	6,067	(705)	(11.6)	(4.0)	(1.8)
Comparative properties NOI	**28,906**	30,150	(1,244)	(4.1)	(2.3)	(0.4)
6 Adelaide Street East, Toronto downtown(1)	**287**	442	(155)			
357 Bay Street, Toronto downtown(2)	**468**	(207)	675			
Property under development	**241**	218	23			
Property management and other service fees	**645**	396	249			
Lease termination fees and other	**570**	354	216			
COVID-related provisions and adjustments	**(564)**	(572)	8			
Straight-line rent	**(113)**	(112)	(1)			
Amortization of lease incentives(3)	**(2,536)**	(3,031)	495			
Sold properties(4)	**41**	252	(211)			
Net rental income from continuing operations	**$ 27,945**	$ 27,890	$ 55			
Net rental income from discontinued operations(5)	**$ 36**	$ 5	$ 31			

(1) Acquired on September 12, 2019.

(2) This property was reclassified from properties under development upon completion of the development project during Q4 2020 with the exclusive tenant lease commencement on November 1, 2020.

(3) For the three months ended December 31, 2020 and September 30, 2020, amortization of lease incentives included $(153) and $(86), respectively, related to acquired, held for sale and sold properties, a property under development and a completed property under development, as applicable.

(4) For the three months ended December 31, 2020, NOI from sold properties comprises post-closing adjustments for properties sold in current and prior periods.

(5) Net rental income from discontinued operations comprises the net rental income from the previously segmented Ottawa and Montréal region.

For the three months ended December 31, 2020, comparative properties NOI decreased by 4.1%, or $1.2 million, when compared with the prior quarter, predominately driven by lower weighted average in-place occupancy in Other markets. In particular, at Saskatoon Square, there was a previously mentioned 39,000 square foot early termination to accommodate a new technology tenant requesting to take early occupancy, partially offset by 8,900 square feet of new leases taking occupancy during the quarter. Toronto downtown saw a decrease in comparative properties NOI of $0.5 million, or 2.2%, over the prior quarter primarily due to lower transient parking with the second city lockdown restrictions and lower weighted average occupancy.

OUR RESULTS OF OPERATIONS

Consolidated statement of comprehensive income

(in thousands of Canadian dollars)	Three months ended December 31, 2020	2019	Year ended December 31, 2020	2019
Investment properties revenue	**$ 51,821**	$ 56,990	**$ 206,585**	$ 229,018
Investment properties operating expenses	**(23,876)**	(25,907)	**(93,643)**	(101,443)
Net rental income	**27,945**	31,083	**112,942**	127,575
Other income				
Net income from investment in Dream Industrial REIT	**18,999**	25,419	**36,985**	56,078
Share of net loss from investment in joint ventures	**(401)**	(126)	**(197)**	(641)
Interest and other income	**444**	473	**2,312**	2,056
	19,042	25,766	**39,100**	57,493
Other expenses				
General and administrative	**(1,981)**	(2,558)	**(9,757)**	(10,846)
Interest:				
Debt	**(10,856)**	(12,235)	**(43,089)**	(50,561)
Subsidiary redeemable units	**(1,309)**	(1,309)	**(5,234)**	(5,234)
Amortization and write-off of intangible assets and depreciation on property and equipment	**(802)**	(597)	**(1,927)**	(1,891)
	(14,948)	(16,699)	**(60,007)**	(68,532)
Fair value adjustments, internal leasing costs and net gain (loss) on transactions				
Fair value adjustments to investment properties	**(6,159)**	33,707	**17,997**	68,201
Fair value adjustments to financial instruments	**(10,205)**	(9,548)	**65,855**	(55,162)
Internal leasing costs and net gain (loss) on transactions	**(1,104)**	(709)	**56**	(3,203)
	(17,468)	23,450	**83,908**	9,836
Income before income taxes and discontinued operations	**14,571**	63,600	**175,943**	126,372
Current and deferred income taxes recovery (expense), net	**944**	(149)	**1,307**	(486)
Income from continuing operations, net of taxes	**15,515**	63,451	**177,250**	125,886
Income (loss) from discontinued operations	**36**	(258)	**26**	(8,566)
Net income for the period	**15,551**	63,193	**177,276**	117,320
Other comprehensive income (loss)	**(2,244)**	(1,058)	**3,140**	(2,705)
Comprehensive income for the period	**$ 13,307**	$ 62,135	**$ 180,416**	$ 114,615

Investment properties revenue

Investment properties revenue includes base rent from investment properties, recovery of operating costs and property taxes from tenants, parking services revenue, the impact of straight-line rent adjustments, lease termination fees and other adjustments as well as fees earned from property management and other services, including leasing and construction. Leasing, construction and lease termination fees, and other adjustments are not necessarily of a recurring nature and the amounts may vary year-over-year.

Investment properties revenue for the quarter was $51.8 million, compared to $57.0 million in the prior year comparative quarter. For the year ended December 31, 2020, investment properties revenue was $206.6 million, compared to $229.0 million in the prior year. Overall, the decrease over the prior year comparative periods was primarily due to lower transient parking revenues as a result of parking lot closures from city lockdown restrictions across our portfolio, COVID-related provisions net of the effect of government programs and asset sales during the prior year. Partially offsetting the year-over-year decrease was the full year rental revenue pick-up on a Toronto downtown property acquired in September 2019 and the lease commencement at 357 Bay Street in Toronto on completion of the development project at that property during the quarter.

Investment properties operating expenses

Investment properties operating expenses comprise operating costs and property taxes as well as certain expenses that are not recoverable from tenants. Operating expenses fluctuate with changes in occupancy levels, expenses that are seasonal in nature, and the level of repairs and maintenance incurred in any given period.

Investment properties operating expenses for the quarter were $23.9 million, compared to $25.9 million in the prior year comparative quarter. For the year ended December 31, 2020, investment property operating expenses were $93.6 million, compared to $101.4 million in the prior year. Overall, the decrease in investment properties operating expenses over the prior year comparative periods was mainly driven by properties sold during 2019, partially offset by the full year effect of expenses incurred for a property acquired in Q3 2019 and COVID-related provisions and adjustments.

Net income from investment in Dream Industrial REIT

Net income from our investment in Dream Industrial Real Estate Investment Trust ("Dream Industrial REIT") includes our share of the entity's net rental income, other revenue and expenses, fair value adjustments to investment properties and other items and income from discontinued operations, net of taxes, net of adjustments related to our ownership of Dream Industrial REIT's subsidiary redeemable units. Net income from our investment in Dream Industrial REIT is not necessarily of a recurring nature and the amounts may vary year-over-year due to fluctuations in net income of Dream Industrial REIT and changes in our ownership levels. Included in net income from our investment in Dream Industrial REIT are transactional gains or losses on the sale of Dream Industrial REIT units.

The following table summarizes net income from investment in Dream Industrial REIT:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	**2020**	2019
Share of income	**$ 19,002**	$ 20,577	**$ 33,902**	$ 51,304
Net dilution gain (loss)	**(3)**	4,842	**4,331**	4,774
Loss on the sale of Dream Industrial REIT units	**—**	—	**(1,248)**	—
Net income from investment in Dream Industrial REIT	**$ 18,999**	$ 25,419	**$ 36,985**	$ 56,078

The decrease of $1.6 million and $17.4 million in share of income over the prior year comparative periods, respectively, was primarily due to the effect of relative ownership levels resulting from the Trust's sale of 1,125,250 Dream Industrial REIT units in Q3 2020 and timing of equity deployment by Dream Industrial REIT, partially offset by Dream Industrial REIT's net rental income growth from acquisitions and fair value gains on investment properties during the current year.

On September 28, 2020, the Trust sold 1,125,250 Dream Industrial REIT units for net proceeds of $12.2 million. As a result of this sale, the Trust recorded a loss totalling $1.2 million for the difference between the net proceeds and carrying value of the investment. The proceeds of this sale were used to repurchase the Trust's REIT A Units under the NCIB.

Share of net loss from investment in joint ventures

Our investment in joint ventures includes the Trust's 50% interest in a partnership that acquired 220 King Street West in Toronto during Q3 2019 and the Trust's investment in Alate Partners, an investment company focused on the property technology market in which we have invested jointly with DAM. The Trust and DAM each hold a 25% interest in Alate Partners.

For the three months and year ended December 31, 2020, share of net loss from investment in joint ventures amounted to $0.4 million and $0.2 million, respectively, and mainly comprises fair value adjustments, general and administrative expenses and interest on debt, partially offset by net rental income from 220 King Street West. Also affecting the results for the year ended December 31, 2020 was a $0.4 million gain in the Alate Partners investment during Q2 2020.

Interest and other income

Interest and other income mainly comprises interest earned on vendor takeback mortgage ("VTB mortgage") receivables and a construction loan facility committed as part of the sale of a property in 2018, cash on hand and miscellaneous income. The interest earned on cash on hand and miscellaneous income are not necessarily of a recurring nature and may vary year-over-year depending on the amount of cash on hand and miscellaneous income at any given period.

For the three months ended December 31, 2020, interest and other income was $0.4 million, compared to $0.5 million over the prior year comparative quarter. For the year ended December 31, 2020, interest and other income was $2.3 million, compared to $2.1 million in the prior year. The $0.2 million increase over the prior year was largely due to interest income earned on higher cash balances on hand during Q1 2020.

General and administrative expenses

The following table summarizes the nature of expenses included in general and administrative ("G&A") expenses:

	Three months ended December 31,				Year ended December 31,			
		2020		2019		**2020**		2019
Salaries and benefits	**$**	**(722)**	$	(825)	**$**	**(3,577)**	$	(3,353)
Deferred compensation expense		**(457)**		(671)		**(2,371)**		(2,736)
Professional services fees, public reporting, overhead-related costs and other		**(802)**		(1,062)		**(3,809)**		(4,757)
General and administrative expenses	**$**	**(1,981)**	$	(2,558)	**$**	**(9,757)**	$	(10,846)

For the three months and year ended December 31, 2020, G&A expenses were $2.0 million and $9.8 million, respectively, a decrease of $0.6 million and $1.1 million over the respective prior year comparative periods, mainly attributable to a decrease in deferred compensation expense resulting from a lower unit price relative to the prior year and lower overhead-related costs.

Interest expense – debt

Interest expense on debt for the quarter was $10.9 million, compared to $12.2 million in the prior year comparative quarter. For the year ended December 31, 2020, interest expense on debt was $43.1 million, compared to $50.6 million in the prior year.

Overall, the decrease in interest expense on debt over the prior year comparative periods was mainly due to the discharge of debt related to sold properties in the prior year, the discharge of maturing debts (including the remaining $150 million Series C Debentures) during the current year and overall lower borrowing rates on the demand revolving credit facilities, partially offset by higher drawings on the demand revolving credit facilities.

Interest expense – subsidiary redeemable units

The interest expense on subsidiary redeemable units represents distributions paid and payable on the 5.2 million subsidiary redeemable units owned by DAM.

Interest expense on subsidiary redeemable units for the three months and year ended December 31, 2020 was $1.3 million and $5.2 million, respectively, and remained consistent with the prior year comparative periods as the distribution rate and DAM's ownership of the subsidiary redeemable units remained unchanged.

Amortization of intangible assets and depreciation on property and equipment

Amortization of intangible assets and depreciation on property and equipment expense for the three months and year ended December 31, 2020 was $0.8 million and $1.9 million, respectively, and increased over the prior year comparative periods, primarily due to a write-down during the current quarter of intangible assets ascribed to property management contracts assumed on the Whiterock business acquisition.

Fair value adjustments to investment properties

Refer to the heading "Fair value adjustments to investment properties" in the section "Investment Properties" for a discussion of fair value adjustments to investment properties for the three months and year ended December 31, 2020.

Fair value adjustments to financial instruments

Fair value adjustments to financial instruments include remeasurements of the carrying value of subsidiary redeemable units and deferred trust units which are carried as a liability under IFRS. The fair value adjustments to financial instruments are dependent on the change in the Trust's REIT A Unit trading price and the adjustments may vary significantly year-over-year as the liabilities are marked to the closing price for the REIT A Units.

For the three months and year ended December 31, 2020, the Trust recorded a fair value loss of $10.2 million and a fair value gain of $65.9 million, respectively, due to the remeasurement of the carrying value of subsidiary redeemable units and deferred trust units during the respective periods as a result of changes in the Trust's unit price.

Internal leasing costs and net gain (loss) on transactions

The following table summarizes the nature of expenses included in internal leasing costs and net gain (loss) on transactions:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	**2020**	2019
Internal leasing costs	**$ (728)**	$ (500)	**$ (1,821)**	$ (2,188)
Recovery (costs) attributable to sale of investment properties[1]	**(376)**	(209)	**1,878**	(654)
Debt settlement costs, net[2]	**—**	—	**(1)**	(361)
Internal leasing costs and net gain (loss) on transactions	**$ (1,104)**	$ (709)	**$ 56**	$ (3,203)

(1) Recovery (costs) attributable to sale of investment properties consist of recoveries, transaction costs, commissions and other expenses incurred in relation to the disposal of investment properties.

(2) Net debt settlement costs comprise charges on discharge of mortgages and the write-off of associated financing costs.

For the year ended December 31, 2020, recoveries attributable to the sale of investment properties were primarily due to the final settlement of post-close balances from various properties and the release of an escrow held back on the sale of an investment property during 2017.

Current and deferred income taxes recovery (expense), net

Current and deferred income taxes are not necessarily of a recurring nature and the amounts may vary from period-to-period due to changes in tax legislation and the performance of our U.S. subsidiary.

For the three months and year ended December 31, 2020, net current and deferred income taxes recovery was $0.9 million and $1.3 million, respectively. For the year ended December 31, 2020, the Trust recognized a current tax recovery stemming from the introduction of the *U.S. Coronavirus Aid, Relief, and Economic Security Act* and a deferred income tax recovery relating to our sole investment property in the U.S.

Income (loss) from discontinued operations

Income (loss) from discontinued operations comprises income (loss) from our investment properties previously included in the Ottawa and Montréal region. For the three months and year ended December 31, 2020, the Trust generated a nominal income from discontinued operations. The income in the current quarter and year mainly comprises post-closing adjustments for the properties sold in a prior period.

Other comprehensive income (loss)

Other comprehensive income (loss) is not necessarily of a recurring nature and the amounts may vary from period-to-period primarily due to changes in exchange rates. Other comprehensive income (loss) comprises amortization of an unrealized gain on an interest rate swap, unrealized foreign currency translation gain (loss) related to the investment property located in the U.S., the Trust's share of Dream Industrial REIT's other comprehensive income (loss) and share of other comprehensive income (loss) from an investment in a joint venture.

For the three months and year ended December 31, 2020, other comprehensive loss amounted to $2.2 million and other comprehensive income amounted to $3.1 million, respectively. The changes in other comprehensive income (loss) for the respective periods were primarily driven by fluctuations in our share of other comprehensive income from our investment in Dream Industrial REIT as a result of foreign currency translation adjustments and a loss on hedging arrangements during Q4 2020.

Funds from operations ("FFO")

Management believes FFO (including diluted FFO per unit) 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 flows generated from (utilized in) operating activities, as defined by IFRS, is not necessarily indicative of cash available to fund Dream Office REIT's needs and may not be comparable with similar measures presented by other income trusts. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", FFO has been reconciled to net income in the "Non-GAAP Measures" section under the heading "Funds from operations ("FFO")".

The following table summarizes FFO and diluted FFO per unit.

	Three months ended			Year ended	
	December 31, 2020	September 30, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
FFO for the period	**$ 22,723**	$ 23,088	$ 25,188	**$ 93,029**	$ 108,887
Diluted weighted average number of units(1)	**57,390**	60,611	62,388	**60,460**	63,878
FFO per unit – diluted	**$ 0.40**	$ 0.38	$ 0.40	**$ 1.54**	$ 1.70

(1) Diluted weighted average number of units includes the weighted average of all REIT A Units, LP B Units, vested but unissued and unvested deferred trust units and associated income deferred trust units.

Diluted FFO per unit increased over the prior quarter mainly due to accretive unit repurchases net of asset disposition (+$0.03) and the lease commencement at our completed property under development (357 Bay Street in Toronto) (+$0.01), partially offset by lower comparative properties NOI and the net impact of COVID-related provisions and adjustments on our results (-$0.02).

For the three months ended December 31, 2020, diluted FFO per unit was flat year-over-year as the effects of the lease commencement at our completed property under development (357 Bay Street in Toronto) (+$0.01), and savings on general and administrative expenses, interest savings on lower borrowing costs and other items (+$0.04) were offset by lower comparative properties NOI, the net impact of COVID-related provisions and adjustments during the current year (-$0.05).

For the year ended December 31, 2020, diluted FFO decreased year-over-year mainly due to the effect of asset sales (net of unit buybacks and debt reduction) (-$0.10), lower comparative properties NOI and the net impact of COVID-related provisions and adjustments on our results (-$0.06) and a lower share of FFO from our investment in Dream Industrial REIT (-$0.03), partially offset by a full year income pick-up from a property acquired in 2019 and the lease commencement at our completed property under development (357 Bay Street in Toronto) (+$0.03).

Related party transactions

From time to time, Dream Office REIT and its subsidiaries enter into transactions with related parties that are generally conducted on a cost recovery basis or under normal commercial terms.

On May 15, 2019, the Trust entered into a shared services agreement (the "New Shared Services Agreement") with Dream Asset Management Corporation ("DAM"), a subsidiary of Dream Unlimited Corp., which replaced the existing Management Services Agreement, Shared Services and Cost Sharing Agreement and Administrative Services Agreement (the "Existing Agreements"). As a result of the termination of the Existing Agreements, any incentive fees that may have been payable to DAM in the future under the Management Services Agreement were eliminated. Under the New Shared Services Agreement, the Trust acts as the property manager for DAM's income properties in Canada and DAM acts as the development manager for the Trust's future development projects. In order to take advantage of economies of scale, the New Shared Services Agreement maintains certain resource-sharing arrangements between the Trust and DAM, such as information technology, human resources and insurance, among other services as requested, on a cost allocation basis.

Under the New Shared Services Agreement, in connection with each development project, DAM earns a development fee equal to 3.75% of the total net revenues of the development or, for rental properties, 3.75% of the fair value upon completion, without any promote or other incentive fees. In connection with the property management services provided by the Trust to DAM, the Trust generally earns a fee equal to 3.5% of gross revenue of the managed income properties.

Effective November 5, 2020, Deborah Starkman has resigned as a trustee of Dream Office REIT as a result of accepting her position as the Chief Financial Officer of Dream Unlimited Corp.

Related party transactions with DAM

The following is a summary of costs processed by DAM and the Trust for the three months and years ended December 31, 2020 and December 31, 2019:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	**2020**	2019
Property management services fee charged by the Trust	**$ 73**	$ 59	**$ 225**	$ 221
Costs processed by the Trust on behalf of DAM (cost recovery)	**2,284**	1,900	**8,595**	7,064
Development fees charged by DAM[1]	**(588)**	(589)	**(2,353)**	(1,473)
Costs processed by DAM on behalf of the Trust (cost recovery)	**(329)**	(313)	**(1,580)**	(1,897)
Net fees and reimbursements from DAM	**$ 1,440**	$ 1,057	**$ 4,887**	$ 3,915

(1) Development fees charged by DAM became effective May 15, 2019.

For the three months and year ended December 31, 2020, total distributions and subsidiary redeemable interest paid and payable to DAM were $4.4 million and $17.5 million, respectively (for the three months and year ended December 31, 2019 – $3.9 million and $14.8 million, respectively).

Related party transactions with Dream Impact Trust

Dream Office Management Corp. ("DOMC") provides property management services to an investment property co-owned with Dream Impact Trust, which is accounted for as a joint operation.

DOMC and Dream Impact Trust are parties to a Services Agreement, in which the Trust provides certain services to Dream Impact Trust on a cost recovery basis.

The following is a summary of the amounts that were charged to Dream Impact Trust (formerly Dream Hard Asset Alternatives Trust) for the three months and years ended December 31, 2020 and December 31, 2019:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	**2020**	2019
Property management and construction fees related to co-owned properties	**$ 296**	$ 322	**$ 990**	$ 1,130
Costs processed on behalf of Dream Impact Trust related to co-owned properties	**249**	444	**1,055**	1,647
Amounts charged to Dream Impact Trust under the Services Agreement	**83**	83	**332**	366
Total cost recoveries from Dream Impact Trust	**$ 628**	$ 849	**$ 2,377**	$ 3,143

Related party transactions with Dream Industrial REIT

DOMC and Dream Industrial REIT are parties to a Services Agreement, pursuant to 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 years ended December 31, 2020 and December 31, 2019:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	**2020**	2019
Total cost recoveries from Dream Industrial REIT	**$ 2,333**	$ 996	**$ 6,169**	$ 4,037

SECTION III

INVESTMENT PROPERTIES

Investment properties continuity

Changes in the value of our investment properties by region, excluding an investment property owned through a joint venture that is equity accounted, for the three months and year ended December 31, 2020 are summarized in the following tables:

Three months ended	September 30, 2020	Building improvements, initial direct leasing costs and lease incentives(1)	Fair value adjustments	Amortization of lease incentives, foreign exchange and other adjustments(2)	Transfers to active properties/ sold properties	**December 31, 2020**
Toronto downtown	$ 2,015,155	$ 9,400	$ (1,534)	$ (2,066)	$ 61,702	**$ 2,082,657**
Other markets	332,283	5,063	(4,133)	(3,997)	—	**329,216**
Total portfolio(3)	2,347,438	14,463	(5,667)	(6,063)	61,702	**2,411,873**
Add:						
Properties under development	110,808	11,422	(492)	(30)	(61,702)	**60,006**
Total amounts included in consolidated financial statements	$ 2,458,246	$ 25,885	$ (6,159)	$ (6,093)	$ —	**$ 2,471,879**
Assets held for sale	$ 12,750	$ —	$ —	$ —	$ (12,750)	**$ —**

(1) Includes $219 of interest capitalized to properties under development.

(2) Included in Other markets is a foreign currency translation adjustment totalling $(1,670) related to a property located in the U.S. and reversals of accrued leasing costs of $(1,619) for the settlement of lease-related obligations during the quarter.

(3) Total portfolio excludes investment in joint ventures and properties under development.

Year ended	January 1, 2020	Building improvements, initial direct leasing costs and lease incentives(1)	Fair value adjustments	Amortization of lease incentives, foreign exchange and other adjustments(2)	Transfers to active properties/ sold properties	**December 31, 2020**
Toronto downtown	$ 1,935,807	$ 32,255	$ 60,725	$ (7,832)	$ 61,702	**$ 2,082,657**
Other markets	382,792	13,024	(45,642)	(8,208)	(12,750)	**329,216**
Total portfolio(3)	2,318,599	45,279	15,083	(16,040)	48,952	**2,411,873**
Add:						
Properties under development	102,346	16,663	2,914	(215)	(61,702)	**60,006**
Total amounts included in consolidated financial statements	$ 2,420,945	$ 61,942	$ 17,997	$ (16,255)	$ (12,750)	**$ 2,471,879**

(1) Includes $1,013 of interest capitalized to properties under development.

(2) Included in Other markets is a foreign currency translation adjustment totalling $(882) related to a property located in the U.S. and reversals of accrued leasing costs of $(3,171) for the settlement of lease-related obligations during the period.

(3) Total portfolio excludes investment in joint ventures and properties under development.

Properties under development

During the quarter, the Trust marked the completion of the development project at 357 Bay Street in Toronto downtown. The development project at this property was completed on time and on budget and the tenant has commenced paying rent. Our remaining property under development is 1900 Sherwood Place in Regina, which is nearing completion with the Trust's construction obligations substantially complete and tenant improvement costs expected to be complete by the second half of 2021.

The table below summarizes select financial information related to the single property under development as at December 31, 2020.

Property (in millions of Canadian dollars)	Carrying value at time of reclassification	Capital invested to date[1]	Estimated capital remaining	Estimated NOI[2]	Estimated yield on cost and original carrying value
1900 Sherwood Place, Regina	$ 42.2	$ 18.5	$ 7.1	$ 5.4	8.0%

(1) Capital invested to date excludes interest capitalized to properties under development.

(2) Does not include contractual annual rent escalators over the term of the leases.

Valuations of externally appraised properties

The following table summarizes the investment properties valued by qualified external valuation professionals for the years ended December 31, 2020, and December 31, 2019:

	December 31, 2020	December 31, 2019
Investment properties valued by qualified external valuation professionals (in millions)	**$ 778.2**	$ 1,073.1
Number of investment properties valued by qualified external valuation professionals[1]	**8**	10
Percentage of the total investment properties valued by qualified external valuation professionals	**31%**	44%

(1) Seven of the eight investment property appraisals conducted during 2020 were obtained during the COVID-19 period between April 1, 2020 and December 31, 2020.

Fair value adjustments to investment properties

The duration and full scope of the economic impact of COVID-19 is unknown at this time. Key valuation assumptions which could be impacted over the long term include: market rents, leasing costs, vacancy rates, discount rates and capitalization rates. The Trust continues to monitor the effect of the economic environment on the valuation of its investment properties. If there are any changes in the critical and key assumptions used in valuing the investment properties, in regional, national or international economic conditions, or new developments in the COVID-19 pandemic, the fair value of investment properties may change materially.

For the three months ended December 31, 2020, the Trust recorded an overall fair value loss of $6.2 million, mainly driven by fair value losses of $4.1 million in Other markets and $1.5 million in Toronto downtown, primarily attributed to write-offs of maintenance capital and leasing costs incurred at certain properties.

For the year ended December 31, 2020, the Trust recorded a fair value gain of $18.0 million, primarily due to fair value gains of $60.7 million in Toronto downtown and $2.9 million in our property under development, partially offset by an aggregate fair value loss of $45.6 million in Other markets and to a sold property previously included in the Other markets region. Fair value gains in Toronto downtown for the year ended December 31, 2020 were mainly attributed to seven third-party appraisals obtained during the year and include a $43 million fair value gain to reflect the council zoning approval at 250 Dundas Street West received in Q1 2020, partially offset by the write-offs of maintenance capital incurred at certain properties. Fair value gains of $2.9 million in our remaining property under development reflect value-enhancing capital expenditures and leasing costs incurred to revitalize this property for upcoming occupancy. Fair value gains for the period were partially offset by fair value losses in Other markets and a sold property previously included within the Other markets region. The fair value losses at these properties were due to an increase in capitalization rates by 42 basis points ("bps") over the prior year, increased vacancy assumptions and lower market rent assumptions during the first quarter of 2020 to reflect the uncertainty of the macroeconomic environment and the impact on Western Canadian provinces due to weak global demand and declining oil prices.

Assumptions used in the valuation of investment properties

Refer to Note 4 of the consolidated financial statements for details of the assumptions used in the Trust's investment property valuations.

Building improvements

Building improvements represent investments made to our investment properties to ensure optimal building performance, to improve the experience of and attractiveness to our tenants and to reduce operating costs. 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.

As part of our broader strategy to invest capital in our buildings to improve the experience of, and attractiveness to, tenants, as well as to reduce operating costs, we expect overall building improvement costs to remain elevated. These improvements are value-add in nature and give our tenants a better experience at our buildings, leading to improved tenant retention, quicker leasing of available space and realization of higher rental rates.

The table below summarizes the building improvements incurred for the three months and years ended December 31, 2020 and December 31, 2019.

	Three months ended December 31,		Year ended December 31,	
Building improvements	**2020**	2019	**2020**	2019
Recoverable	**$ 1,870**	$ 8,910	**$ 10,924**	$ 16,460
Value-add	**1,465**	884	**4,205**	3,535
Value-add additions to properties in the Bay Street corridor	**5,624**	1,217	**17,488**	2,152
Non-recoverable	**423**	846	**2,178**	2,562
Total active portfolio(1)	**9,382**	11,857	**34,795**	24,709
Add:				
Properties under development	**816**	10,888	**4,127**	24,981
Interest capitalized to properties under development	**219**	201	**1,013**	488
Total portfolio	**$ 10,417**	$ 22,946	**$ 39,935**	$ 50,178
Less: Properties classified as assets held for sale/sold properties	**—**	—	**—**	472
Less: Interest capitalized to properties under development	**219**	201	**1,013**	488
Total amounts included in consolidated financial statements	**$ 10,198**	$ 22,745	**$ 38,922**	$ 49,218

(1) Total active portfolio excludes investment in joint ventures and properties under development as at December 31, 2020.

For the three months and year ended December 31, 2020, we incurred $9.4 million and $34.8 million, respectively, in expenditures related to building improvements in our comparative portfolio, the majority of which are value-add and recoverable from tenants under the terms of current and future leases.

Recoverable building improvements for the three months and year ended December 31, 2020 were $1.9 million and $10.9 million, respectively, and included safety enhancements, heating, ventilation and air conditioning upgrades, elevator modernization and recoverable lobby and common area upgrades. On a year-over-year basis, recoverable building improvement spending declined, mainly driven by city lockdown restrictions throughout the year. With the restriction measures in place, the Trust had to re-prioritize our capital investments and focus mainly on life and safety projects and defer other non-essential capital initiative projects into 2021.

For the three months and year ended December 31, 2020, value-add building improvements were $1.5 million and $4.2 million, respectively, relating to pre-development and value-enhancing capital expenditures at certain properties. On a year-over-year basis, value-add building improvement spending increased despite city lockdown restrictions throughout the year, but did result in slight delays from our original timelines. We expect these capital initiative projects to pick up in 2021 as lockdown restrictions ease.

As part of our transformation of our properties in the Bay Street corridor, for the three months and year ended December 31, 2020, the Trust incurred $5.6 million and $17.5 million, respectively, of value-add capital, of which certain capital investments will be recoverable from current and future tenants under the terms of their leases. Capital investments included improving the main lobbies, washrooms, stairwells and exterior facades and breaking ground in re-imagining an alleyway. We plan to invest a total of approximately $50 million over the course of the project, of which approximately $20.0 million had been spent between project commencement and December 31, 2020, to revitalize these assets into best-in-class boutique office buildings which we believe can attract top tier tenants and the highest rents. We expect these projects to be finished by during 2021.

For the three months and year ended December 31, 2020, non-recoverable building improvements were $0.4 million and $2.2 million, respectively, which include costs for structural and building enhancements.

As part of our development program, for the three months and year ended December 31, 2020, properties under development incurred $0.8 million and $4.1 million, respectively, in building improvements to complete 357 Bay Street in Toronto and for a parkade expansion and building upgrades to the exterior and common areas at 1900 Sherwood Place in Regina. As we wrap up the development project at 1900 Sherwood Place, we expect to continue to incur building improvement costs that will serve to enhance the overall experience for our new and existing tenants at the building once complete.

Dispositions update

On October 16, 2020, the Trust completed the sale of one investment property located in Saskatoon for total gross proceeds (before adjustments and transaction costs) of $12.8 million.

For the year ended December 31, 2019, the Trust completed the sale of seven investment properties located in Calgary, Regina, London, North York, Ottawa and Montréal for total gross proceeds (before adjustments and transaction costs) of $528.8 million.

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".

The table below summarizes the Trust's participation in Dream Industrial REIT's Distribution Reinvestment Plan ("DRIP") and the Trust's ownership:

	Three months ended			Year ended	
	December 2020	September 30, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
Units acquired via DRIP	**—**	—	362,315	**385,531**	1,591,434
Cost of units acquired via DRIP	**$ —**	$ —	$ 4,885	**$ 4,950**	$ 19,114
Ownership at period-end	**15.5%**	15.5%	17.8%	**15.5%**	17.8%

The decrease in the Trust's ownership over the prior year comparative period was primarily due to the sale of 1,125,250 Dream Industrial REIT units in Q3 2020 along with the dilution impact of the equity offerings by Dream Industrial REIT in the current year. As the DRIP was suspended in Q1 2020, we continued to receive our monthly distributions in cash, rather than in Dream Industrial REIT units. While Dream Industrial REIT has announced the reinstatement of its Distribution Reinvestment Plan and Unit Purchase Plan commencing with the December distribution payable on January 15, 2021, the Trust elected to continue to receive monthly distributions in cash.

On January 29, 2021, Dream Industrial REIT completed a public offering and issued 20,240,000 REIT units. Subsequent to this offering, the Trust's ownership of Dream Industrial REIT was reduced to 13.9%.

OUR FINANCING

Debt summary

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

	As at		
Financing and liquidity metrics	**December 31, 2020**	September 30, 2020	December 31, 2019
Weighted average face rate of interest on debt (period-end)(1)	**3.56%**	3.60%	3.88%
Interest coverage ratio (times)(2)	**3.2**	3.2	2.9
Net total debt-to-adjusted EBITDAFV (years)(2)	**8.8**	8.4	7.5
Level of debt (net total debt-to-net total assets)(2)	**41.1%**	39.9%	37.6%
Average term to maturity on debt (years)	**4.1**	4.3	4.7
Variable rate debt as percentage of total debt	**15.2%**	14.9%	—
Available liquidity(2)	**$ 148,455**	$ 152,534	$ 413,580
Unencumbered assets(2)	**$ 244,792**	$ 292,688	$ 281,274

(1) Weighted average face rate of interest on debt is calculated as the weighted average face rate of all interest bearing debt balances excluding debt in joint ventures that are equity accounted.

(2) The calculation of the following non-GAAP measures – interest coverage ratio, net total debt-to-adjusted EBITDAFV, level of debt (net total debt-to-net total assets), available liquidity and unencumbered assets – is included in the "Non-GAAP Measures" section of the MD&A.

The overall net total debt-to-net total assets ratio has increased by 1.2% from 39.9% in Q3 2020 to 41.1%, primarily due to an increase in net debt to fund accretive REIT A Unit repurchases through our NCIB program and value-add capital initiatives.

Net total debt-to-adjusted EBITDAFV has increased to 8.8 years from 8.4 years since the prior quarter, mainly driven by the increase in net debt during the quarter to fund accretive REIT A Unit repurchases through our NCIB program and value-add capital initiatives.

Our available liquidity of approximately $148.5 million comprises undrawn demand revolving credit facilities totalling $135.4 million and $13.1 million of cash and cash equivalents on hand as at December 31, 2020, a decrease of $4.1 million from the prior quarter, primarily due to funding accretive REIT A Unit repurchases through our NCIB program and value-add capital initiatives.

Unencumbered assets as at December 31, 2020 were $244.8 million, a decrease of $48.0 million from $292.7 million in the prior quarter, primarily due to a new mortgage financing secured by a property in downtown Toronto during the quarter.

Liquidity and capital resources

Dream Office REIT's primary sources of capital are cash generated from operating activities, net proceeds from investment property dispositions, demand revolving credit facilities, and mortgage financing and refinancing. Our primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, development projects, major property improvements, debt principal repayments and interest payments. We expect to meet all of our ongoing obligations with current cash and cash equivalents on hand, cash flows generated from operations, net proceeds from investment property dispositions, demand revolving credit facilities and conventional mortgage refinancing.

In our consolidated financial statements as at December 31, 2020, our current liabilities exceeded our current assets by $155.7 million. Typically, real estate entities seek to address liquidity needs by having a balanced debt maturity schedule and undrawn demand revolving credit facilities. We are able to use our demand revolving 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 and scheduled principal repayments of $120.9 million. We typically refinance maturing debt with our undrawn demand revolving credit facilities and mortgages of terms between five and ten years. Amounts payable and accrued liabilities balances outstanding at the end of any reporting period depend primarily on the timing of leasing costs and capital expenditures incurred, as well as the impact of transaction costs incurred on acquisitions and dispositions.

The table in Note 9 to the consolidated financial statements details the Trust's total debt service requirements. In order to meet ongoing operational and interest requirements the Trust relies on cash flows generated from operations. Where, due to the timing of leasing cost payments, cash flows generated from operations are insufficient to cover immediate operational and leasing cost requirements, the Trust makes use of its demand revolving credit facilities. As of December 31, 2020, the Trust has $148.5 million of available liquidity. The Trust is currently in negotiations with lenders to renew or refinance its maturing mortgages in 2021 of which two are secured by properties in downtown Toronto at low loan-to-value ratios. In addition, the Trust has unencumbered assets totalling $244.8 million which could be pledged as security for further borrowings.

We continue to maintain high levels of liquidity for capital expenditures to improve the quality of our properties.

Financing activities

On January 21, 2020, the Trust repaid the Series C Debentures with an aggregate principal amount of $150.0 million.

During the fourth quarter of 2020, the Trust closed on a $44.0 million mortgage secured by a property in downtown Toronto for a seven-year term with an annual interest rate of 3.17%.

Demand revolving credit facilities

As at December 31, 2020, the Trust's $300 million demand revolving credit facility is secured by first-ranking charges on four investment properties and 9,551,160 Dream Industrial LP Class B limited partnership units. The Trust has an accordion option of up to $100 million additional borrowing capacity on the $300 million demand revolving credit facility if additional assets are pledged as security, subject to lender approval. This accordion option is not included in the Trust's liquidity measures.

As at December 31, 2020, the amount available under the $300 million demand revolving credit facility was $115.4 million, comprising $300.0 million of borrowing capacity less $183.0 million in drawings and $1.6 million in the form of letters of credit. As at December 31, 2020, the amount available under the $20 million demand revolving credit facility was $20.0 million.

Debt maturity profile

Our current debt profile is balanced with staggered maturities over the next nine years. The following table summarizes our debt maturity profile, excluding debt in joint ventures that are equity accounted, as at December 31, 2020:

		Mortgages		Demand revolving credit facilities		Total
Debt maturities	Outstanding balance due at maturity	Weighted average interest rate	Outstanding balance due at maturity	Weighted average interest rate	Outstanding balance due at maturity	Weighted average interest rate
2021	$ 103,782	4.88%	$ —	—	$ 103,782	4.88%
2022	59,880	3.49%	183,000	2.19%	242,880	2.51%
2023	139,951	4.25%	—	—	139,951	4.25%
2024	17,205	4.16%	—	—	17,205	4.16%
2025	241,187	3.61%	—	—	241,187	3.61%
2026–2029	382,050	3.53%	—	—	382,050	3.53%
Subtotal before undernoted items	$ 944,055	3.82%	$ 183,000	2.19%	$ 1,127,055	3.55%
Scheduled principal repayments on non-matured debt (2021–2029)	72,350	—	—	—	72,350	—
Subtotal before undernoted items	$ 1,016,405	3.81%	$ 183,000	2.19%	$ 1,199,405	3.56%
Unamortized financing costs	(3,945)		(1,423)		(5,368)	
Unamortized fair value adjustments	112		—		112	
Debt per consolidated financial statements	$ 1,012,572	3.86%	$ 181,577	2.40%	$ 1,194,149	3.64%

Commitments and contingencies

Dream Office REIT and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business, on certain debt assumed by purchasers of investment properties, and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of the Trust as at December 31, 2020.

In 2015, 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 $12.9 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 at December 31, 2020.

At December 31, 2020, Dream Office REIT's future minimum commitments are as follows:

			Minimum payments due	
	Within 1 year	1–5 years	> 5 years	Total
Operating lease payments for low value assets	$ 143	$ 178	$ —	$ 321
Operating commitments	3,393	2,081	—	5,474
Fixed price contracts	222	888	1,911	3,021
Total	$ 3,758	$ 3,147	$ 1,911	$ 8,816

In 2018, the Trust originally committed US$7.25 million to fund investments in real estate technologies, of which US$5.1 million was funded as at December 31, 2020 (December 31, 2019 – US$3.5 million). Subsequent to the quarter, the Trust funded an additional US$0.3 million.

The Trust is contingently liable under guarantees that are issued on certain debt assumed by purchasers of investment properties totalling $57.3 million (December 31, 2019 – $114.3 million) with a weighted average term to maturity of 5.2 years (December 31, 2019 – 3.7 years). The geographic distribution of the guaranteed debt is 92% in British Columbia and 8% in Ontario. During the fourth quarter, two guaranteed mortgages amounting to $44.0 million secured by properties in British Columbia and Québec were repaid in full by the respective purchasers.

In the event that a contemplated development project proceeds, the Trust has committed to contribute one of its investment properties with a fair value of $41.2 million to the development project.

As part of the sale of a property in Calgary in 2018, the Trust committed to a construction loan facility of up to $12.5 million. The construction loan facility bears interest at 4.5%, matures on April 10, 2022 with an option to extend to April 10, 2023 and is secured by the property. As at December 31, 2020, the Trust had funded $3.0 million under the construction loan facility.

OUR EQUITY

Total 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, 2020			December 31, 2019		
	Number of Units		**Amount**	Number of Units		Amount
Unitholders' equity	**50,631,596**	**$**	**1,943,738**	56,234,546	$	2,049,272
Deficit	**—**		**(451,665)**	—		(574,801)
Accumulated other comprehensive income	**—**		**6,930**	—		3,790
Equity per consolidated financial statements	**50,631,596**		**1,499,003**	56,234,546		1,478,261
Add: LP B Units	**5,233,823**		**103,630**	5,233,823		162,929
Total equity (including LP B Units)(1)	**55,865,419**	**$**	**1,602,633**	61,468,369	$	1,641,190
Net asset value ("NAV") per unit(2)		**$**	**28.69**		$	26.70

(1) Total equity (a non-GAAP measure) is defined in the section "Non-GAAP Measures" under the heading "Total equity (including LP B Units or subsidiary redeemable units)".

(2) NAV per unit (a non-GAAP measure) is defined in this section under the heading "NAV per unit" and in the section "Non-GAAP Measures" under the heading "NAV per unit".

The amended and restated Declaration of Trust of Dream Office REIT dated May 8, 2014, as amended or amended and restated from time to time (the "Declaration of Trust"), authorizes the issuance of an unlimited number of the following classes of units: REIT Units, issuable in one or more series, Transition Fund 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, and DAM holds an equivalent number of Special Trust Units. 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.

As at December 31, 2020, DAM held 12,410,002 REIT A Units and 5,233,823 LP B Units for a total ownership interest of approximately 31.6%.

NAV per unit

NAV per unit is calculated as the total equity (including LP B Units) divided by the total number of REIT A Units and LP B Units. This non-GAAP measurement is an important measure used by the Trust, as it reflects management's view of the intrinsic value of the Trust. However, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

As at December 31, 2020, our NAV per unit was $28.69, compared to $28.17 at September 30, 2020 and $26.70 at December 31, 2019, up $0.52 or 1.8% and $1.99 or 7.5%, respectively.

The quarter-over-quarter increase in NAV per unit of $0.52 was primarily due to cash flow retention from operations (diluted FFO net of distributions) and incremental income pick-up from our investment in Dream Industrial REIT, coupled with our unit buyback program at prices below our NAV per unit. The year-over-year increase in NAV per unit of $1.99 was primarily driven by fair value uplifts in our Toronto downtown investment properties totalling $60.7 million, supported by third-party appraisals on seven investment properties in the region, representing 26% of total investment properties fair value, along with the effect of our unit buyback program.

NAV per unit is considered one of the Trust's key metrics and has increased consistently over the past 15 quarters as we improve the quality of our assets and the value of the business.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles the major components of NAV per unit to total equity (as per the consolidated financial statements).

	Total	Per unit	GLA (in millions of sq. ft.)	Occupancy – in-place and committed	WALT (years)
Investment properties					
Toronto downtown	$ 2,082,657	$ 37.28	3.5	95.7%	4.7
Other markets	329,216	5.89	1.8	73.1%	6.2
Total portfolio investment properties	2,411,873	43.17	5.3	88.0%	5.1
Mortgages	(983,776)	(17.60)			
Total portfolio investment properties, net of mortgages	1,428,097	25.57			
Property under development, net of mortgage	31,210	0.56			
Investment in Dream Industrial REIT	333,937	5.98			
Investments in joint ventures	17,467	0.30			
Cash and cash equivalents	13,075	0.23			
Demand revolving credit facilities	(181,577)	(3.25)			
Other items	(39,576)	(0.70)			
Net asset value	$ 1,602,633	$ 28.69			
Less: LP B Units	103,630				
Total equity per consolidated financial statements	**$ 1,499,003**				

Outstanding equity

The following table summarizes the changes in our outstanding equity:

For the three months ended December 31, 2020	REIT A Units	LP B Units	Total
Total units issued and outstanding at October 1, 2020	52,778,419	5,233,823	58,012,242
REIT A Units issued pursuant to Deferred Unit Incentive Plan ("DUIP")	881	—	881
Cancellation of REIT A Units under NCIB	(2,147,704)	—	(2,147,704)
Total units issued and outstanding at December 31, 2020	50,631,596	5,233,823	55,865,419
Percentage of all units	90.6%	9.4%	100.0%

For the year ended December 31, 2020	REIT A Units	LP B Units	Total
Total units issued and outstanding at January 1, 2020	56,234,546	5,233,823	61,468,369
REIT A Units issued pursuant to DUIP	170,946	—	170,946
Cancellation of REIT A Units under NCIB	(5,773,896)	—	(5,773,896)
Total units issued and outstanding at December 31, 2020	50,631,596	5,233,823	55,865,419
Percentage of all units	90.6%	9.4%	100.0%
REIT A Units issued pursuant to DUIP	911	—	911
Total units issued and outstanding at February 18, 2021	50,632,507	5,233,823	55,866,330
Percentage of all units	90.6%	9.4%	100.0%

As at December 31, 2020, there were 853,796 deferred trust units and income deferred trust units outstanding (December 31, 2019 – 927,621) under the Trust's DUIP.

Normal course issuer bid ("NCIB")

On August 18, 2020, the NCIB covering the period from August 19, 2019 to August 18, 2020 expired. On August 14, 2020, the Toronto Stock Exchange ("TSX") accepted a notice filed by the Trust to renew its prior NCIB for a one-year period. Under the bid, the Trust will have the ability to purchase for cancellation up to a maximum of 4,106,996 of its REIT A Units (representing 10% of the Trust's public float of 41,069,968 REIT A Units) through the facilities of the TSX. The renewed bid commenced on August 19, 2020 and will remain in effect until the earlier of August 18, 2021 or the date on which the Trust has purchased the maximum number of REIT A Units permitted under the bid. Daily purchases are limited to 64,564 REIT A Units, which equals 25% of the average daily trading volume during the prior six calendar months (being 258,256 REIT A Units per day), other than purchases pursuant to applicable block purchase exceptions.

In connection with the NCIB renewal, the Trust entered into an automatic securities repurchase plan (the "Repurchase Plan") with its designated broker in order to facilitate purchases of its REIT A Units under the NCIB. The Repurchase Plan allows for purchases by Dream Office REIT of REIT A Units at any time including, without limitation, when the Trust would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the Trust's broker based upon the parameters prescribed by the TSX and the terms of the parties' written agreement. Outside of such restricted or blackout periods, the REIT A Units may also be purchased in accordance with management's discretion. The Repurchase Plan will terminate on August 18, 2021.

For the three months and year ended December 31, 2020, the Trust purchased for cancellation 2,147,704 REIT A Units and 5,773,896 REIT A Units, respectively, under the NCIB, at a cost of $41.0 million and $110.2 million, respectively (December 31, 2019 – 3,230,966 REIT A Units cancelled for $77.8 million). The Trust has purchased the maximum number of units permitted under the current NCIB program.

Weighted average number of units

The basic weighted average number of units includes the weighted average 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 includes the basic weighted average number of Units, unvested deferred trust units and associated income deferred trust units. As at December 31, 2020, there were 204,547 unvested deferred trust units and associated income deferred trust units (December 31, 2019 – 239,661).

	Three months ended December 31,		Year ended December 31,	
Weighted average number of units (in thousands)	**2020**	2019	**2020**	2019
Basic	**57,186**	62,149	**60,247**	63,622
Diluted	**57,390**	62,388	**60,460**	63,878

Distribution policy

Our Declaration of Trust, as amended and restated, provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. For the three months and years ended December 31, 2020 and December 31, 2019, the Trust declared distributions totalling $0.25 per unit and $1.00 per unit, respectively.

The following table summarizes our total distributions paid and payable (a non-GAAP measure) for the three months and years ended December 31, 2020 and December 31, 2019:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	**2020**	2019
Total distributions paid and payable(1) for the period	**$ 14,068**	$ 15,366	**$ 59,374**	$ 62,842

(1) Total distributions paid and payable (a non-GAAP measure) is defined in the section "Non-GAAP Measures" under the heading "Total distributions paid and payable".

The decrease in total distributions paid and payable (a non-GAAP measure) on a year-over-year basis for the three months and year ended December 31, 2020 was primarily due to the cancellation of REIT A Units under the NCIB in the current and prior year.

The following table summarizes our monthly distributions paid and payable subsequent to quarter-end:

Date distribution announced	Month of distribution	Date distribution was paid or is payable	Distribution per REIT A Unit	Total distribution paid or payable
December 18, 2020	December 2020	January 15, 2021	$ 0.08333	$ 4,219
January 20, 2021	January 2021	February 12, 2021	0.08333	4,219
February 17, 2021	February 2021	March 15, 2021	0.08333	TBD

Cash flows from operating activities, net of cash interest paid on debt and distributions declared

In any given period, actual cash flows generated from (utilized in) operating activities, net of cash interest paid on debt, may differ from total distributions paid and payable (a non-GAAP measure), primarily due to fluctuations in non-cash working capital and the impact of leasing costs, which fluctuate with lease maturities, renewal terms, the type of asset being leased and when tenants fulfill the terms of their respective lease agreements. Seasonal fluctuations in working capital requirements or the unpredictability of when leasing costs are incurred are funded with our cash and cash equivalents on hand and, if necessary, with our existing demand revolving credit facilities. As a result of these factors the Trust anticipates that in certain future periods, cash flows generated from (utilized in) operating activities, net of cash interest paid on debt, may be less than total distributions paid and payable (a non-GAAP measure). With a conservative balance sheet and significant liquidity, the Trust does not anticipate cash distributions will be suspended or altered.

To the extent that there are shortfalls in cash flows generated from (utilized in) operating activities, net of cash interest paid on debt when compared to total distributions paid and payable (a non-GAAP measure), the Trust will fund the shortfalls with cash and cash equivalents on hand and with our existing demand revolving credit facilities. The use of the demand revolving credit facilities may involve risks compared with using cash and cash equivalents on hand as a source of funding, such as the risk that interest rates may rise in the future, which may make it more expensive for the Trust to borrow under the demand revolving credit facilities, the risk that credit facilities may not be renewed at maturity or are renewed on unfavourable terms and the risk associated with increasing the overall indebtedness of the Trust. In the event that shortfalls exist, the Trust does not anticipate cash distributions will be suspended in the foreseeable future but does expect that there could be timing differences as a result of our intensification and redevelopment plans on certain assets within our portfolio. Accordingly, to the extent there are shortfalls, distributions may be considered an economic return of capital. The Trust determines the distribution rate by, among other considerations, its assessment of cash flows generated from (utilized in) operating activities, net of cash interest paid on debt. Management reviews the estimated annual distributable cash flows with the Board of Trustees periodically to assist the Board in determining the targeted distribution rate.

In any given period, the Trust anticipates that net income will continue to vary from total distributions paid and payable (a non-GAAP measure) as net income includes non-cash items such as fair value adjustments to investment properties and financial instruments and costs related to dispositions such as debt settlement costs and costs attributable to sale of investment properties. Accordingly, the Trust does not use net income as a proxy for determining distributions.

The following table summarizes net income, cash flows generated from (utilized in) operating activities, net of cash interest paid on debt, and total distributions paid and payable (a non-GAAP measure) for the three months and years ended December 31, 2020 and December 31, 2019:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	**2020**	2019
Net income for the period	**$ 15,551**	$ 63,193	**$ 177,276**	$ 117,320
Cash flows generated from (utilized in) operating activities, net of cash interest paid on debt	**8,875**	19,680	**49,689**	69,359
Total distributions paid and payable(1) for the period	**14,068**	15,366	**59,374**	62,842

(1) Total distributions paid and payable (a non-GAAP measure) is defined in the section "Non-GAAP Measures" under the heading "Total distributions paid and payable".

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the difference between net income and total distributions paid and payable (a non-GAAP measure), as well as the difference between cash flows generated from (utilized in) operating activities, net of cash interest paid on debt, and total distributions paid and payable (a non-GAAP measure), in accordance with the guidelines.

	Three months ended December 31,		Year ended December 31,	
	2020	2019	**2020**	2019
Excess of net income over total distributions paid and payable(1)	**$ 1,483**	$ 47,827	**$ 117,902**	$ 54,478
Excess (shortfall) of cash flows generated from (utilized in) operating activities, net of cash interest paid on debt over total distributions paid and payable(1)	**(5,193)**	4,314	**(9,685)**	6,517

(1) Total distributions paid and payable (a non-GAAP measure) is defined in the section "Non-GAAP Measures" under the heading "Total distributions paid and payable".

For the three months and year ended December 31, 2020, total distributions paid and payable (a non-GAAP measure) exceeded cash flows generated from (utilized in) operating activities, net of cash interest paid on debt by $5.2 million and $9.7 million, respectively, primarily due to fluctuations in non-cash working capital and the impact of leasing costs. For the three months and year ended December 31, 2019, cash flows generated from (utilized in) operating activities, net of cash interest paid on debt exceeded total distributions paid and payable (a non-GAAP measure) by $4.3 million and $6.5 million, respectively.

While the cash distributions received from Dream Industrial REIT have been included as part of cash flows generated from (utilized in) investing activities in the consolidated financial statements, management is of the view that such distributions are operating in nature and could be used to mitigate any shortfalls of cash flows generated from (utilized in) operating activities, net of cash interest paid on debt, over total distributions paid and payable (a non-GAAP measure). On March 27, 2020, Dream Industrial REIT announced that it has suspended its DRIP and, as a result, the Trust has commenced receiving cash distributions.

For the three months and year ended December 31, 2020, the Trust received cash distributions from Dream Industrial REIT totalling $4.4 million and $14.0 million, respectively. While Dream Industrial REIT has announced the reinstatement of its Distribution Reinvestment Plan and Unit Purchase Plan commencing with the December distribution payable on January 15, 2021, the Trust elected to cease reinvesting distributions declared by Dream Industrial REIT at this time and will continue to receive monthly distributions in cash.

SECTION IV

NON-GAAP MEASURES

Included in this section are reconciliations of non-GAAP measures presented throughout this MD&A to the nearest comparable consolidated financial statements line item, in compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures". 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.

Available liquidity

Available liquidity is defined as the sum of cash and cash equivalents and undrawn demand revolving credit facilities at period-end, excluding cash held in joint ventures that are equity accounted. Management believes that available liquidity, a non-GAAP measure, is an important measure in determining our resources available to meet all of our ongoing obligations. This non-GAAP measure does not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", available liquidity has been reconciled to cash and cash equivalents in the table below:

			As at
	December 31, 2020	September 30, 2020	December 31, 2019
Cash and cash equivalents	**$ 13,075**	$ 7,154	$ 95,410
Undrawn demand revolving credit facilities	**135,380**	145,380	318,170
Available liquidity	**$ 148,455**	$ 152,534	$ 413,580

Total equity (including LP B Units or subsidiary redeemable units)

One of the components used to determine the Trust's net asset value per unit is total equity (including LP B Units). Total equity (including LP B Units) is calculated as the sum of the equity amount per consolidated financial statements and the subsidiary redeemable units amount. Management believes it is important to include the subsidiary redeemable (LP B) units amount for the purpose of determining the Trust's capital management. Management does not consider the subsidiary redeemable units to be debt or borrowings of the Trust, but rather a component of the Trust's equity. However, total equity (including LP B Units) is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table within the section "Our Equity" under the heading "Total equity" reconciles total equity (including LP B Units) to equity (as per consolidated financial statements).

Total distributions paid and payable

Total distributions paid and payable is calculated as the sum of the distributions paid and payable on REIT A Units and subsidiary redeemable units (LP B Units) interest expense per consolidated financial statements. Because management considers the subsidiary redeemable units to be a component of the Trust's equity, management considers the interest paid on the subsidiary redeemable units to be a component of total distributions paid to unitholders. However, total distributions paid and payable is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", total distributions paid and payable has been reconciled to total distributions paid and payable on REIT A Units (included in consolidated financial statements) in the table below:

	Three months ended			Year ended	
	December 31, 2020	September 30, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
Total distributions paid and payable on REIT A Units	**$ 12,759**	$ 13,518	$ 14,057	**$ 54,140**	$ 57,608
Add: Interest on subsidiary redeemable units	**1,309**	1,308	1,309	**5,234**	5,234
Total distributions paid and payable	**$ 14,068**	$ 14,826	$ 15,366	**$ 59,374**	$ 62,842

NAV per unit

NAV per unit is calculated as the total equity (including LP B Units) divided by the total number of REIT A Units and LP B Units. This non-GAAP measurement is an important measure used by the Trust, as it reflects management's view of the intrinsic value of the Trust. However, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table within the section "Our Equity" under the heading "NAV per unit" reconciles NAV per unit to equity as per consolidated financial statements as at December 31, 2020 and December 31, 2019. The table below reconciles NAV per unit to equity (as per consolidated financial statements) as at September 30, 2020.

	Unitholders' equity	
	September 30, 2020	
	Number of Units	Amount
Unitholders' equity	52,778,419	$ 1,984,722
Deficit	—	(454,457)
Accumulated other comprehensive income	—	9,174
Equity per consolidated financial statements	52,778,419	$ 1,539,439
Add: LP B Units	5,233,823	94,994
Total equity (including LP B Units)[(1)]	58,012,242	$ 1,634,433
Net asset value ("NAV") per unit		$ 28.17

(1) Total equity (a non-GAAP measure) is defined in this section under the heading "Total equity (including LP B Units or subsidiary redeemable units)".

Unencumbered assets

Unencumbered assets represents the value of investment properties, excluding properties held for sale or investment properties in joint ventures which are equity accounted, which have not been pledged as collateral for the Trust's demand revolving credit facilities or mortgages, plus the fair value of unpledged Dream Industrial REIT units. This non-GAAP measurement is used by management in assessing the borrowing capacity available to the Trust. However, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below presents the components of unencumbered assets as at December 31, 2020, September 30, 2020 and December 31, 2019:

	As at		
	December 31, 2020	September 30, 2020	December 31, 2019
Investment properties not pledged as security for debt	**$ 83,671**	$ 154,112	$ 110,555
Fair value of unpledged Dream Industrial REIT units[(1)]	**161,121**	138,576	170,719
Unencumbered assets	**$ 244,792**	$ 292,688	$ 281,274

(1) Fair value of unpledged Dream Industrial REIT units is determined as the closing price of the Dream Industrial REIT units at the end of each period multiplied by the number of units not pledged as security for demand revolving credit facilities.

Funds from operations ("FFO")

Management believes FFO (including diluted FFO per unit) is an important measure of our operating performance. This non-GAAP measurement is a commonly used measure of performance of real estate operations; however, it does not represent net income or cash flows generated from (utilized in) operating activities, as defined by IFRS, is not necessarily indicative of cash available to fund Dream Office REIT's needs and may not be comparable with similar measures presented by other income trusts.

In February 2019, REALPAC issued a white paper on Funds from Operations and Adjusted Funds from Operations for IFRS. The Trust has reviewed the REALPAC FFO white paper guidelines and its determination of FFO is substantially aligned with the REALPAC FFO white paper guidelines with the exception of the treatment of debt settlement costs due to disposals of investment properties. These debt settlement costs are primarily funded from net proceeds from dispositions and not from cash flows from operating activities. Thus, the Trust is of the view that debt settlement costs due to disposals of investment properties should not be included in the determination of FFO.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", FFO has been reconciled to net income in the table below for the three months ended December 31, 2020, September 30, 2020 and December 31, 2019 and for the years ended December 31, 2020 and December 31, 2019:

	Three months ended			Year ended	
	December 31, 2020	September 30, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
Net income for the period	**$ 15,551**	$ 39,294	$ 63,193	**$ 177,276**	$ 117,320
Add (deduct):					
Share of income from investment in Dream Industrial REIT	**(18,999)**	(12,559)	(25,419)	**(36,985)**	(56,078)
Share of FFO from investment in Dream Industrial REIT	**4,956**	4,811	4,878	**19,333**	20,934
Depreciation, amortization and write-off of intangible assets	**3,222**	3,338	4,134	**13,053**	14,571
Costs (recovery) attributable to sale of investment properties(1)	**376**	12	441	**(1,876)**	3,536
Interest expense on subsidiary redeemable units	**1,309**	1,308	1,309	**5,234**	5,234
Fair value adjustments to investment	**6,159**	753	(33,707)	**(17,997)**	(56,949)
Fair value adjustments to investment properties held in joint ventures	**367**	—	—	**351**	518
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**10,027**	(14,261)	9,721	**(66,306)**	55,551
Internal leasing costs	**728**	311	500	**1,821**	2,188
Principal repayments on finance lease liabilities(1)	**(11)**	(12)	(11)	**(46)**	(44)
Deferred income taxes expense (recovery)	**(962)**	93	149	**(829)**	486
Debt settlement costs due to disposals of investment properties, net(1)	**—**	—	—	**—**	1,620
FFO for the period	**$ 22,723**	$ 23,088	$ 25,188	**$ 93,029**	$ 108,887
Diluted weighted average number of units(2)	**57,390**	60,611	62,388	**60,460**	63,878
FFO per unit – diluted	**$ 0.40**	$ 0.38	$ 0.40	**$ 1.54**	$ 1.70

(1) Includes both continuing and discontinued operations.

(2) Diluted weighted average number of units includes the weighted average of all REIT A Units, LP B Units, vested but unissued and unvested deferred trust units and associated income deferred trust units.

Comparative properties NOI

Comparative properties NOI is a non-GAAP measure used by management in evaluating the performance of properties owned by the Trust in the current and comparative periods presented. When the Trust compares comparative properties NOI on a year-over-year basis and quarter-over-quarter basis, the Trust excludes investment properties acquired after January 1, 2019 and assets held for sale or disposed of prior to or as at the current period. Comparative properties NOI also excludes lease termination fees; one-time property adjustments, if any; bad debt expenses; NOI from properties under development and completed properties under development until reclassified to active properties for a period of two full calendar years; investment in joint ventures; property management and other service fees; straight-line rent; and amortization of lease incentives. This measure is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

Effective March 31, 2020, the Trust revised its definition of comparative properties NOI on a quarter-over-quarter basis to exclude acquired properties after January 1, 2019 to increase comparability with our other operating metrics.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", comparative properties NOI for the respective periods has been reconciled to net rental income within the section "Our Operations" under the heading "Comparative properties NOI (year-over-year comparison)" and "Comparative properties NOI (quarter-over-quarter comparison)".

Earnings before interest, taxes, depreciation, amortization and fair value adjustments ("EBITDAFV")

EBITDAFV is defined by the Trust as net income for the period adjusted for: lease termination fees and other (including COVID-related provisions and adjustments), non-cash items included in investment properties revenue, fair value adjustments to investment properties and financial instruments, share of income from investment in Dream Industrial REIT, distributions received from Dream Industrial REIT, interest expense on debt and subsidiary redeemable units, amortization and write-off of intangible assets and depreciation on property and equipment, leasing, transaction and debt settlement costs and other activities, and net current and deferred income taxes. 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 standardized meaning and may not be comparable with similar measures presented by other income trusts. Effective December 31, 2019, the Trust refined its calculation of EBITDAFV to exclude net loss from joint ventures to improve consistency between the calculation of debt and adjusted EBITDAFV in its net total debt-to-adjusted EBITDAFV calculation. Consequently, EBITDAFV and net total debt-to-adjusted EBITDAFV have been restated in prior periods to be consistent with current period presentation.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", EBITDAFV has been reconciled to net income in the table below:

	Three months ended			Year ended	
	December 31, 2020	September 30, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
Net income for the period	**$ 15,551**	$ 39,294	$ 63,193	**$ 177,276**	$ 117,320
Add (deduct):					
COVID-related provisions and adjustments	**564**	572	—	**1,472**	—
Lease termination fees and other[1]	**(570)**	(354)	(629)	**(920)**	(1,288)
Non-cash items included in investment properties revenue[1][2]	**2,649**	3,143	4,124	**11,965**	13,144
Fair value adjustments to investment properties[1]	**6,159**	753	(33,707)	**(17,997)**	(56,949)
Fair value adjustments to financial instruments	**10,205**	(14,085)	9,548	**(65,855)**	55,162
Share of income from investment in Dream Industrial REIT	**(18,999)**	(12,559)	(25,419)	**(36,985)**	(56,078)
Share of net loss from investment in joint ventures	**401**	43	126	**197**	641
Distributions received from Dream Industrial REIT	**4,655**	4,720	4,906	**19,153**	19,222
Interest – debt[1]	**10,856**	10,597	12,235	**43,089**	54,608
Interest – subsidiary redeemable units	**1,309**	1,308	1,309	**5,234**	5,234
Amortization and write-off of intangible assets and depreciation on property and equipment	**802**	352	597	**1,927**	1,891
Net losses on transactions and other items[1]	**1,104**	324	941	**(54)**	7,344
Current and deferred income taxes expense (recovery), net	**(944)**	13	149	**(1,307)**	486
EBITDAFV for the period	**$ 33,742**	$ 34,121	$ 37,373	**$ 137,195**	$ 160,737

(1) Includes both continuing and discontinued operations.

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

Trailing 12-month EBITDAFV and trailing 12-month interest expense on debt

Management believes that the trailing 12-month EBITDAFV and trailing 12-month interest expense on debt, both of which are non-GAAP measures, are important measures in identifying longer-term trends in property operating performance and the cost of the Trust's debt. These non-GAAP measurements do not have standardized meanings 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", the following tables calculate EBITDAFV and interest expense on debt for the trailing 12-month periods ended September 30, 2020.

	Trailing 12-month period ended September 30, 2020
EBITDAFV for the nine months ended September 30, 2020[1]	$ 103,453
Add: EBITDAFV for the year ended December 31, 2019[1]	160,737
Less: EBITDAFV for the nine months ended September 30, 2019[1]	(123,364)
Trailing 12-month EBITDAFV	$ 140,826

(1) EBITDAFV (a non-GAAP measure) for the respective periods has been reconciled to net income under the heading "Earnings before interest, taxes, depreciation, amortization and fair value adjustments ("EBITDAFV")" within this section.

	Trailing 12-month period ended September 30, 2020
Interest expense on debt for the nine months ended September 30, 2020	$ 32,233
Add: Interest expense on debt for the year ended December 31, 2019[1]	54,608
Less: Interest expense on debt for the nine months ended September 30, 2019[1]	(42,373)
Trailing 12-month interest expense on debt	$ 44,468

(1) Includes interest expense on debt from continuing and discontinued operations.

Interest coverage ratio

Management believes that interest coverage ratio, a non-GAAP measurement, is an important measure in determining our ability to cover interest expense based on our operating performance. This non-GAAP measurement does not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

Prior to December 31, 2018, interest coverage ratio was calculated as year-to-date EBITDAFV divided by year-to-date interest expense on debt.

Because the calculation of EBITDAFV has been adjusted effective December 31, 2019, as discussed under the "Earnings before interest, taxes, depreciation, amortization and fair value adjustments ("EBITDAFV")" heading above, the Trust has restated its prior period calculation of interest coverage ratio (times) to be consistent with current period presentation.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the following table calculates the interest coverage ratio for the trailing 12-month periods ended December 31, 2020, September 30, 2020 and December 31, 2019:

	For the trailing 12-month period ended		
	December 31, 2020	September 30, 2020	December 31, 2019
Trailing 12-month EBITDAFV[1]	**$ 137,195**	$ 140,826	$ 160,737
Trailing 12-month interest expense on debt[1]	**$ 43,089**	$ 44,468	$ 54,608
Interest coverage ratio (times)	**3.2**	3.2	2.9

(1) Trailing 12-month EBITDAFV and trailing 12-month interest expense on debt (non-GAAP measures) for the period ending September 30, 2020 have been reconciled under the heading "Trailing 12-month EBITDAFV and trailing 12-month interest expense on debt" within this section.

Net total debt-to-adjusted EBITDAFV

Management believes that net total debt-to-adjusted EBITDAFV, a 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. This non-GAAP measurement does not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

Net total debt-to-adjusted EBITDAFV as shown below is calculated as total debt (net of cash on hand), which includes debt related to assets held for sale, divided by adjusted EBITDAFV – annualized. Adjusted EBITDAFV – annualized is calculated as annualized quarterly EBITDAFV less NOI of disposed properties for the quarter plus the normalized NOI of properties acquired in the quarter.

Because the calculation of EBITDAFV has been adjusted effective December 31, 2019, as discussed under the "Earnings before interest, taxes, depreciation, amortization and fair value adjustments ("EBITDAFV")" heading above, the Trust has restated its prior period calculation of net total debt-to-adjusted EBITDAFV to be consistent with current period presentation.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the following table calculates the annualized net total debt-to-adjusted EBITDAFV:

	December 31, 2020	September 30, 2020	December 31, 2019
Non-current debt	**$ 1,074,768**	$ 1,024,508	$ 967,861
Current debt	**119,381**	121,932	182,511
Total debt	**1,194,149**	1,146,440	1,150,372
Less: Cash on hand[1]	**(10,622)**	(3,377)	(89,816)
Net total debt	**$ 1,183,527**	$ 1,143,063	$ 1,060,556
EBITDAFV[2] – quarterly	**33,742**	34,121	37,373
Less: NOI of disposed properties for the quarter[4]	**(77)**	31	(2,084)
Adjusted EBITDAFV – quarterly	**$ 33,665**	$ 34,152	$ 35,289
Adjusted EBITDAFV – annualized	**$ 134,660**	$ 136,608	$ 141,156
Net total debt-to-adjusted EBITDAFV (years)	**8.8**	8.4	7.5

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

(2) EBITDAFV (a non-GAAP measure) has been reconciled to net income under the heading "Earnings before interest, taxes, depreciation, amortization and fair value adjustments ("EBITDAFV")" within this section. For the period ended September 30, 2019, EBITDAFV has been restated to exclude share of net loss from investments in joint ventures.

(3) Represents the incremental NOI had the acquisitions in the respective periods occurred for the full quarter, determined using the average daily NOI times the number of days the Trust did not own the property. This adjustment excludes NOI from properties acquired by joint ventures that are equity accounted.

(4) NOI of disposed properties for the three months ended December 31, 2020, September 30, 2020 and December 31, 2019 includes NOI from properties classified as discontinued operations that were sold during Q3 2019.

Level of debt (net total debt-to-net total assets)

Management believes that level of debt (net total debt-to-net total assets) is an important non-GAAP measure in the management of our debt levels. This non-GAAP measure does not have a standardized meaning and may not be comparable with similar measures presented by other income trusts. Net total debt-to-net total assets as shown below is determined as total debt less cash on hand, which includes debt related to assets held for sale, all divided by net total assets (being determined as total assets, less cash on hand).

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the following table calculates the level of debt (net total debt-to-net total assets):

	Amounts included in consolidated financial statements		
	December 31, 2020	September 30, 2020	December 31, 2019
Non-current debt	**$ 1,074,768**	$ 1,024,508	$ 967,861
Current debt	**119,381**	121,932	182,511
Total debt	**1,194,149**	1,146,440	1,150,372
Less: Cash on hand[1]	**(10,622)**	(3,377)	(89,816)
Net total debt	**$ 1,183,527**	$ 1,143,063	$ 1,060,556
Total assets	**2,888,751**	2,870,142	2,911,682
Less: Cash on hand[1]	**(10,622)**	(3,377)	(89,816)
Net total assets	**$ 2,878,129**	$ 2,866,765	$ 2,821,866
Net total debt-to-net total assets	**41.1%**	39.9%	37.6%

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

SELECTED ANNUAL INFORMATION

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

	2020	2019	2018
Investment properties revenue	**$ 206,585**	$ 229,018	$ 242,429
Net income	**177,276**	117,320	157,778
Total assets	**2,888,880**	2,911,682	3,122,931
Non-current debt	**1,074,768**	967,861	1,314,646
Total debt	**1,194,149**	1,150,372	1,406,213
Total distributions[1]	**59,374**	62,842	68,591
Distribution rate (per unit)	**$ 1.00**	$ 1.00	$ 1.00
Units outstanding:			
REIT Units, Series A	**50,631,596**	56,234,546	59,369,278
LP Class B Units, Series 1	**5,233,823**	5,233,823	5,233,823

(1) Total distributions (a non-GAAP measure) is defined in the section "Non-GAAP Measures" under the heading "Total distributions paid and payable".

QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2019.

Key portfolio, leasing, financing and other capital information

				2020				2019
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Portfolio[1]								
Number of properties	**30**	30	31	31	31	33	33	37
GLA (millions of sq. ft.)	**5.5**	5.5	5.5	5.5	5.5	6.1	6.2	7.3
Leasing – total portfolio[2]								
Occupancy rate – including committed (period-end)	**88.0%**	88.0%	88.4%	89.9%	90.8%	90.6%	94.3%	93.2%
Occupancy rate – in-place (period-end)	**85.2%**	87.8%	87.9%	89.2%	90.2%	89.7%	92.9%	91.8%
Tenant retention ratio	**70.0%**	56.0%	73.9%	45.0%	85.8%	69.8%	88.0%	70.9%
Average in-place and committed net rent per square foot (period-end)	**$ 23.31**	$ 23.15	$ 23.07	$ 22.70	$ 22.56	$ 22.07	$ 22.20	$ 21.06
Financing								
Weighted average face rate of interest on debt (period-end)[3]	**3.56%**	3.60%	3.68%	3.78%	3.88%	3.88%	3.94%	3.99%
Interest coverage ratio (times)[4][5]	**3.2**	3.2	3.1	3.0	2.9	2.9	2.8	2.7
Net total debt-to-adjusted EBITDAFV (years)[4][5]	**8.8**	8.4	8.1	7.8	7.5	8.0	8.5	8.6
Level of debt (net total debt-to-net total assets)[4]	**41.1%**	39.9%	38.3%	38.5%	37.6%	41.3%	45.4%	45.1%
Capital								
Total number of REIT A Units and LP B Units (in millions)[6]	**55.87**	58.01	60.48	60.85	61.47	61.46	63.61	64.28
NAV per unit[4]	**$ 28.69**	$ 28.17	$ 27.61	$ 27.13	$ 26.70	$ 25.79	$ 25.49	$ 25.10

(1) Excludes properties held for sale and properties in joint ventures that are equity accounted at the end of each period, as applicable.

(2) Excludes properties under development, assets held for sale and investment in joint ventures that are equity accounted at the end of each period, as applicable.

(3) Weighted average face rate of interest on debt is calculated as the weighted average face rate of all interest bearing debt balances excluding debt in joint ventures that are equity accounted.

(4) The calculation of the following non-GAAP measures – interest coverage ratio, net total debt-to-adjusted EBITDAFV, level of debt (net total debt-to-net total assets) and NAV per unit – are included in the "Non-GAAP Measures" section of the MD&A.

(5) Interest coverage ratio and net total debt-to-adjusted EBITDAFV have been restated for the comparative periods to conform to current period presentation. For further details, please refer to the "Non-GAAP Measures" section under the headings "Interest coverage ratio" and "Net total debt-to-adjusted EBITDAFV".

(6) Total number of REIT A Units and LP B Units includes 5.2 million LP B Units, which are classified as a liability under IFRS.

Results of operations

Effective June 30, 2019, the results of operations from the Ottawa and Montréal segment were presented separately as income (loss) from discontinued operations in the consolidated statements of comprehensive income (loss), as both investment properties in that segment had been sold. As a result of this change in presentation, the prior periods' income measures of investment properties revenue and operating expenses, interest expense on debt (included in "Other expenses") and fair value adjustments to investment properties (included in "Fair value adjustments, leasing, transaction and debt settlement costs") attributable to this segment have been retroactively reclassified to income (loss) from discontinued operations in the table below, in accordance with IFRS requirements.

				2020				2019
(in thousands of Canadian dollars)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment properties revenue	**$ 51,821**	$ 51,312	$ 50,704	$ 52,748	$ 56,990	$ 57,432	$ 57,031	$ 57,565
Investment properties operating expenses	**(23,876)**	(23,422)	(22,525)	(23,820)	(25,907)	(25,470)	(24,683)	(25,383)
Net rental income	**27,945**	27,890	28,179	28,928	31,083	31,962	32,348	32,182
Other income	**19,042**	13,018	5,907	1,133	25,766	4,460	19,454	7,813
Other expenses	**(14,948)**	(14,614)	(15,218)	(15,227)	(16,699)	(16,609)	(17,852)	(17,372)
Fair value adjustments, internal leasing costs and net gains (loss) on transactions	**(17,468)**	13,008	38,766	49,602	23,450	(20,112)	18,016	(11,518)
Income (loss) before income taxes and discontinued operations	**14,571**	39,302	57,634	64,436	63,600	(299)	51,966	11,105
Current and deferred income taxes recovery (expense), net	**944**	(13)	(32)	408	(149)	(102)	(118)	(117)
Income (loss) from continuing operations, net of taxes	**15,515**	39,289	57,602	64,844	63,451	(401)	51,848	10,988
Income (loss) from discontinued operations	**36**	5	(2)	(13)	(258)	(1,939)	(5,315)	(1,054)
Net income (loss) for the period	**15,551**	39,294	57,600	64,831	63,193	(2,340)	46,533	9,934
Other comprehensive income (loss)	**(2,244)**	(907)	(2,914)	9,205	(1,058)	1,172	(2,074)	(745)
Comprehensive income (loss) for the period	**$ 13,307**	$ 38,387	$ 54,686	$ 74,036	$ 62,135	$ (1,168)	$ 44,459	$ 9,189

Our results of operations may vary significantly from period to period as a result of fair value adjustments to investment properties, fair value adjustments to financial instruments, and net gains or losses on transactions and other activities. The decrease in our net rental income between Q1 2019 and Q4 2020 is primarily due to the effect of selling investment properties in order to focus on our highest quality assets.

Reconciliation between net income (loss) and funds from operations

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

				2020				2019
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (loss) for the period	**$ 15,551**	$ 39,294	$ 57,600	$ 64,831	$ 63,193	$ (2,340)	$ 46,533	$ 9,934
Add (deduct):								
Share of income from investment in Dream Industrial REIT	**(18,999)**	(12,559)	(4,904)	(523)	(25,419)	(4,348)	(18,833)	(7,478)
Share of FFO from investment in Dream Industrial REIT	**4,956**	4,811	4,818	4,748	4,878	5,139	5,417	5,5002
Depreciation, amortization and write-off of intangible assets	**3,222**	3,338	3,045	3,448	4,134	3,426	3,653	3,358
Costs (recovery) attributable to sale of investment properties(1)	**376**	12	(2,212)	(52)	441	2,967	76	52
Interest expense on subsidiary redeemable units	**1,309**	1,308	1,309	1,308	1,309	1,308	1,309	1,308
Fair value adjustments to investment properties(1)	**6,159**	753	(20,203)	(4,706)	(33,707)	(18,807)	(3,832)	(603)
Fair value adjustments to investment properties held in joint ventures	**367**	–	(16)	—	—	518	—	—
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**10,027**	(14,261)	(16,865)	(45,207)	9,721	36,595	(6,219)	15,454
Debt settlement costs due to disposals of investment properties, net(1)	**—**	—	—	—	—	1,620	—	—
Internal leasing costs	**728**	311	370	412	500	506	511	671
Principal repayments on finance lease liabilities(1)	**(11)**	(12)	(12)	(11)	(11)	(8)	(12)	(13)
Deferred income taxes expense (recovery)	**(962)**	93	206	(166)	149	102	118	117
FFO for the period(2)	**$ 23,723**	$ 23,088	$ 23,136	$ 24,082	$ 25,188	$ 26,678	$ 28,721	$ 28,300
Diluted weighted average number of units(3)	**57,390**	60,611	61,512	62,336	62,388	62,848	65,144	65,182
FFO per unit – diluted	**$ 0.40**	$ 0.38	$ 0.38	$ 0.39	$ 0.40	$ 0.42	$ 0.44	$ 0.43

(1) Includes both continuing and discontinued operations.

(2) FFO is a non-GAAP measure. Refer to the section “Non-GAAP Measures” under the heading “Funds from operations (“FFO”)” for further details.

(3) Diluted weighted average number of units includes the weighted average of all REIT A Units, LP B Units, vested but unissued and unvested deferred trust units and associated income deferred trust units.

SECTION V

DISCLOSURE CONTROLS AND PROCEDURES

For the year ended December 31, 2020, 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 "2013 Committee of Sponsoring Organizations (COSO) Internal Control Framework", published by the Committee of Sponsoring Organizations of the Treadway Commission, 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 for the year ended December 31, 2020.

There were no changes in Dream Office REIT's internal control over financial reporting during the financial year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, Dream Office REIT's internal control over financial reporting.

SECTION VI

RISKS AND OUR STRATEGY TO MANAGE

In addition to the specific risks discussed in this MD&A, we are exposed to various risks and uncertainties, many of which are beyond our control and could have an impact on our business, financial condition, operating results and prospects. Unitholders should consider these risks and uncertainties when assessing our outlook in terms of investment potential. For a further discussion of the risks and uncertainties identified by Dream Office REIT, please refer to our latest Annual Report and Annual Information Form filed on SEDAR at www.sedar.com.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and full scope of the economic impact of COVID-19 is unknown and as a result it is not possible to estimate the full impact on our financial results and operations. Risks and uncertainties arising from this global pandemic could include, but are not limited to, the impact on our tenants, global economies and financial markets, and our information technology systems.

COVID-19 has led to the extended shutdown of certain businesses, which may in turn result in disruptions, delays or reductions to our tenants' supply chains. COVID-19 may also impact consumer demand for our tenants' products or services, which may negatively impact our tenants' businesses. These factors may impact our tenants' ability to meet their payment obligations. Business shutdowns also decrease traffic to our properties which may negatively impact the parking revenues that the Trust ordinarily generates from day-to-day use of its parking facilities.

COVID-19 has slowed down global economies, increased volatility in financial markets and resulted in a decline in the value of the Trust's unit price. The pandemic could impact debt and equity markets which could affect the Trust's ability to access capital.

COVID-19 has led to increased risks associated with cyber security. As such, this could impact our information technology systems and networks.

All of these factors may have a material adverse effect on our business, our results of operations and our ability to make cash distributions to unitholders.

Portions of our financial results incorporate estimates from management that are subject to increased uncertainty due to the market disruptions caused by the COVID-19 pandemic. An area of increased estimation uncertainty in the Trust's consolidated financial statements is the fair value of its investment properties.

The amounts recorded in the consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared where that information reflects conditions at the date of the consolidated financial statements. 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.

Increase in credit risk as a result of COVID-19

Credit risk arises from the possibility that tenants in investment properties or counterparties to financial instruments may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks from its tenants by attracting tenants of sound financial standing and by diversifying its mix of tenants. The Trust manages its credit risk on vendor takeback mortgage receivables by lending to reputable purchasers of properties, retaining security interests in the sold investment properties, monitoring compliance with repayment schedules, and evaluating the progress and estimated rates of returns of financed projects. The Trust manages its credit risk on debt guarantees on assumed debt by guaranteeing debt assumed by reputable purchasers of properties, monitoring the debtors' compliance with repayment schedules and loan covenants, and obtaining indemnities from parties with strong covenants.

COVID-19 and the measures to contain it have created significant uncertainty in the general economy. A deterioration in the economy may impact the ability of tenants to meet their obligations under their leases or contracts. The Trust continues to assess the effect of economic conditions on the creditworthiness of our tenants and counterparties. As part of this assessment, the Trust reviews the risk profiles of its tenant base to assess which tenants are likely to continue meeting their obligations under their leases and which tenants are at a greater risk of default. We expect that certain tenants may have difficulty meeting their obligations under their leases, resulting in an elevated risk of credit losses. Tenants may also apply for government assistance programs and require assistance in the form of short-term rent deferrals.

The Trust assesses the credit risk of its vendor takeback mortgages receivable by evaluating the credit quality of counterparties, whether the counterparties are fulfilling their obligations under the terms of the agreements and the value of the collateral relative to the balance of the receivable.

REAL ESTATE OWNERSHIP

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (including market interest rates and the availability 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 that 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.

DEVELOPMENT RISK

The Trust's current, prospective and future development projects are subject to development risks. These risks include delays and cost overruns arising from permitting delays, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions and the availability of financing and other factors. Other development risks include the failure of prospective tenants to occupy their space upon project completion and inability to achieve forecasted rates of return.

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, with a concentration in Toronto, Ontario and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in Toronto, Ontario and the rest of 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 Toronto, Ontario and the rest of Canada decline relative to real estate conditions in other regions, our cash flows and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

FINANCING

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

TAX CONSIDERATIONS

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

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

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 REIT A Units. In addition to existing variable rate portions of our financing agreements, we may enter into future financing agreements with variable interest rates. An increase in interest rates could result in a significant increase in the amount we pay to service debt, which could limit our ability to pay distributions to unitholders and could impact the market price of the REIT A Units. However, to the extent that we fail to adequately manage these risks, our financial results, our ability to pay distributions to unitholders and cash interest payments under our financing arrangements and future financings may be negatively affected. 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 AND CLIMATE CHANGE 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. We have insurance and other policies and procedures in place to review and monitor environmental exposure, which we believe mitigates these risks to an acceptable level. 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.

Climate change continues to attract the focus of governments and the general public as an important threat, given the emission of greenhouse gases and other activities continue to negatively impact the planet. We face the risk that our properties will be subject to government initiatives aimed at countering climate change, such as reduction of greenhouse gas emissions, which could impose constraints on our operational flexibility or cause us to incur financial costs to comply with various reforms. Any failure to adhere and adapt to climate change reform could result in fines or adversely affect our reputation, operations or financial performance. Furthermore, our properties may be exposed to the impact of events caused by climate change, such as natural disasters and increasingly frequent and severe weather conditions. Such events could interrupt our operations and activities, damage our properties and may potentially decrease our property values or require us to incur additional expenses including an increase in insurance costs to insure our properties against natural disasters and severe weather.

JOINT ARRANGEMENTS

We may be, from time to time, 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' consent 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 rental 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 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, as requested. DAM has the right, upon 180 days' notice, to terminate our New Shared Services Agreement for any reason at any time. Our New Shared 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.

CYBER SECURITY RISKS

As we continue to increase our dependence on information technologies to conduct our operations, the risks associated with cyber security also increase. We rely on management information systems and computer control systems. Business disruptions, utility outages and information technology system and network disruptions due to cyber-attacks could seriously harm our operations and materially adversely affect our operating results. Cyber security risks include attacks on information technology and infrastructure by hackers, damage or loss of information due to viruses, the unintended disclosure of confidential information, the misuse or loss of control over computer control systems, and breaches due to employee error. Our exposure to cyber security risks includes exposure through third parties on whose systems we place significant reliance for the conduct of our business. We have implemented security procedures and measures in order to protect our systems and information from being vulnerable to cyber-attacks. However, we may not have the resources or technical sophistication to anticipate, prevent, or recover from rapidly evolving types of cyber-attacks. Compromises to our information and control systems could have severe financial and other business implications.

SECTION VII

CRITICAL ACCOUNTING JUDGMENTS

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.

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. The fair values of these investments are reviewed at least quarterly by management with reference to independent property appraisals and market conditions existing at the reporting date, using generally accepted market practices. The independent appraisers are experienced, nationally recognized and qualified in the professional valuation of investment properties in their respective geographic areas. Judgment is also applied in determining the extent and frequency of obtaining independent appraisals. At each reporting period, a select number of properties, determined on a rotational basis, are valued by independent appraisers. For properties not subject to independent appraisals, valuations are prepared internally during each reporting period.

Critical assumptions used in estimating the fair values of investment properties include cap rates, discount rates that reflect current market uncertainties, terminal cap rates and market rents. Other key assumptions relating to the estimates of fair values of investment properties include components of stabilized NOI, leasing costs and vacancy rates. The Trust examines the critical and key assumptions at the end of each reporting period and updates these assumptions based on recent leasing activity and external market data available at that time. 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. For properties under development, the Trust exercises judgment in determining when development activities have commenced, when and how much borrowing costs are to be capitalized to the development project, and the point of practical completion.

Impairment

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to equity accounted investments.

IAS 36, "Impairment of Assets" ("IAS 36"), requires management to use judgment in determining the recoverable amount of equity accounted investments that are tested for impairment. Judgment is also involved in estimating the value-in-use of the equity accounted investments, 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.

Elevated estimation uncertainty as a result of COVID-19

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic. The pandemic has created significant uncertainty in the general economy, including the real estate market. Such a pandemic could, if prolonged, adversely impact our business directly and/or indirectly. Management continues to assess the impact of COVID-19 and governments' responses to it on the Trust. Portions of our financial results incorporate estimates from management that are subject to increased uncertainty due to the market disruptions caused by the COVID-19 pandemic. An area of increased estimation uncertainty in the Trust's consolidated financial statements is the fair value of its investment properties.

The amounts recorded in these consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared where that information reflects conditions at the date of the consolidated financial statements. 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.

CHANGES IN ACCOUNTING POLICIES

Business combinations

Effective January 1, 2020, the Trust has applied the amendments to the requirements of IFRS 3, "Business Combinations" ("IFRS 3"), in relation to whether a transaction meets the definition of a business combination. The amendments provide the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. There was no impact on the adoption of this amendment since the amendment is effective for business combinations for which the acquisition date is on or after the transition date. For the year ended December 31, 2020, there were no acquisitions completed by the Trust.

FUTURE ACCOUNTING POLICY CHANGES

Amendments to IAS 1

The International Accounting Standards Board has issued amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"). The amendments to IAS 1 clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2023. The Trust is currently assessing the impact of these amendments.

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 VIII

ASSET LISTING

The following table includes supplementary information on our portfolio as at December 31, 2020.

Property	Ownership	Owned share of total GLA (in thousands of square feet)	Number of tenants (in-place and committed)	Average tenant size (in thousands of square feet)	Average remaining lease term (in years)	In-place and committed occupancy
Adelaide Place, Toronto	100.0%	658	66	10	5.0	96.6%
30 Adelaide Street East, Toronto	100.0%	414	7	59	3.8	100.0%
438 University Avenue, Toronto	100.0%	323	17	19	5.0	99.1%
655 Bay Street, Toronto	100.0%	301	22	13	5.0	97.8%
74 Victoria Street/137 Yonge Street, Toronto	100.0%	266	5	53	4.8	98.9%
720 Bay Street, Toronto	100.0%	248	1	248	5.0	100.0%
36 Toronto Street, Toronto	100.0%	214	38	6	3.2	98.2%
330 Bay Street, Toronto	100.0%	165	38	4	2.6	84.0%
20 Toronto Street/33 Victoria Street, Toronto	100.0%	158	16	10	5.9	96.5%
250 Dundas Street West, Toronto	100.0%	121	16	7	4.7	98.5%
80 Richmond Street West, Toronto	100.0%	101	34	2	2.0	72.4%
425 Bloor Street East, Toronto(1)	100.0%	83	6	14	9.5	97.5%
212 King Street West, Toronto	100.0%	73	10	7	3.3	100.0%
357 Bay Street, Toronto(2)	100.0%	65	1	65	14.8	100.0%
360 Bay Street, Toronto	100.0%	58	13	4	2.4	86.8%
67 Richmond Street West, Toronto	100.0%	50	4	12	3.4	94.4%
6 Adelaide Street East, Toronto(3)	100.0%	53	18	2	3.3	84.9%
350 Bay Street, Toronto	100.0%	53	10	5	2.6	94.8%
366 Bay Street, Toronto	100.0%	36	4	3	1.2	34.0%
56 Temperance Street, Toronto	100.0%	32	7	4	5.3	89.2%
Toronto downtown		**3,472**	**333**	**10**	**4.7**	**95.7%**
2200–2206 Eglinton Avenue East & 1020 Birchmount Road, Scarborough	100.0%	442	10	26	8.1	58.5%
50 & 90 Burnhamthorpe Road West, Mississauga (Sussex Centre)(4)	49.9%	326	63	9	5.1	86.4%
444 – 7th Building, Calgary	100.0%	261	8	24	6.7	74.5%
Saskatoon Square, Saskatoon	100.0%	228	11	13	6.9	64.2%
12800 Foster Street, Overland Park, Kansas, U.S.	100.0%	185	1	185	4.9	100.0%
Princeton Tower, Saskatoon	100.0%	136	12	5	7.0	48.1%
606 – 4th Building & Barclay Parkade, Calgary	100.0%	126	11	9	5.0	76.5%
Kensington House, Calgary	100.0%	78	20	4	5.3	95.7%
234 – 1st Avenue South, Saskatoon	100.0%	10	3	2	3.0	66.8%
Other markets		**1,792**	**139**	**11**	**6.2**	**73.1%**
Total portfolio		**5,264**	**472**	**10**	**5.1**	**88.0%**
1900 Sherwood Place, Regina	100.0%	210	5	42	11.2	100.0%
Total properties under development		**210**	**5**	**42**	**11.2**	**100.0%**
Total		**5,474**	**477**	**11**	**5.4**	**88.4%**
220 King Street West, Toronto(5)	50.0%	11	3	6	6.6	83.4%

(1) Property subject to a ground lease.

(2) This property was reclassified from properties under development to Toronto downtown on November 1, 2020.

(3) This property was acquired on September 12, 2019.

(4) Co-owned property with Dream Impact Trust, a related party to the Trust.

(5) Joint venture that is equity accounted. This property was acquired on August 22, 2019.

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 controls. The Audit Committee, which comprises appointed 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.

"Michael J. Cooper"

Michael J. Cooper
Chief Executive Officer

"Jay Jiang"

Jay Jiang
Chief Financial Officer

Toronto, Ontario, February 18, 2021

Independent auditor's report

To the Unitholders of Dream Office Real Estate Investment Trust

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dream Office Real Estate Investment Trust and its subsidiaries (together, the Trust) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Trust's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2020 and 2019;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties *Refer to note 2 – Summary of significant accounting policies, note 4 – Investment properties and note 30 – Fair value measurement to the consolidated financial statements.* The Trust measures its investment properties at fair value and as at December 31, 2020, these assets were valued at $2,472 million. The fair values of these investments are reviewed by management with reference to independent property appraisals, if obtained, and market conditions existing at the reporting date, using generally accepted market practices. Valuations are prepared by applying the income approach. The income approach is derived from two methods: the capitalization rate ("cap rate") method and the discounted cash flow method. Certain properties under development and properties with redevelopment potential are measured using the discounted cash flow method. For the cap rate method, the critical and key assumptions were cap rates and stabilized NOI. For the discounted cash flow method, the critical and key assumptions were discount rates, terminal cap rates, market rents, leasing costs, vacancy rates and capital expenditures, as applicable. Critical judgments are made by management in respect of the fair values of investment properties. We considered this a key audit matter due to i) significant effort required to audit the fair value of a large number of investment properties, ii) critical judgments made by management when determining the fair value including the development of the critical and key assumptions, and iii) a high degree of complexity in assessing audit evidence to support the critical and key assumptions made by management. In addition,	Our approach to addressing the matter included the following procedures, among others: For a sample of investment properties, tested how management determined the fair value, which included the following: • Evaluated the appropriateness of the valuation methods used (the cap rate method and the discounted cash flow method). • Tested the underlying data used in the methods that is significant to the fair value. • Evaluated the reasonableness of stabilized NOI and year one cash flows used in the valuation methods by benchmarking them to the underlying accounting records and/or market information as applicable. • Evaluated the reasonableness of capital expenditures by comparing to management's budgets approved by the Board of Directors and comparing prior year budgeted amounts to actual capital expenditures in the current year. • Evaluated the reasonableness of critical and key assumptions, including the discount rates, terminal cap rates, market rents, vacancy rates, cap rates, and leasing costs by comparing to external market and industry data, where available. Professionals with specialized skill and knowledge in the field of real estate valuations assisted us in evaluating the reasonableness of a sample of these key assumptions.

Key audit matter	How our audit addressed the key audit matter
the audit effort involved the use of professionals with specialized skill and knowledge in the field of real estate valuations.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alaina Tennison.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 18, 2021

Consolidated balance sheets
(in thousands of Canadian dollars)

	Note	December 31, 2020	December 31, 2019
Assets			
NON-CURRENT ASSETS			
Investment properties	4	**$ 2,471,879**	$ 2,420,945
Investment in Dream Industrial REIT	5	**333,937**	320,295
Investments in joint ventures	6	**17,467**	13,935
Other non-current assets	7	**39,928**	42,337
		2,863,211	2,797,512
CURRENT ASSETS			
Amounts receivable	8	**6,631**	13,834
Prepaid expenses and other assets		**5,963**	4,926
Cash and cash equivalents		**13,075**	95,410
		25,669	114,170
Total assets		**$ 2,888,880**	$ 2,911,682
Liabilities			
NON-CURRENT LIABILITIES			
Debt	9	**$ 1,074,768**	$ 967,861
Subsidiary redeemable units	10	**103,630**	162,929
Deferred Unit Incentive Plan	11	**16,929**	27,064
Deferred tax liabilities, net	12	**1,477**	2,342
Other non-current liabilities	13	**11,686**	12,236
		1,208,490	1,172,432
CURRENT LIABILITIES			
Debt	9	**119,381**	182,511
Amounts payable and accrued liabilities	14	**62,006**	78,478
		181,387	260,989
Total liabilities		**1,389,877**	1,433,421
Equity			
Unitholders' equity	15	**1,943,738**	2,049,272
Deficit	15	**(451,665)**	(574,801)
Accumulated other comprehensive income	15, 16	**6,930**	3,790
Total equity		**1,499,003**	1,478,261
Total liabilities and equity		**$ 2,888,880**	$ 2,911,682

See accompanying notes to the consolidated financial statements.

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

"Karine MacIndoe" ***"Michael J. Cooper"***

KARINE MACINDOE
Trustee

MICHAEL J. COOPER
Trustee

Consolidated statements of comprehensive income

(in thousands of Canadian dollars)

		Year ended December 31,	
	Note	**2020**	2019
Investment properties revenue	17	**$ 206,585**	$ 229,018
Investment properties operating expenses		**(93,643)**	(101,443)
Net rental income		**112,942**	127,575
Other income			
Net income from investment in Dream Industrial REIT	5	**36,985**	56,078
Share of net loss from investment in joint ventures	6	**(197)**	(641)
Interest and other income		**2,312**	2,056
		39,100	57,493
Other expenses			
General and administrative	18	**(9,757)**	(10,846)
Interest:			
Debt	19	**(43,089)**	(50,561)
Subsidiary redeemable units	19	**(5,234)**	(5,234)
Amortization and write-off of intangible assets and depreciation on property and		**(1,927)**	(1,891)
		(60,007)	(68,532)
Fair value adjustments, internal leasing costs and net gain (loss) on transactions			
Fair value adjustments to investment properties	4	**17,997**	68,201
Fair value adjustments to financial instruments	20	**65,855**	(55,162)
Internal leasing costs and net gain (loss) on transactions	21	**56**	(3,203)
		83,908	9,836
Income before income taxes and discontinued operations		**175,943**	126,372
Current and deferred income taxes recovery (expense), net	12	**1,307**	(486)
Income from continuing operations, net of taxes		**177,250**	125,886
Income (loss) from discontinued operations	22	**26**	(8,566)
Net income for the year		**177,276**	117,320
Other comprehensive income (loss)			
Items that will be reclassified subsequently to net income:			
Unrealized gain on interest rate swaps and other, net of taxes	16	**38**	48
Unrealized loss on foreign currency translation, net of taxes	16	**(371)**	(720)
Share of other comprehensive income (loss) from investment in Dream Industrial REIT	5, 16	**3,061**	(2,258)
Items that will not be reclassified subsequently to net income:			
Share of other comprehensive income from investment in joint ventures	6, 16	**412**	225
		3,140	(2,705)
Comprehensive income for the year		**$ 180,416**	$ 114,615

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

(all dollar amounts in thousands of Canadian dollars)

		Attributable to unitholders of the Trust								
Year ended December 31, 2020	Note	**Number of REIT A Units**		**Unitholders' equity**		**Deficit**		**Accumulated other comprehensive income**		**Total equity**
Balance at January 1, 2020		**56,234,546**	**$**	**2,049,272**	**$**	**(574,801)**	**$**	**3,790**	**$**	**1,478,261**
Net income for the year		**—**		**—**		**177,276**		**—**		**177,276**
Distributions paid and payable	23	**—**		**—**		**(54,140)**		**—**		**(54,140)**
Deferred trust units exchanged for REIT A Units	11	**170,946**		**4,679**		**—**		**—**		**4,679**
Cancellation of REIT A Units under NCIB	15	**(5,773,896)**		**(110,155)**		**—**		**—**		**(110,155)**
Issue and cancellation costs		**—**		**(58)**		**—**		**—**		**(58)**
Other comprehensive income	16	**—**		**—**		**—**		**3,140**		**3,140**
Balance at December 31, 2020		**50,631,596**	**$**	**1,943,738**	**$**	**(451,665)**	**$**	**6,930**	**$**	**1,499,003**

		Attributable to unitholders of the Trust								
Year ended December 31, 2019	Note	Number of REIT A Units		Unitholders' equity		Deficit		Accumulated other comprehensive income (loss)		Total equity
Balance at January 1, 2019		59,369,278	$	2,124,760	$	(634,513)	$	6,495	$	1,496,742
Net income for the year		—		—		117,320		—		117,320
Distributions paid and payable	23	—		—		(57,608)		—		(57,608)
Deferred trust units exchanged for REIT A Units	11	96,234		2,397		—		—		2,397
Cancellation of REIT A Units under NCIB	15	(3,230,966)		(77,818)		—		—		(77,818)
Issue and cancellation costs		—		(67)		—		—		(67)
Other comprehensive loss	16	—		—		—		(2,705)		(2,705)
Balance at December 31, 2019		56,234,546	$	2,049,272	$	(574,801)	$	3,790	$	1,478,261

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)

	Note	Year ended December 31, 2020	2019 (see Note 2)
Generated from (utilized in) operating activities			
Net income for the year		**$ 177,276**	$ 117,320
Non-cash items:			
Net income from investment in Dream Industrial REIT	5	**(36,985)**	(56,078)
Fair value adjustments to investment properties	4, 22	**(17,997)**	(56,949)
Fair value adjustments to financial instruments	20	**(65,855)**	55,162
Amortization and depreciation	24	**13,611**	15,168
Other adjustments	24	**261**	8,925
Change in non-cash working capital	24	**(7,930)**	9,755
Investment in lease incentives and initial direct leasing costs		**(16,412)**	(30,914)
Interest expense on debt		**43,089**	54,608
Interest expense on subsidiary redeemable units	19	**5,234**	5,234
		94,292	122,231
Generated from (utilized in) investing activities			
Investment in building improvements		**(34,366)**	(23,220)
Investment in properties under development		**(7,643)**	(22,936)
Investment in property acquisition and transaction costs paid	22	**—**	(36,833)
Investment in property and equipment		**(350)**	(11)
Contributions to joint ventures		**(3,317)**	(12,820)
Distributions from investment in Dream Industrial REIT		**14,015**	—
Net proceeds from sale of Dream Industrial REIT units	5	**12,201**	—
Net proceeds from disposal of investment properties and net transaction costs recovery		**14,364**	377,690
Advances on construction loan facility	7	**(3,032)**	—
Change in restricted cash		**3,626**	(3,517)
		(4,502)	278,353
Generated from (utilized in) financing activities			
Borrowings	9	**279,979**	410,900
Lump sum repayments	9	**(217,523)**	(469,352)
Lump sum repayments on property dispositions	9, 22	**—**	(41,937)
Principal repayments	9, 22	**(19,397)**	(15,650)
Financing cost additions	9	**(500)**	(2,575)
Interest paid on debt	19	**(44,603)**	(52,872)
Interest paid on subsidiary redeemable units	19	**(5,234)**	(5,234)
Distributions paid on REIT A Units	23	**(54,607)**	(57,869)
Cancellation of REIT A Units under NCIB and transaction costs	15	**(110,213)**	(77,885)
Debt settlement costs paid		**(1)**	(1,340)
Principal repayments on finance lease liabilities	13	**(46)**	(44)
		(172,145)	(313,858)
Increase (decrease) in cash and cash equivalents		**(82,355)**	86,726
Foreign exchange gain (loss) on cash held in foreign currency		**20**	(85)
Cash and cash equivalents, beginning of year		**95,410**	8,769
Cash and cash equivalents, end of year		**$ 13,075**	$ 95,410

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

(all dollar amounts in thousands of Canadian dollars, except for per unit or per square foot amounts)

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 subsidiaries. Dream Office REIT owns office properties primarily in downtown Toronto. 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, Toronto, Ontario, M5C 3H1. The Trust is listed on the Toronto Stock Exchange ("TSX") under the symbol "D.UN". Dream Office REIT's consolidated financial statements for the year ended December 31, 2020 were authorized for issuance by the Board of Trustees on February 18, 2021, 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; and
- "subsidiary redeemable units", meaning the LP Class B Units, Series 1, limited partnership units of Dream Office LP, a subsidiary of Dream Office REIT.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

Basis of presentation and statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

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 or partnership. 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 or partnership without exerting significant influence. Conversely, the Trust may hold an interest of less than 20% and exert significant influence through representation on the Board of Trustees, direction of management or contractual agreements.

The financial results of the Trust's equity accounted investments are included in the Trust's consolidated financial statements using the equity method, whereby the investment is carried on the consolidated balance sheets at cost, adjusted for the Trust's proportionate share of post-acquisition profits and losses and for post-acquisition changes in excess of the Trust's carrying amount of its investment over the net assets of the equity accounted investments, less any identified impairment loss. The Trust's share of profits and losses is recognized in the share of income from equity accounted investments in the consolidated statements of comprehensive income. Dilution/accretion gains or 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. Joint operations are joint arrangements in which the parties have rights to the assets, and obligations for the liabilities, of the arrangement. Joint arrangements that involve the establishment of a separate entity or partnership in which each party to the venture has rights to the net assets of the arrangements are referred to as joint ventures. The Trust's co-ownership arrangements are joint operations.

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 by accounting for its share of the assets, liabilities, revenues and expenses. Under this method, the Trust's consolidated financial statements reflect only the Trust's proportionate share of the assets, its share of any liabilities incurred jointly with the other venturers as well as any liabilities incurred directly, its share of any revenues earned or expenses incurred by the joint operation and any expenses incurred directly.

One of the joint ventures in which the Trust participates holds investments that are classified as financial assets. These assets have been designated as fair value through other comprehensive income with foreign exchange adjustments to, and changes in the fair values of, these investments flowing through the Trust's consolidated statements of comprehensive income as share of other comprehensive income from investment in joint ventures. The Trust's share of foreign exchange adjustments to cash balances held by the joint venture flow through the Trust's consolidated statements of comprehensive income as a component of share of net loss from investment in joint ventures.

Investment properties

Investment properties are initially recorded at cost, including related transaction costs in connection with asset acquisitions, and include investment 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. At the end of each reporting period, the Trust determines the fair value of investment properties by:

1) considering current contracted sales prices for properties that are available for sale;
2) obtaining appraisals from qualified external professionals on a rotational basis for select properties; and
3) using internally prepared valuations applying the income approach.

The income approach is derived from two methods: the capitalization rate ("cap rate") method and the discounted cash flow method. In applying the cap rate method, the stabilized net operating income ("stabilized NOI") of each property is divided by an appropriate cap rate with adjustments for items such as average lease up costs, vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. On a quarterly basis, the Trust generally uses the cap rate method to value investment properties that are more stable and uses the discounted cash flow method on an annual basis to validate the cap rate value on such properties. Properties under development and properties with redevelopment potential are measured using the discounted cash flow method, net of costs to complete, as of the consolidated balance sheet dates.

Building improvements are added to the carrying amount of investment properties only when it is probable that future economic benefits associated with the expenditure will flow to the Trust and the cost of the item can be measured reliably. Repairs and maintenance costs are recorded in investment properties operating expenses when incurred.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. Lease incentives, which include committed costs on commenced leases, costs incurred prior to lease commencement 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 to investment properties revenue. Internal leasing costs are expensed in the period that they are incurred.

Borrowing costs associated with direct expenditures on properties under development are capitalized during the period of active development. The amount of capitalized borrowing costs is determined first by reference to project-specific borrowings, where applicable, 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 active construction until the date of practical completion when the property is substantially ready for its intended use. 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, practical completion is considered to occur on the lease commencement date.

Investment properties, including investment properties held for sale, are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Any transaction costs arising on derecognition of an investment property are included in the consolidated statements of comprehensive income during the reporting period the asset is derecognized.

Straight-line rent receivables are included in the carrying amount of investment properties.

Assets held for sale

Assets and associated 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. Debt related to assets held for sale is carried at amortized cost until disposal.

Other non-current assets

Other non-current assets include a vendor takeback mortgage receivable, property and equipment, restricted cash, intangible assets and deposits. The vendor takeback mortgage receivable was originally recorded at the fair value of the consideration received at inception and is subsequently measured under the expected credit loss ("ECL") model. Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation of property and equipment is calculated using the straight-line method to allocate the cost of the assets, net of their residual values, over their expected useful lives. Repairs and maintenance are charged to the consolidated statements of comprehensive income during the reporting period in which they are incurred. Restricted cash is accounted for at cost. Intangible assets were initially measured at the fair value of property management contracts for co-owned properties and are amortized on a straight-line basis over the term of the agreements. The unamortized portion of intangible assets are written off when the co-owned property is sold. Deposits are measured at amortized cost.

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 during the reporting period in which the asset is derecognized.

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. Restricted cash is included in other non-current assets (see Note 7).

Financial instruments

Classification and measurement of financial instruments

The following summarizes the Trust's classification and measurement of financial assets and financial liabilities in accordance with IFRS 9, "Financial Instruments" ("IFRS 9"):

	Classification and measurement
Financial assets	
Vendor takeback mortgage receivable(1)	Financial asset at amortized cost
Restricted cash and deposits(1)	Financial asset at amortized cost
Amounts receivable	Financial asset at amortized cost
Cash and cash equivalents	Financial asset at amortized cost
Financial liabilities	
Mortgages(2)	Financial liability at amortized cost
Demand revolving credit facilities(2)	Financial liability at amortized cost
Debentures(2)	Financial liability at amortized cost
Subsidiary redeemable units	Financial liability at amortized cost
Deferred Unit Incentive Plan	Financial liability at amortized cost
Tenant security deposits(3)	Financial liability at amortized cost
Amounts payable and accrued liabilities	Financial liability at amortized cost

(1) Included within other non-current assets in the consolidated balance sheets.

(2) Included within debt in the consolidated balance sheets.

(3) Included within other non-current liabilities in the consolidated balance sheets.

Financial assets

Classification

The Trust classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Trust's business model for managing the financial assets and the contractual terms of the cash flows.

Measurement

At initial recognition, the Trust initially measures a financial asset at its fair value, less any related transaction costs. Subsequent measurement depends on the Trust's business model for managing the financial assets and the contractual terms of the cash flows. There are three measurement categories in which the Trust classifies its financial assets:

- amortized cost: assets that are held for the collection of contractual cash flows and those cash flows represent solely payments of principal and interest;
- fair value through other comprehensive income: assets that are held for the collection of contractual cash flows and for selling the financial assets, and those cash flows represent solely payments of principal and interest; and
- fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

For financial assets measured subsequently at amortized cost, the financial asset is amortized using the effective interest method.

Impairment

The Trust recognizes an allowance for expected credit losses for all financial assets not held at fair value through profit or loss. For amounts receivable, the Trust applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized upon initial recognition of the receivables. To measure the expected credit losses, the Trust has established a provision matrix that is based on its historical credit loss experience based on days past due, adjusted for forward-looking factors specific to the tenant and the economic environment. The Trust will usually consider a financial asset in default when contractual payment is over 90 days past due but will also consider other factors such as alternate repayment arrangements negotiated with tenants. However, in certain cases, the Trust may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full.

Derecognition
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. From time to time the Trust may agree with tenants to modify the terms of lease agreements, including changes to the consideration under the lease. When the changes result in a reduction in amounts receivable relating to past lease periods, the Trust applies IFRS 9, in determining whether to partially or fully derecognize those receivables.

Financial liabilities

Classification
The Trust classifies its financial liabilities in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortized cost.

Measurement
At initial measurement, financial liabilities are recognized at fair value, less any related transaction costs.

For financial liabilities measured subsequently at fair value, the liability is remeasured at fair value each reporting period, with changes in fair value recognized in comprehensive income.

For financial liabilities measured subsequently at amortized cost, the liability is amortized using the effective interest method. Under the effective interest 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 obligation.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

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, "Financial instruments: presentation" ("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 and 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 as 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 as 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; and
- 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.

Distributions

Distributions to unitholders are recognized in the period in which the distributions are declared and are recorded as an addition to deficit.

Unit-based compensation plan

As described in Note 11, 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 employees of affiliates.

Over the vesting period, deferred trust units are recorded as a liability, and compensation expense is recognized 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 the consolidated statements of comprehensive income as a fair value adjustment to financial instruments. Deferred trust units and income deferred units are usually settled in REIT A Units.

Revenue recognition

Rental income

IFRS 16, "Leases" ("IFRS 16") applies to base rental income and property tax recoveries earned from leases ("rental income"). The adoption had no impact on the timing or amount of revenue recognized.

The Trust accounts for tenant leases as operating leases given that it has retained substantially all of the risks and rewards of ownership of its investment properties. Lease revenue from investment properties includes base rents, recoveries of property taxes, percentage participation rents and lease termination fees. Revenue recognition under a lease commences when the tenant has a right to use the leased premises. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in investment properties, is recorded for the difference between the rental revenue recognized and the contractual amount received. Property tax recoveries are recognized as revenues in the period in which the variability resolves and collectability is reasonably assured. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds. Lease termination fees are recorded as earned.

Lease modifications

Changes to the terms and conditions of the lease are treated as lease modifications in accordance with IFRS 16. The modified lease is accounted for as a new lease from the effective date of the modification, with any prepaid or accrued lease payments relating to the original lease included as part of the lease payments for the new lease.

Revenue from contracts with customers

The Trust has obligations to provide ongoing services related to its leases which are contract revenues within the scope of IFRS 15, "Revenue from contracts with customers" ("IFRS 15"). These services include common area maintenance services, utilities and other services at its properties (collectively "CAM services"). The Trust's performance obligations on CAM services are satisfied over time as services are provided during the period which tenants occupy the premises. When providing CAM services, the Trust is entitled to recoveries from tenants to the extent of costs incurred to provide such services. The Trust recognizes revenue as the CAM services are provided over time, at the best estimate of the amounts earned for those services, which reflects actual costs incurred. Tenants are billed monthly based on estimates. To the extent that costs exceed billings, a receivable is recognized; if the billings exceed costs, a payable is recognized. These current assets or liabilities are settled with tenants annually.

The Trust provides parking services to its properties' tenants and visitors. Tenant parking revenue is recognized evenly over the terms of the related contract. Transient parking revenue is recognized as the parking service is rendered.

The consideration received from tenants under rental arrangements is allocated between the leased premises, CAM services and parking services, if applicable, based on relative stand-alone selling prices.

Pursuant to certain agreements, the Trust has an obligation to provide property management services to properties directly or indirectly owned by Dream Asset Management Corporation ("DAM") and Dream Impact Trust (formerly Dream Hard Asset Alternatives Trust), related parties of the Trust and third parties. The Trust recognizes revenue over time as it provides property management services calculated as a percentage of the related property revenues for that period.

Pursuant to the New Shared Services Agreement with DAM and the Services Agreements with Dream Industrial REIT and Dream Impact Trust (see Note 26), the Trust arranges for administrative and support services to be provided to these related parties on a cost-recovery basis. The Trust has determined that it is acting as an agent for these services and the fees are netted against the related expenses with the exception of fees related to the occupation of office space. In providing office space to related parties, the Trust is acting as the principal in the arrangement and the revenues and related expenses are presented separately in the consolidated statements of comprehensive income. The Trust recognizes revenues monthly in accordance with the terms of the agreement.

For all revenue streams from contracts with customers, revenue is measured at the best estimate of the amount the Trust expects to receive for performing the services. Revenue is recognized only to the extent that it is highly probable that a significant amount of the cumulative revenue recognized for a contract will not be reversed. The Trust is obligated to continue to provide CAM services over the term of each lease contract. The Trust will recognize revenue on these performance obligations based on the actual cost incurred to fulfill the CAM services in the period.

Any receivables arising from revenue contracts with customers are tested for impairment using the same model as for amounts receivable as described above.

Significant judgments in applying IFRS 15

The application of IFRS 15 requires the Trust to make the following significant judgments:

Estimation of transaction prices

The Trust exercises judgment in estimating the transaction price for revenues from contracts with customers. The Trust exercises judgment with regards to the amount and timing of the revenue recognized for CAM service contracts, which are satisfied over time. The amount of revenue recognized for CAM services with variable consideration is constrained by the actual costs incurred and any restrictions in lease agreements. The revenues related to these obligations are recorded over time as the obligation of the Trust is to provide the CAM services on an as needed basis throughout the contract period. The Trust considers this to be a faithful depiction of the transfer of services.

Scoping of revenues

The Trust exercises judgment in determining which of its revenue streams that arise from lease agreements are in scope of IFRS 15 and which are not. Specifically, the Trust considers whether a revenue stream related to a lease agreement is for the lease of an asset or is for the provision of a distinct service. Revenues of the latter type are determined to be in scope of IFRS 15, while the former are in scope of IFRS 16, "Leases".

Principal versus agent determination

The Trust exercises judgment in determining whether it is acting as a principal or an agent in providing services under the New Shared Services Agreement with DAM and the Services Agreements with Dream Industrial REIT and Dream Impact Trust. In making this determination, the Trust considers which party controls the service and the nature of the obligation that the Trust has to DAM, Dream Industrial REIT and Dream Impact Trust. In making this determination, the Trust considers whether it is primarily responsible for fulfilling the promise to provide the service; whether it bears inventory risk; and whether it has discretion to set the price for the service.

Government grants

Government grants are recognized in the consolidated statements of comprehensive income during the year when there is reasonable assurance that the grants will be received and that the Trust will comply with the terms of the respective grant. Government grants are presented separately as either income or as a reduction of the related costs for which the grants are intended to compensate, with similar grants presented on a consistent basis.

Interest on debt

Interest on debt includes coupon interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and amortization of fair value adjustments on assumed debt. Financing costs are amortized to interest expense.

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 the Trust 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 the U.S. subsidiary of the Trust, 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.

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 can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a 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.

Impairment

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to equity accounted investments and investments in joint ventures, property and equipment and intangible assets.

IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"), requires management to use judgment in determining the recoverable amount of equity accounted investments and investments in joint ventures that are tested for impairment. Judgment is also involved in estimating the value-in-use of the investment, 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.

Leases where the Trust is a lessee

IFRS 16 applies to all leases where the Trust is a lessee.

At the inception of a lease contract where the Trust is a lessee, the Trust recognizes a right-of-use ("ROU") asset and a lease liability based on the present value of the lease payments under the lease discounted using the rate implicit in the lease or, where this rate is not determinable, based on an estimated incremental borrowing rate for borrowings secured by a similar asset for a similar term. Subsequently, ROU assets for investment properties are accounted for under the fair value model while ROU assets for property and equipment are depreciated on a straight-line basis over the lesser of the useful life of the asset and the term of the lease. Lease liabilities are amortized using the effective interest rate method over the term of the lease. Leases for a term of less than 12 months, or for low value assets (determined by the Trust to be less than $10), are expensed evenly over the term of the lease.

Segment reporting

A reportable operating segment is a distinguishable component of the Trust that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographic 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. 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 leases. All of the Trust's business activities and operating segments are reported within the geographic segments.

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.

Acquisitions and business combinations

When the Trust makes an acquisition it may elect to apply the optional concentration test in IFRS 3, "Business Combinations" ("IFRS 3"), to assess whether an acquisition must be accounted for as a business combination. When substantially all of the fair value of the gross assets acquired is concentrated in a single asset (or a group of similar assets), the transaction is accounted for as an asset acquisition. The consideration paid is allocated to the identifiable assets and liabilities acquired on the basis of their relative fair values at the acquisition date. Where an acquisition does not satisfy the concentration test and the acquired set of activities meets the definition of a business, the Trust applies the acquisition method of accounting.

Under the acquisition method of accounting the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets and liabilities assumed, and any equity interests issued by the Trust in exchange for control of the acquiree.

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

Critical accounting judgments, estimates and assumptions

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments, estimates and assumptions 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 judgments, estimates and assumptions 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. The fair values of these investments are reviewed at least quarterly by management with reference to independent property appraisals and market conditions existing at the reporting date, using generally accepted market practices. The independent appraisers are experienced, nationally recognized and qualified in the professional valuation of investment properties in their respective geographic areas. Judgment is applied in determining the extent and frequency of obtaining independent appraisals. At each reporting period, a select number of properties, determined on a rotational basis, are valued by independent appraisers. For properties not subject to independent appraisals, valuations are prepared internally during each reporting period.

Critical assumptions used in estimating the fair values of investment properties include cap rates, discount rates that reflect current market uncertainties, terminal cap rates and market rents. Other key assumptions relating to the estimates of fair values of investment properties include components of stabilized NOI, leasing costs and vacancy rates. The Trust examines the critical and key assumptions at the end of each reporting period and updates these assumptions based on recent leasing activity and external market data available at that time. If there is any change in these assumptions or in 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. For properties under development, the Trust exercises judgment in determining when development activities have commenced, when and how much borrowing costs are to be capitalized to the development project, and the point of practical completion.

Impairment

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to equity accounted investments.

IAS 36, "Impairment of Assets" ("IAS 36"), requires management to use judgment in determining the recoverable amount of equity accounted investments that are tested for impairment. Judgment is also involved in estimating the value-in-use of the equity accounted investments, 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.

Note 3

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES AND FUTURE ACCOUNTING POLICIES

The Trust has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2020. These changes were made in accordance with the applicable transitional provisions as described below.

Changes in accounting policies

Presentation of interest expense on debt in the consolidated statement of cash flows

The Trust has amended its accounting policy for the presentation of interest expense on debt in the consolidated statements of cash flows. Effective January 1, 2020, the Trust has elected to present interest expense on debt as a cash flow arising from financing activities where it was previously included in cash flows from operating activities. The Trust has made this change in order to better align with the presentation of cash flows related to debt transactions. As a result of this change in presentation, cash flows generated from (utilized in) operating activities for the year ended December 31, 2019 have increased by $52,872 with a corresponding reduction to cash flows generated from (utilized in) financing activities.

Business combinations

Effective January 1, 2020, the Trust has applied the amendments to the requirements of IFRS 3, "Business Combinations" ("IFRS 3"), in relation to whether a transaction meets the definition of a business combination. The amendments provide the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. There was no impact on the adoption of this amendment since the amendment is effective for business combinations for which the acquisition date is on or after the transition date. For the year ended December 31, 2020, there were no acquisitions completed by the Trust.

Leases

Effective January 1, 2019, the Trust adopted IFRS 16. IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. While accounting for leases where the Trust is acting as the lessor was substantially unchanged, there were significant changes to the accounting for leases previously classified as operating leases where the Trust is acting as the lessee.

Prior to January 1, 2019, where the Trust was a lessee, operating leases were expensed over the term of the lease; however, IFRS 16 required the Trust to recognize a ROU asset and a lease liability at the inception of a lease contract. Subsequently, ROU assets for investment properties are accounted for under the fair value model while ROU assets for property and equipment are depreciated on a straight-line basis over the lesser of the useful life of the asset and the term of the lease. Lease liabilities are amortized using the effective interest rate method over the term of the lease. Leases for a term of less than 12 months, or for low value assets (determined by the Trust to be less than $10), are expensed evenly over the term of the lease.

The Trust applied IFRS 16 on a modified retrospective basis. On adoption of IFRS 16, the Trust recognized investment property ROU assets and related lease liabilities totalling $4,499 in the consolidated balance sheet based on an estimated weighted average incremental borrowing rate of 5.12% for borrowings secured by similar assets and for similar terms as the leases.

The following table reconciles the undiscounted operating lease obligation under IAS 17, and the IFRS 16 finance lease liability included in other non-current liabilities on January 1, 2019:

Undiscounted operating lease payments under IAS 17 as at December 31, 2018	$	11,263
Less: Undiscounted lease payments for low value assets		(469)
Undiscounted lease payments under IFRS 16		10,794
Less: Effect of discounting at a rate of 5.12%		(6,295)
Discounted lease payment liability as at January 1, 2019	$	4,499

The Trust was not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Trust has accounted for its leases in accordance with IFRS 16 from the date of initial application.

Future accounting policy changes

Amendments to IAS 1

The International Accounting Standards Board has issued amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"). The amendments to IAS 1 clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2023. The Trust is currently assessing the impact of these amendments.

Note 4
INVESTMENT PROPERTIES

		Year ended December 31, 2020			Year ended December 31, 2019		
	Note	**Active properties**	**Properties under development**	**Investment properties**	Active properties	Properties under development	Investment properties
Balance, beginning of year		**$ 2,318,599**	**$ 102,346**	**$ 2,420,945**	$ 2,704,241	$ 74,585	$ 2,778,826
Right-of-use assets recognized on adoption of IFRS 16	3	**—**	**—**	**—**	4,499	—	4,499
Adjusted balance, beginning of year		**2,318,599**	**102,346**	**2,420,945**	2,708,740	74,585	2,783,325
Additions:							
Investment property acquisition	22	**—**	**—**	**—**	47,454	—	47,454
Building improvements		**34,794**	**4,128**	**38,922**	24,237	24,981	49,218
Lease incentives and initial direct leasing costs		**10,485**	**11,522**	**22,007**	26,089	1,252	27,341
Capitalized interest		**—**	**1,013**	**1,013**	—	488	488
Total additions to investment properties		**45,279**	**16,663**	**61,942**	97,780	26,721	124,501
Transfers, dispositions, assets classified as held for sale and other:							
Properties under development transferred to active properties during the year(1)		**61,702**	**(61,702)**	**—**	—	—	—
Investment properties disposed of during the year	22	**—**	**—**	**—**	(172,033)	—	(172,033)
Investment properties classified as held for sale during the year	22	**(12,750)**	**—**	**(12,750)**	(354,946)	—	(354,946)
Other(2)		**(3,171)**	**—**	**(3,171)**	(363)	—	(363)
Total transferred, disposed, classified as held for sale and other		**45,781**	**(61,702)**	**(15,921)**	(527,342)	—	(527,342)
Changes included in net income:							
Fair value adjustments to investment properties		**15,083**	**2,914**	**17,997**	54,519	1,210	55,729
Change in straight-line rent		**(482)**	**(36)**	**(518)**	91	(14)	77
Amortization and write-off of lease incentives		**(11,505)**	**(179)**	**(11,684)**	(12,998)	(156)	(13,154)
Total changes included in net income		**3,096**	**2,699**	**5,795**	41,612	1,040	42,652
Change included in other comprehensive income (loss):							
Foreign currency translation adjustment		**(882)**	**—**	**(882)**	(2,191)	—	(2,191)
Total change included in other comprehensive income (loss)		**(882)**	**—**	**(882)**	(2,191)	—	(2,191)
Balance, end of year		**$ 2,411,873**	**$ 60,006**	**$ 2,471,879**	$ 2,318,599	$ 102,346	$ 2,420,945
Change in unrealized income included in net income for the year							
Change in fair value of investment properties		**$ 19,815**	**$ 2,914**	**$ 22,729**	$ 60,831	$ 1,210	$ 62,041

(1) On November 1, 2020, 357 Bay Street in Toronto was reclassified from properties under development to active properties as the property had reached substantial completion.

(2) Included in Other is a reversal of accrued leasing costs for the settlement of lease-related obligations during the year.

Investment properties includes $12,127 (December 31, 2019 – $12,801) related to straight-line rent receivables.

Valuations of externally appraised properties

The following table summarizes the investment properties valued by qualified external valuation professionals for the years ended December 31, 2020 and December 31, 2019:

		December 31, 2020		December 31, 2019
Investment properties valued by qualified external valuation professionals	**$**	**778,154**	$	1,073,130
Number of investment properties valued by qualified external valuation professionals		**8**		10
Percentage of the total investment properties valued by qualified external valuation professionals		**31%**		44%

Fair value adjustments to investment properties

When performing fair value assessments for its investment properties, the Trust incorporates a number of factors including recent market transactions, recent leasing activity, market vacancy, leasing costs and other information obtained from market research and recently completed leases. The fair value of the investment properties as at December 31, 2020 and December 31, 2019 represents the Trust's best estimate based on internally and externally available information as at the end of each reporting period.

The duration and full scope of the economic impact of the COVID-19 pandemic is unknown at this time. Key valuation assumptions which could be impacted over the long term include: market rents, leasing costs, vacancy rates, discount rates and capitalization rates ("cap rates"). The Trust continues to monitor the effect of the economic environment on the valuation of its investment properties.

If there are any changes in the critical and key assumptions used in valuing the investment properties, in regional, national or international economic conditions, or new developments in the COVID-19 pandemic, the fair value of investment properties may change materially.

Zoning approval

On January 29, 2020, the Trust received council zoning approval for its application to amend the zoning of its property at 250 Dundas Street West in downtown Toronto. The revised zoning permits the Trust to convert the office property to a multi-use development comprising commercial office, multi-residential rental and retail components. As at December 31, 2019, this property was valued using the cap rate method consistent with the highest and best use of the property on that date. As a result of the approved rezoning, as at December 31, 2020, the Trust has valued this property internally using the discounted cash flow method taking into account a contemplated future development.

Assumptions used in the valuation of investment properties using the cap rate method

As at December 31, 2020, the Trust's investment properties, excluding a property under development and two properties with redevelopment potential, were valued using the cap rate method. During 2020 one property under development was completed, and upon the tenant taking occupancy, the valuation approach was changed from the discounted cash flow method to the cap rate method.

The critical valuation metrics by segment as at December 31, 2020 and December 31, 2019 are set out below:

	December 31, 2020		December 31, 2019	
	Range (%)	**Weighted average cap rates (%)**	Range (%)	Weighted average cap rates (%)
Toronto downtown	**4.50–5.50**	**4.79**	4.50–6.00	4.81
Other markets	**6.25–8.25**	**7.37**	6.00–8.00	6.95
Total portfolio	**4.50–8.25**	**5.12**	4.50–8.00	5.08

Sensitivities on assumptions

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.

The following sensitivity table outlines the potential impact on the fair value of investment properties (excluding an investment property under development and two properties with redevelopment potential), assuming a change in the weighted average cap rate by 25 basis points ("bps") as at December 31, 2020.

	Impact of change to weighted average cap rates	
	+25 bps	–25 bps
Increase (decrease) in value	$ (112,920)	$ 125,050

Assumptions used in the valuation of investment properties using the discounted cash flow method

As at December 31, 2020, an investment property under development and two properties with redevelopment potential were valued using the discounted cash flow method.

The critical valuation metrics as at December 31, 2020 and December 31, 2019 are set out below:

	December 31, 2020 (1)		December 31, 2019 (2)	
	Range	**Weighted average**	Range	Weighted average
Discount rates (%)	**6.50–8.25**	**7.28**	5.25–8.25	7.09
Terminal cap rates (%)	**4.25–7.50**	**5.99**	5.00–7.50	6.69
Market rental rates (in dollars per square foot)(3)	**$ 10.00–47.00**	**$ 29.97**	$ 10.00–45.00	$ 24.67
Leasing costs for new leasing	**10.00–40.00**	**33.20**	10.00–40.00	22.71
Leasing costs for renewed leasing	**5.00–40.00**	**25.12**	5.00–17.50	10.43

(1) Includes an investment property under development and two properties with redevelopment potential.

(2) Includes two investment properties under development and a property with redevelopment potential.

(3) Market rental rates represent year one rates in the discounted cash flow model. Market rental rates include office space only and exclude retail space.

Sensitivities on assumptions

The following sensitivity table outlines the potential impact on the fair value of the investment property under development and the two properties with redevelopment potential, assuming a change in the weighted average discount rates and terminal cap rates by a respective 25 bps as at December 31, 2020.

	Impact of change to weighted average discount rates		Impact of change to weighted average terminal cap rates	
	+25 bps	–25 bps	+25 bps	–25 bps
Increase (decrease) in value	$ (18,319)	$ 19,336	$ (12,610)	$ 14,099

The following sensitivity table outlines the potential impact on the fair value of the investment property under development and the two properties with redevelopment potential, assuming the market rental rates were to change by $1.00 per square foot and the leasing costs per square foot were to change by $5.00 per square foot as at December 31, 2020.

	Impact of change to market rental rates		Impact of change to leasing costs per square foot	
	+$1.00	–$1.00	+$5.00	–$5.00
Increase (decrease) in value	$ 5,953	$ (5,953)	$ (1,649)	$ 1,649

Generally, a decrease in vacancy rate assumptions will result in an increase to the fair values of the investment property under development and the two properties with redevelopment potential, while an increase in vacancy rate assumptions will result in a decrease to the fair values of the investment property under development and the two properties with redevelopment potential.

Note 5

INVESTMENT IN DREAM INDUSTRIAL REIT

Dream Industrial Real Estate Investment Trust ("Dream Industrial REIT") is an unincorporated, open-ended real estate investment trust listed on the Toronto Stock Exchange under the symbol "DIR.UN".

	Year ended December 31,	
	2020	2019
Balance, beginning of year	**$ 320,295**	$ 266,583
Distributions earned	**(19,153)**	(19,222)
Dream Industrial REIT units purchased through distribution reinvestment plan	**4,950**	19,114
Net proceeds on sale of Dream Industrial REIT units	**(12,201)**	—
Loss on the sale of Dream Industrial REIT units	**(1,248)**	—
Share of income	**33,902**	51,304
Net dilution gain	**4,331**	4,774
Share of other comprehensive income (loss)	**3,061**	(2,258)
Balance, end of year	**$ 333,937**	$ 320,295
Dream Industrial REIT units held, end of year(1)	**8,052,451**	8,792,170
Dream Industrial LP Class B limited partnership units held, end of year(2)	**18,551,855**	18,551,855
Total units held, end of year	**26,604,306**	27,344,025
Ownership as a percentage of total units outstanding, end of year	**15.5%**	17.8%

(1) 4,800,587 Dream Industrial REIT units are pledged as security for the $20,000 demand revolving credit facility as at December 31, 2020 and December 31, 2019.

(2) 9,551,160 Dream Industrial LP Class B limited partnership units are pledged as security for the $300,000 demand revolving credit facility as at December 31, 2020 and December 31, 2019.

On February 12, 2020, Dream Industrial REIT completed a public offering and issued 16,859,000 REIT units.

On March 27, 2020, Dream Industrial REIT announced that it has suspended its Distribution Reinvestment and Unit Purchase Plan, effective for the March 2020 distribution. While Dream Industrial REIT announced on December 18, 2020 the reinstatement of its Distribution Reinvestment Plan and Unit Purchase Plan commencing with the distribution payable on January 15, 2021, the Trust has elected to continue receiving cash distributions declared by Dream Industrial REIT at this time.

On September 28, 2020, the Trust sold 1,125,250 Dream Industrial REIT units for net proceeds of $12,201. As a result of this sale, the Trust recorded a loss totalling $1,248 for the difference between the net proceeds and the carrying value of the investment.

The fair value of the Trust's interest in Dream Industrial REIT of $349,847 (December 31, 2019 – $359,300) was determined using the Dream Industrial REIT closing unit price of $13.15 per unit at year-end multiplied by the number of units held by the Trust as at December 31, 2020.

On January 29, 2021, Dream Industrial REIT completed a public offering and issued 20,240,000 REIT units. Subsequent to this offering, the Trust's ownership of Dream Industrial REIT was reduced to 13.9%.

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

	At 100%		At % ownership interest	
	December 31,		December 31,	
	2020	2019	**2020**	2019
Non-current assets	**$ 3,253,408**	$ 2,441,445	**$ 505,592**	$ 433,629
Current assets	**267,922**	451,446	**41,636**	80,182
Total assets	**3,521,330**	2,892,891	**547,228**	513,811
Non-current liabilities	**1,435,022**	1,230,916	**429,053**	419,100
Current liabilities	**181,432**	102,403	**28,195**	18,187
Total liabilities	**1,616,454**	1,333,319	**457,248**	437,287
Net assets	**$ 1,904,876**	$ 1,559,572	**$ 89,980**	$ 76,524
Add-back:				
Subsidiary redeemable units			**243,957**	243,771
Investment in Dream Industrial REIT			**$ 333,937**	$ 320,295

	At 100 %		At % ownership interest	
	Year ended December 31,		Year ended December 31,	
	2020	2019	**2020**	2019
Net rental income	**$ 168,883**	$ 139,026	**$ 26,972**	$ 27,429
Other revenue and expenses, fair value adjustments and other items	**31,272**	37,747	**(6,304)**	(57,184)
Income (loss) from continuing operations, net of taxes	**200,155**	176,773	**20,668**	(29,755)
Income (loss) from discontinued operations, net of taxes	**(19)**	2,659	**(3)**	525
Net income (loss) for the period	**200,136**	179,432	**20,665**	(29,230)
Other comprehensive income (loss)	**18,056**	(11,382)	**3,061**	(2,258)
Comprehensive income (loss) before the undernoted adjustments	**$ 218,192**	$ 168,050	**$ 23,726**	$ (31,488)
Add:				
Interest on subsidiary redeemable units			**13,051**	13,376
Fair value adjustments to subsidiary redeemable units			**186**	67,158
Share of comprehensive income from investment in Dream Industrial REIT			**$ 36,963**	$ 49,046
Add (deduct):				
Share of other comprehensive loss (income) from investment in Dream Industrial REIT			**(3,061)**	2,258
Share of income from investment in Dream Industrial REIT			**$ 33,902**	$ 51,304
Add (deduct):				
Loss on the sale of Dream Industrial REIT units			**(1,248)**	—
Net dilution gain			**4,331**	4,774
Share of net income from investment in Dream Industrial REIT			**$ 36,985**	$ 56,078

Note 6

JOINT ARRANGEMENTS

Joint ventures

The Trust holds a 50% interest in a partnership that is accounted for as a joint venture that was formed for the purpose of holding an investment property. On August 22, 2019, this partnership acquired 220 King Street West in Toronto, Ontario, for gross proceeds of $26,036, including $1,036 of transaction costs ($13,018, including $518 of transaction costs, at the Trust's share). The partnership's acquisition was funded by the assumption of a mortgage of $8,292 ($4,146 at the Trust's share) and working capital of $124 ($62 at the Trust's share) with the balance paid in cash.

During the year ended December 31, 2018, the Trust, along with DAM, a subsidiary of Dream Unlimited Corp., entered into a joint investment in Alate Partners, an investment company focused on the property technology market. The Trust and DAM each hold a 25% interest in the equity accounted investment. As at December 31, 2020, the Trust had funded $6,753 since inception into the joint investment (December 31, 2019 – $4,591).

The following amounts represent the Trust's ownership interest in the assets, liabilities, revenues and expenses of its investment in joint ventures:

	Net assets at % ownership interest	
	December 31, 2020	December 31, 2019
Non-current assets	**$ 21,090**	$ 17,129
Current assets	**648**	1,287
Total assets	**21,738**	18,416
Non-current liabilities	**4,222**	4,220
Current liabilities	**49**	261
Total liabilities	**4,271**	4,481
Net assets	**$ 17,467**	$ 13,935

	Share of comprehensive income (loss) at % ownership interest for the year ended December 31,	
	2020	2019
Net rental income	**$ 336**	$ 47
Other income, expenses and fair value adjustments	**(533)**	(688)
Share of net loss from investment in joint ventures	**(197)**	(641)
Other comprehensive income from investment in joint ventures	**412**	225
Share of comprehensive income (loss) from investment in joint ventures	**$ 215**	$ (416)

Co-owned investment properties

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

		Ownership interest (%)	
Property	Location	**December 31, 2020**	December 31, 2019
50 & 90 Burnhamthorpe Road West (Sussex Centre)(1)	Mississauga, Ontario	**49.9**	49.9

(1) The Trust co-owns this investment property with Dream Impact Trust, a related party of the Trust (see Note 26).

The following amounts represent the Trust's ownership interest in the assets, liabilities, revenues and expenses of the co-owned property in which the Trust participated during 2019 and 2020.

	Net assets at % ownership interest	
	December 31, 2020	December 31, 2019
Non-current assets	**$ 100,498**	$ 99,260
Current assets	**634**	2,959
Total assets	**101,132**	102,219
Non-current liabilities	**60,201**	60,486
Current liabilities	**2,234**	3,825
Total liabilities	**62,435**	64,311
Net assets	**$ 38,697**	$ 37,908

	Share of net income at % ownership interest for the year ended December 31,	
	2020	2019
Net rental income	**$ 5,159**	$ 7,242
Other income, expenses and fair value adjustments	**(914)**	(5,539)
Share of net income from co-owned properties	**$ 4,245**	$ 1,703

Note 7

OTHER NON-CURRENT ASSETS

	December 31, 2020	December 31, 2019
Vendor takeback mortgage receivable	**$ 37,132**	$ 34,100
Property and equipment, net of accumulated depreciation of $14,497 (December 31, 2019 – $13,418)	**1,606**	2,385
Restricted cash	**1,138**	4,764
Intangible assets	**—**	840
Deposits	**52**	248
Total	**$ 39,928**	$ 42,337

On April 10, 2018, the Trust completed the sale of its 50% interest in F1RST Tower in Calgary. As partial consideration for the sale, the Trust received a vendor takeback mortgage ("VTB mortgage") receivable of $34,100. This interest-only VTB mortgage receivable bears interest at 4.5%, matures on April 10, 2022 with an option to extend to April 10, 2023, may be repaid at any time and is secured by a first-ranking charge on the sold property. The expected credit loss for the VTB mortgage receivable is nominal as a result of the value of the secured property. The Trust has also committed to a construction loan facility of up to $12,500 on the same terms as the VTB mortgage receivable. As at December 31, 2020, the Trust had funded $3,032 under the construction loan facility.

Property and equipment primarily includes leasehold improvements, information and technology hardware, and furniture and fixtures. Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages. Intangible assets represent the value attributed to the remaining co-ownership management contracts at the time of the Whiterock Real Estate Investment Trust business combination in 2012, net of accumulated amortization. Deposits comprises refundable utility deposits.

Note 8

AMOUNTS RECEIVABLE

As at December 31, 2020, other amounts receivable are net of credit adjustments aggregating to $7,493 (December 31, 2019 – $2,341) representing the accumulated excess of billings for CAM services relative to actual costs during the year.

		December 31, 2020		December 31, 2019
Trade receivables	**$**	**5,836**	$	4,950
Less: Provision for impairment of trade receivables		**(2,575)**		(855)
Trade receivables, net		**3,261**		4,095
Other amounts receivable		**3,370**		9,739
Total	**$**	**6,631**	$	13,834

The movement in the provision for impairment of trade receivables for the years ended December 31, 2020 and December 31, 2019 were as follows:

	Year ended December 31,			
		2020		2019
Balance, beginning of year	**$**	**855**	$	923
Change in expected credit loss provision		**2,102**		248
Provision for impairment of trade receivables due to CECRA[(1)] program		**1,425**		—
Receivables written off during the period as uncollectible		**(1,807)**		(316)
Balance, end of year	**$**	**2,575**	$	855

(1) CECRA stands for Canada Emergency Commercial Rent Assistance.

The carrying value of amounts receivable approximates fair value due to their current nature. Amounts receivable are written off on contractual forgiveness or when it is ultimately determined that the probability of collection is remote based on lease terms, the tenant's financial condition and other factors.

The Trust leases office properties to tenants under operating leases. The following table summarizes the minimum net rents receivable for lease agreements which had been committed at December 31, 2020 over the remaining terms of those leases.

		December 31, 2020
2021	$	104,045
2022		98,447
2023		87,161
2024		77,648
2025		64,676
2026+		211,123
Total	$	643,100

Note 9

DEBT

		December 31, 2020		December 31, 2019
Mortgages[(1)(2)]	$	**1,012,572**	$	1,003,081
Demand revolving credit facilities[(2)(3)(4)]		**181,577**		(2,709)
Debentures		**—**		150,000
Total		**1,194,149**		1,150,372
Less: Current portion		**(119,381)**		(182,511)
Non-current debt	$	**1,074,768**	$	967,861

(1) Net of financing costs of $3,945 (December 31, 2019 – $4,230).
(2) Secured by charges on specific investment properties.
(3) Secured by certain Dream Industrial REIT units and Dream Industrial LP Class B limited partnership units (see Note 5).
(4) Net of financing costs of $1,423 (December 31, 2019 – $2,709).

Continuity of debt

The following tables provide a continuity of debt for the years ended December 31, 2020 and December 31, 2019:

	Year ended December 31, 2020			
	Mortgages	**Demand revolving credit facilities**	**Debentures**	**Total**
Balance as at January 1, 2020	**$ 1,003,081**	**$ (2,709)**	**$ 150,000**	**$ 1,150,372**
Cash items:				
Borrowings	**43,979**	**236,000**	**—**	**279,979**
Lump sum repayment	**(14,523)**	**(53,000)**	**(150,000)**	**(217,523)**
Principal repayments	**(19,397)**	**—**	**—**	**(19,397)**
Financing costs additions	**(500)**	**—**	**—**	**(500)**
Non-cash items:				
Foreign currency translation adjustment	**(514)**	**—**	**—**	**(514)**
Other adjustments[(1)]	**446**	**1,286**	**—**	**1,732**
Balance as at December 31, 2020	**$ 1,012,572**	**$ 181,577**	**$ —**	**$ 1,194,149**

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

		Year ended December 31, 2019			
	Note	Mortgages	Demand revolving credit facilities	Debentures	Total
Balance at January 1, 2019		$ 964,758	$ 291,686	$ 149,769	$ 1,406,213
Cash items:					
Borrowings		292,900	118,000	—	410,900
Lump sum repayments		(56,650)	(412,702)	—	(469,352)
Principal repayments		(15,067)	—	—	(15,067)
Lump sum repayment on property disposition		(18,000)	—	—	(18,000)
Financing costs additions		(1,905)	(670)	—	(2,575)
Non-cash items:					
Debt assumed on acquisition of investment property	22	10,306	—	—	10,306
Debt classified as liabilities related to assets held for sale	22	(172,316)	—	—	(172,316)
Foreign currency translation adjustment		(1,468)	—	—	(1,468)
Other adjustments[(1)]		523	977	231	1,731
Balance as at December 31, 2019		$ 1,003,081	$ (2,709)	$ 150,000	$ 1,150,372

(1) Other adjustments includes amortization and write-offs of financing costs and fair value adjustments.

Demand revolving credit facilities

The Trust has two demand revolving credit facilities: (i) a $300,000 demand revolving credit facility and (ii) a $20,000 demand revolving credit facility. The details of each demand revolving credit facility are specified in the tables below. The Trust also has an accordion option of up to $100,000 in additional borrowing capacity on the $300,000 demand revolving credit facility if additional assets are pledged as security and subject to lender approval.

The amounts available and drawn under the demand revolving credit facilities as at December 31, 2020 and December 31, 2019 are summarized in the tables below:

			December 31, 2020				
	Maturity date	Interest rates on drawings	**Face interest rate**	**Borrowing capacity**	**Drawings**	**Letters of credit**	**Amount available**
Formula-based maximum not to exceed $300,000(1)	March 1, 2022	BA + 1.70% or prime + 0.70%	**2.19%**	**$ 300,000**	**$ (183,000)**	**$ (1,620)**	**$ 115,380**
Formula-based maximum not to exceed $20,000(2)	March 31, 2021	BA + 2.00% or prime + 0.85%	**n/a**	**20,000**	**—**	**—**	**20,000**
			2.19%	**$ 320,000**	**$ (183,000)**	**$ (1,620)**	**$ 135,380**

(1) The $300,000 demand revolving credit facility is secured by four investment properties and 9,551,160 Dream Industrial LP Class B limited partnership units.

(2) The $20,000 demand revolving credit facility is secured by 4,800,587 Dream Industrial REIT units.

			December 31, 2019				
	Maturity date	Interest rates on drawings	Face interest rate	Borrowing capacity	Drawings	Letters of credit	Amount available
Formula-based maximum not to exceed $300,000(1)	March 1, 2022	BA + 1.70% or prime + 0.70%	n/a	$ 300,000	$ —	$ (1,830)	$ 298,170
Formula-based maximum not to exceed $20,000(2)	March 31, 2021	BA + 2.00% or prime + 0.85%	n/a	20,000	—	—	20,000
				$ 320,000	$ —	$ (1,830)	$ 318,170

(1) The $300,000 demand revolving credit facility is secured by four investment properties and 9,551,160 Dream Industrial LP Class B limited partnership units.

(2) The $20,000 demand revolving credit facility is secured by 4,800,587 Dream Industrial REIT units.

Debentures

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 bore interest at a rate of 4.074% with a maturity date of January 21, 2020. Interest on the Series C Debentures was 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.

On January 21, 2020, the Trust repaid the Series C Debentures with an aggregate principal amount of $150,000 with a combination of cash on hand and drawings on its demand revolving credit facilities.

Debt weighted average effective interest rates and maturities

	Weighted average effective interest rates[1]			Debt amount	
	December 31, 2020	December 31, 2019	Maturity dates[2]	**December 31, 2020**	December 31, 2019
Fixed rate					
Mortgages	**3.86%**	3.89%	2021–2029	**$ 1,012,572**	$ 1,003,081
Debentures	**—%**	4.25%	2020	**—**	150,000
Total fixed rate debt	**3.86%**	3.94%		**1,012,572**	1,153,081
Variable rate					
Demand revolving credit facilities	**2.40%**	—%	2021–2022	**181,577**	(2,709)
Total variable rate debt	**2.40%**	—%		**181,577**	(2,709)
Total debt	**3.64%**	3.94%		**$ 1,194,149**	$ 1,150,372

(1) The effective interest rate method includes the impact of financing costs and fair value adjustments on assumed debt.
(2) As at December 31, 2020.

The following table summarizes the aggregate of the Trust's obligations for debt:

	Mortgage balances due at maturity	Scheduled principal repayments on mortgages	Total principal obligation for mortgages	Demand revolving credit facilities	Contractual interest payments	Total debt service requirements
2021	$ 103,782	$ 17,115	$ 120,897	$ —	$ 39,826	$ 160,723
2022	59,880	15,370	75,250	183,000	32,825	291,075
2023	139,951	15,006	154,957	—	28,600	183,557
2024	17,205	12,266	29,471	—	23,175	52,646
2025	241,187	6,177	247,364	—	14,754	262,118
2026–2029	382,050	6,416	388,466	—	33,512	421,978
	$ 944,055	$ 72,350	$ 1,016,405	$ 183,000	$ 172,692	$ 1,372,097
Less: contractual interest payments			—	—	(172,692)	(172,692)
Plus: unamortized financing costs			(3,945)	(1,423)	—	(5,368)
Plus: unamortized fair value adjustments			112	—	—	112
Total debt			$ 1,012,572	$ 181,577	$ —	$ 1,194,149

Note 10

SUBSIDIARY REDEEMABLE UNITS

The Trust has the following subsidiary redeemable units outstanding:

		Year ended December 31, 2020		Year ended December 31, 2019	
	Note	**Number of units issued and outstanding**	**Amount**	Number of units issued and outstanding	Amount
Balance, beginning of year		**5,233,823**	**$ 162,929**	5,233,823	$ 116,662
Remeasurement of carrying value of subsidiary redeemable units	20	**—**	**(59,299)**	—	46,267
Balance, end of year		**5,233,823**	**$ 103,630**	5,233,823	$ 162,929

During the year ended December 31, 2020, the Trust incurred $5,234 (December 31, 2019 – $5,234) in distributions on the subsidiary redeemable units, which is included as interest expense in the consolidated statements of 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: LP Class B Units, Series 1 (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, 2020 and December 31, 2019, 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.

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, 2020 and December 31, 2019, 5,233,823 Special Trust Units were issued and outstanding.

Note 11

DEFERRED UNIT INCENTIVE PLAN

The DUIP provides for the grant of deferred trust units to trustees, officers and employees as well as employees of 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 immediately for the Board of Trustees, evenly over a five-year period and three-year period on the anniversary date of the grant for officers and the remaining participants, respectively. 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, 2020 and December 31, 2019, up to a maximum of 2,550,000 deferred trust units are issuable under the DUIP.

The following tables provide a continuity of the DUIP activity for the years ended December 31, 2020 and December 31, 2019:

		Year ended December 31,	
	Note	**2020**	2019
Balance, beginning of year		**$ 27,064**	$ 18,180
Deferred compensation expense	18	**2,371**	2,736
REIT A Units issued for vested deferred trust units		**(4,679)**	(2,397)
Remeasurement of carrying value of deferred trust units	20	**(6,556)**	8,895
Cash settlement of deferred trust units		**(1,271)**	(350)
Balance, end of year		**$ 16,929**	$ 27,064

	Year ended December 31,	
	2020	2019
Outstanding and payable at beginning of year	**927,621**	903,571
Granted	**122,564**	111,141
Income deferred trust units	**37,785**	36,478
REIT A Units issued	**(170,946)**	(96,234)
REIT A Units settled in cash	**(57,333)**	(14,466)
Forfeited	**(5,895)**	(12,869)
Outstanding and payable at end of year(1)	**853,796**	927,621

(1) Includes 649,249 of vested but not issued deferred trust units as at December 31, 2020 (December 31, 2019 – 687,960).

The following table summarizes the deferred trust units granted for the years ended December 31, 2020 and December 31, 2019:

		December 31, 2020			December 31, 2019
		Grant price range	**Number of units granted(1)**		Grant price range	Number of units granted(1)
Deferred trust units granted	**$**	**18.17–35.62**	**122,564**	$	23.68–31.14	111,141

(1) Includes 94,314 deferred trust units granted to key management personnel as at December 31, 2020 (December 31, 2019 – 64,341).

Note 12

INCOME TAXES

The Trust is subject to taxation in the United States ("U.S.") on the taxable income earned by its investment property located in the U.S. at a combined state and federal tax rate of approximately 27% as at December 31, 2020 and December 31, 2019. Deferred tax assets arise from timing differences in the U.S. subsidiaries, and are recognized only to the extent that they are realizable. Deferred tax liabilities arise 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 the temporary differences that give rise to the recognition of deferred tax assets and liabilities are presented below:

		December 31, 2020		December 31, 2019
Deferred tax assets				
Deferred financing costs	**$**	**19**	$	52
Financial instruments		**91**		117
Other		**151**		377
		261		546
Deferred tax liabilities				
Investment property		**(1,738)**		(2,888)
Deferred tax liabilities, net	**$**	**(1,477)**	$	(2,342)

A reconciliation between the expected income taxes based upon the 2020 and 2019 statutory rates and the income tax expense recognized during the years ended December 31, 2020 and December 31, 2019 is as follows:

		December 31, 2020		December 31, 2019
Income taxes computed at the statutory rate of 0% that is applicable to the Trust	**$**	**—**	$	—
Current income taxes recovery on a U.S. investment property		**478**		—
Deferred income taxes recovery (expense) on a U.S. investment property		**829**		(486)
Current and deferred income taxes recovery (expense), net	**$**	**1,307**	$	(486)

Note 13

OTHER NON-CURRENT LIABILITIES

		December 31, 2020		December 31, 2019
Tenant security deposits	**$**	**7,529**	$	8,033
Finance lease liabilities		**4,157**		4,203
Total	**$**	**11,686**	$	12,236

Finance leases

As at December 31, 2020, subsidiaries of the Trust have long-term agreements in place at two of its investment properties, which meet the definition of a lease under IFRS 16. One of these leases is a ground lease and the other is for an outdoor area at an investment property. These lease agreements have terms expiring in 2046 and 2079, respectively. The ground lease has a 33-year extension option.

The Trust also has certain leases for low value office equipment.

The following table summarizes the movements in the Trust's finance lease liabilities for the years ended December 31, 2020 and December 31, 2019:

		December 31, 2020		December 31, 2019
Balance, beginning of year	**$**	**4,203**	$	—
Recognition of finance lease liabilities on adoption of IFRS 16		**—**		4,499
Adjusted balance, beginning of year		**4,203**		4,499
Principal repayments on finance lease liabilities		**(46)**		(44)
Derecognition of finance lease liability on property disposition		**—**		(252)
Balance, end of year	**$**	**4,157**	$	4,203

During the year ended December 31, 2020 the Trust incurred $211 of interest expense on finance lease liabilities (December 31, 2019 – $220) and $156 of lease payments for low value office equipment (December 31, 2019 – $156).

The following table summarizes the undiscounted maturity of the Trust's finance lease liabilities included in other non-current liabilities as at December 31, 2020:

Due within one year	$	258
Due within one to five years		1,030
Due after five years		8,587
Total undiscounted finance lease liability payments		9,875
Less: Effect of discounting finance lease liability payments		(5,718)
Finance lease liabilities	$	4,157

Note 14

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note		December 31, 2020		December 31, 2019
Trade payables		**$**	**5,571**	$	9,169
Building improvement and leasing cost accruals			**24,765**		25,306
Investment properties operating expense accruals			**14,768**		17,299
Non-operating expense and other accruals			**6,936**		11,601
Accrued interest			**3,455**		6,453
Rent received in advance			**2,292**		3,964
Distributions payable	23		**4,219**		4,686
Total		**$**	**62,006**	$	78,478

Note 15

EQUITY

		December 31, 2020			December 31, 2019		
	Note	Number of REIT A Units		Amount	Number of REIT A Units		Amount
Unitholders' equity		**50,631,596**	**$**	**1,943,738**	56,234,546	$	2,049,272
Deficit		**—**		**(451,665)**	—		(574,801)
Accumulated other comprehensive income	16	**—**		**6,930**	—		3,790
Total		**50,631,596**	**$**	**1,499,003**	56,234,546	$	1,478,261

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 A Units and REIT B Units. The Special Trust Units may only be issued to holders of subsidiary redeemable units.

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

Normal course issuer bid ("NCIB")

On August 18, 2020, the NCIB covering the period from August 19, 2019 to August 18, 2020 expired. On August 14, 2020, the TSX accepted a notice filed by the Trust to renew its prior NCIB for a one-year period. Under the bid, the Trust will have the ability to purchase for cancellation up to a maximum of 4,106,996 of its REIT A Units (representing 10% of the Trust's public float of 41,069,968 REIT A Units) through the facilities of the TSX. The renewed bid commenced on August 19, 2020 and will remain in effect until the earlier of August 18, 2021 or the date on which the Trust has purchased the maximum number of REIT A Units permitted under the bid. Daily purchases are limited to 64,564 REIT A Units, which equals 25% of the average daily trading volume during the prior six calendar months (being 258,256 REIT A Units per day), other than purchases pursuant to applicable block purchase exceptions.

In connection with the NCIB renewal, the Trust entered into an automatic securities repurchase plan (the "Repurchase Plan") with its designated broker in order to facilitate purchases of its REIT A Units under the NCIB. The Repurchase Plan allows for purchases by Dream Office REIT of REIT A Units at any time including, without limitation, when the Trust would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the Trust's broker based upon the parameters prescribed by the TSX and the terms of the parties' written agreement. Outside of such restricted or blackout periods, the REIT A Units may also be purchased in accordance with management's discretion. The Repurchase Plan will terminate on August 18, 2021.

For the year ended December 31, 2020, the Trust purchased for cancellation 5,773,896 REIT A Units under the NCIB at a cost of $110,155 (for the year ended December 31, 2019 – 3,230,966 REIT A Units cancelled for $77,818). The Trust has purchased the maximum number of REIT A Units permitted under the current bid for cancellation.

Note 16

ACCUMULATED OTHER COMPREHENSIVE INCOME

	Year ended December 31,					
			2020			2019
	Opening balance January 1	**Net change during the year**	**Closing balance December 31**	Opening balance January 1	Net change during the year	Closing balance December 31
Unrealized gain (loss) on interest rate swaps, net of taxes	**$ (189)**	**$ 38**	**$ (151)**	$ (237)	$ 48	$ (189)
Unrealized gain (loss) on foreign currency translation, net of taxes	**2,961**	**(371)**	**2,590**	3,681	(720)	2,961
Share of other comprehensive income (loss) from investment in Dream Industrial REIT	**793**	**3,061**	**3,854**	3,051	(2,258)	793
Share of other comprehensive income from investment in joint ventures	**225**	**412**	**637**	—	225	225
Accumulated other comprehensive income	**$ 3,790**	**$ 3,140**	**$ 6,930**	$ 6,495	$ (2,705)	$ 3,790

Note 17

INVESTMENT PROPERTIES REVENUE

	Year ended December 31,	
	2020	2019
Rental revenue	**$ 130,353**	$ 139,091
CAM and parking services revenue	**74,384**	87,417
Property management and other service fees	**1,848**	2,510
Total	**$ 206,585**	$ 229,018

Note 18

GENERAL AND ADMINISTRATIVE EXPENSES

	Note		Year ended December 31, 2020		2019
Salaries and benefits		**$**	**(3,577)**	$	(3,353)
Deferred compensation expense	11		**(2,371)**		(2,736)
Professional service fees, public reporting, overhead-related costs and other			**(3,809)**		(4,757)
Total		**$**	**(9,757)**	$	(10,846)

Note 19

INTEREST

Interest on debt

Interest on debt incurred and charged to the consolidated statements of comprehensive income is recorded as follows:

	Note		Year ended December 31, 2020		2019
Interest expense incurred, at contractual rate of debt		**$**	**(42,369)**	$	(49,342)
Amortization of financing costs			**(2,071)**		(2,030)
Amortization of fair value adjustments on assumed debt			**338**		323
Capitalized interest(1)	4		**1,013**		488
Interest expense on debt (continuing operations)			**(43,089)**		(50,561)
Add (deduct):					
Amortization of financing costs			**2,071**		2,030
Amortization of fair value adjustments on assumed debt			**(338)**		(323)
Change in accrued interest			**(3,247)**		567
Cash interest paid for discontinued operations			**—**		(4,585)
Cash interest paid (continuing and discontinued operations)		**$**	**(44,603)**	$	(52,872)

(1) For the year ended December 31, 2020, interest was capitalized to properties under development at a weighted average effective interest rate of 3.86% (for the year ended December 31, 2019 – 4.01%).

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”). The fair value adjustments are amortized to interest expense over the expected life of the debt using the effective interest rate method.

Interest on subsidiary redeemable units

Interest payments charged to the consolidated statements of comprehensive income are recorded as follows:

		Year ended December 31, 2020		2019
Paid in cash	**$**	**(5,234)**	$	(5,234)
Less: Interest payable at December 31, 2019 (December 31, 2018)		**436**		436
Plus: Interest payable at December 31, 2020 (December 31, 2019)		**(436)**		(436)
Interest expense on subsidiary redeemable units	**$**	**(5,234)**	$	(5,234)

Note 20

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Note		Year ended December 31, 2020		2019
Remeasurement of carrying value of subsidiary redeemable units	10	**$**	**59,299**	$	(46,267)
Remeasurement of carrying value of deferred trust units	11		**6,556**		(8,895)
Total		**$**	**65,855**	$	(55,162)

Note 21

INTERNAL LEASING COSTS AND NET GAIN (LOSS) ON TRANSACTIONS

		Year ended December 31,		
		2020		2019
Internal leasing costs	**$**	**(1,821)**	$	(2,188)
Recovery (costs) attributable to sale of investment properties, net[(1)]		**1,878**		(654)
Debt settlement costs, net[(2)]		**(1)**		(361)
Total	**$**	**56**	$	(3,203)

(1) Recovery (costs) attributable to sale of investment properties consist of recoveries, transaction costs, commissions and other expenses incurred in relation to the disposal of investment properties.

(2) Net debt settlement costs comprise charges on discharge of mortgages and the write-off of associated financing costs.

During 2020, the Trust recorded a net transaction costs recovery totalling $2,083 due to the final settlement of post-close balances from various properties and the release of an escrow held back on the sale of an investment property during 2017.

Note 22

ACQUISITIONS, ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND DISPOSITIONS

Investment property acquisition

For the year ended December 31, 2020, there were no investment properties acquired by the Trust.

For the year ended December 31, 2019, the Trust acquired one investment property in Toronto, Ontario on September 12, 2019 for gross proceeds before transaction costs of $45,500.

Detailed below is the consideration paid for the acquired investment property:

	Note		
Cash paid		$	34,929
Assumed mortgage			10,306
Assumed non-cash working capital and capital expenditure obligations			265
Total consideration paid before transaction costs		$	45,500
Transaction costs and land transfer taxes			1,954
Total consideration paid for investment property	4	$	47,454

Assets held for sale

As at December 31, 2020 and December 31, 2019, there were no investment properties classified as assets held for sale.

Continuity of investment properties held for sale and the associated debt

The tables below summarize the activity of investment properties classified as assets held for sale and the associated debt for the years ended December 31, 2020 and December 31, 2019.

			Year ended December 31,		
	Note		**2020**		2019
Balance, beginning of year		**$**	**—**	$	—
Add (deduct):					
Building improvements			**—**		472
Lease incentives and initial direct leasing costs			**—**		475
Investment properties classified as held for sale during the year	4		**12,750**		354,946
Investment properties disposed of during the year			**(12,750)**		(356,804)
Fair value adjustment to investment properties			**—**		1,220
Amortization of lease incentives and other			**—**		(65)
Derecognition of right-of-use asset			**—**		(244)
Balance, end of year		**$**	**—**	$	—

	Note	Year ended December 31, 2020		2019
Balance, beginning of year		**$**	**—**	$ —
Cash items:				
Principal repayments			**—**	(583)
Lump sum repayment on property dispositions			**—**	(23,937)
Non-cash items:				
Debt classified as liabilities related to assets held for sale	9		**—**	172,316
Debt assumed by purchaser on disposal of investment properties			**—**	(148,087)
Amortization and write-off of financing costs			**—**	291
Balance, end of year		**$**	**—**	$ —

Discontinued operations – Ottawa and Montréal segment

On July 17, 2019 and August 23, 2019, respectively, the Trust completed the sale of 700 De la Gauchetière Street West, Montréal and 150 Metcalfe Street, Ottawa.

The Trust presented separately the results of operations and cash flows from the Ottawa and Montréal segment for the years ended December 31, 2020 and December 31, 2019 as follows:

	Year ended December 31, 2020	2019
Investment properties revenue	**$ 38**	$ 21,231
Investment properties operating expenses	**(10)**	(10,357)
Net rental income	**28**	10,874
Interest on debt	**—**	(4,047)
Fair value adjustments to investment properties	**—**	(11,252)
Costs attributable to sale of investment properties	**(2)**	(2,882)
Debt settlement costs, net(1)	**—**	(1,259)
	(2)	(19,440)
Income (loss) from discontinued operations	**$ 26**	$ (8,566)

(1) For the year ended December 31, 2019, net debt settlement costs comprise prepayment penalties of $(995) and write-off of associated unamortized financing costs of $(264).

	Year ended December 31, 2020	2019
Cash flow generated from (utilized in):		
Operating activities	**$ 541**	$ (77)
Investing activities(1)	**(111)**	201,295
Financing activities(2)	**—**	(26,001)
Increase in cash and cash equivalents from discontinued operations	**$ 430**	$ 175,217

(1) For the year ended December 31, 2019, investing activities includes $204,612 of net proceeds on disposition.

(2) For the year ended December 31, 2019, financing activities includes $(995) of prepayment penalties and $(16,870) of lump sum repayments on disposed properties.

The cash flows from discontinued operations during 2020 represent post-close activity and the settlement of construction cost accruals outstanding at the time of sale.

Dispositions

On October 16, 2020, the Trust completed the sale of one investment property located in Saskatoon for total gross proceeds (before adjustments and transaction costs) of $12,750.

For the year ended December 31, 2019, the Trust completed the sale of seven investment properties located in Alberta, Saskatchewan, Québec and Ontario for gross proceeds net of adjustments and before transaction costs of $528,837.

Note 23

DISTRIBUTIONS

Dream Office REIT's Declaration of Trust, as amended and restated, provides the Board of Trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. The Trust determines the distribution rate by, among other considerations, its assessment of cash flows generated from (utilized in) operating activities. Cash flows generated from (utilized in) operating activities may differ from distributions declared, primarily due to fluctuations in non-cash working capital and the impact of leasing costs, which fluctuate with lease maturities, renewal terms, the type of asset being leased and when tenants fulfill the terms of their respective lease agreements. These seasonal fluctuations or the unpredictability of when leasing costs are incurred are funded with our cash and cash equivalents on hand and, if necessary, with our existing demand revolving credit facilities. Monthly distribution payments to unitholders are payable on or about the 15th day of the following month.

For the years ended December 31, 2020 and December 31, 2019, the Trust declared distributions totalling $1.00 per unit.

The following table summarizes distribution payments for the years ended December 31, 2020 and December 31, 2019:

	Year ended December 31,			
		2020		2019
Paid in cash	**$**	**(54,607)**	$	(57,869)
Add-back: Payable at December 31, 2019 (December 31, 2018)		**4,686**		4,947
Deduct: Payable at December 31, 2020 (December 31, 2019)		**(4,219)**		(4,686)
Total distributions paid and payable	**$**	**(54,140)**	$	(57,608)

The following table summarizes our monthly distributions paid and payable subsequent to year-end:

Date distribution announced	Month of distribution	Date distribution was paid or is payable		Distribution per REIT A Unit		Total distribution paid or payable
December 18, 2020	December 2020	January 15, 2021	$	0.08333	$	4,219
January 20, 2021	January 2021	February 12, 2021		0.08333		4,219
February 17, 2021	February 2021	March 15, 2021		0.08333		TBD

Note 24

SUPPLEMENTARY CASH FLOW INFORMATION

The components of amortization and depreciation under operating activities include:

		Year ended December 31,			
	Note		**2020**		2019
Amortization and write-off of lease incentives	4	**$**	**11,684**	$	13,277
Amortization and write-off of intangible assets			**840**		576
Depreciation on property and equipment			**1,087**		1,315
Total amortization and depreciation		**$**	**13,611**	$	15,168

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

		Year ended December 31,			
	Note		**2020**		2019
Deferred unit compensation expense	11, 18	**$**	**2,371**	$	2,736
Straight-line rent adjustment			**397**		(94)
Deferred income taxes expense (recovery)	12		**(829)**		486
Costs (recovery) attributable to sale of investment properties, net	21, 22		**(1,876)**		3,536
Share of net loss from investments in joint ventures	6		**197**		641
Debt settlement costs, net	21, 22		**1**		1,620
Total other adjustments		**$**	**261**	$	8,925

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

	Year ended December 31, 2020	2019
Decrease in amounts receivable	**$ 7,405**	$ 6,618
Increase in prepaid expenses and other assets	**(1,023)**	(2,498)
Decrease in other non-current assets	**148**	57
Increase (decrease) in amounts payable and accrued liabilities	**(13,984)**	5,530
Increase (decrease) in other non-current liabilities	**(476)**	48
Change in non-cash working capital	**$ (7,930)**	$ 9,755

Note 25

SEGMENTED INFORMATION

For the years ended December 31, 2020 and December 31, 2019, the Trust's reportable operating segments of its investment properties and results of operations were segmented geographically, namely Toronto downtown and Other markets. The chief operating decision-maker measures and evaluates the performance of the Trust based on net operating income as presented by geographical location below. Following a change in the composition of its reportable segments, the Trust restates comparative periods to reflect current period presentation. The performance of assets held for sale, properties under development and sold properties are considered separately by the chief operating decision-maker from investment properties in the regional segments. In addition, completed properties under development and acquired properties completed or acquired subsequent to January 1, 2019 are also considered separately in order to enhance regional comparability between periods. Accordingly, revenue, expenses and fair value adjustments related to these properties have been reclassified to "Not segmented" for segment disclosure along with property management and other service fees, lease termination fees, expected credit losses on trade receivables, straight-line rent adjustments and amortization of lease incentives. 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 to financial instruments, leasing, transaction and debt settlement costs, and income taxes were not allocated to the segments.

Year ended December 31, 2020	**Toronto downtown**	**Other markets**	**Segment total**	**Not segmented[1]**	**Total**
Operations					
Investment properties revenue	**$ 160,075**	**$ 46,730**	**$ 206,805**	**$ (220)**	**$ 206,585**
Investment properties operating expenses	**(64,431)**	**(21,996)**	**(86,427)**	**(7,216)**	**(93,643)**
Net rental income (segment income)	**$ 95,644**	**$ 24,734**	**$ 120,378**	**$ (7,436)**	**$ 112,942**
Fair value adjustments to investment properties	**$ 60,725**	**$ (45,642)**	**$ 15,083**	**$ 2,914**	**$ 17,997**

(1) Includes revenue, expenses and fair value adjustments related to properties under development, completed properties under development and sold properties, property management and other service fees, lease termination fees, expected credit losses on trade receivables, straight-line rent adjustments and amortization of lease incentives during the year.

Year ended December 31, 2019	Toronto downtown	Other markets	Segment total	Not segmented[1]	Total
Operations					
Investment properties revenue	$ 161,057	$ 49,064	$ 210,121	$ 18,897	$ 229,018
Investment properties operating expenses	(65,407)	(22,157)	(87,564)	(13,879)	(101,443)
Net rental income (segment income)	$ 95,650	$ 26,907	$ 122,557	$ 5,018	$ 127,575
Fair value adjustments to investment properties	$ 70,763	$ (8,200)	$ 62,563	$ 5,638	$ 68,201

(1) Includes revenue, expenses and fair value adjustments related to properties under development, completed properties under development, acquired and sold properties (based on current period presentation), property management and other service fees, lease termination fees, expected credit losses on trade receivables, straight-line rent adjustments and amortization of lease incentives during the year.

Year ended December 31, 2020	**Toronto downtown**	**Other markets**	**Segment total**	**Not segmented[1]**	**Reconciliation**	**Total**
Capital expenditures[2]	**$ 32,255**	**$ 13,024**	**$ 45,279**	**$ 16,663**	**$ —**	**$ 61,942**
Investment properties	**2,082,657**	**329,216**	**2,411,873**	**60,006**	**—**	**2,471,879**

(1) Includes activity of properties under development, completed properties under development and sold properties.

(2) Includes building improvements and initial direct leasing costs and lease incentives during the year.

Year ended December 31, 2019	Toronto downtown	Other markets	Segment total	Not segmented[(1)]	Reconciliation[(2)]	Total
Capital expenditures[(3)]	$ 41,380	$ 18,189	$ 59,569	$ 18,425	$ (947)	$ 77,047
Investment properties	1,983,620	365,992	2,349,612	71,333	—	2,420,945

(1) Includes activity of properties under development, completed properties under development, acquired and sold properties, based on current period presentation.

(2) Includes activity of assets held for sale during the year.

(3) Includes building improvements and initial direct leasing costs and lease incentives during the year.

Note 26

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dream Office REIT and its subsidiaries enter into transactions with related parties that are generally conducted on a cost recovery basis or under normal commercial terms.

On May 15, 2019, the Trust entered into a shared services agreement (the "New Shared Services Agreement") with DAM, a subsidiary of Dream Unlimited Corp., which replaced the existing Management Services Agreement, Shared Services and Cost Sharing Agreement and Administrative Services Agreement (the "Existing Agreements"). As a result of the termination of the Existing Agreements, any incentive fees that may have been payable to DAM in the future under the Management Services Agreement were eliminated. Under the New Shared Services Agreement, the Trust acts as the property manager for DAM's investment properties in Canada and DAM acts as the development manager for the Trust's properties with redevelopment potential. In order to take advantage of economies of scale, the New Shared Services Agreement maintains certain resource-sharing arrangements between the Trust and DAM, such as information technology, human resources, office services and insurance, among other services as requested, on a cost allocation basis.

Under the New Shared Services Agreement, in connection with each development project, DAM earns a development fee equal to 3.75% of the total net revenues of the development project or, for rental properties, 3.75% of the fair value upon completion, without any promote or other incentive fees. In connection with the property management services provided by the Trust to DAM, the Trust generally earns a fee equal to 3.5% of gross revenue of the managed income properties.

Effective November 5, 2020, Deborah Starkman has resigned as a trustee of Dream Office REIT as a result of accepting her position as the Chief Financial Officer of Dream Unlimited Corp.

Related party transactions with DAM

The following table summarizes expenditures processed by DAM and the Trust for the years ended December 31, 2020 and December 31, 2019:

	Year ended December 31,	
	2020	2019
Property management services fee charged by the Trust	**$ 225**	$ 221
Expenditures processed by the Trust on behalf of DAM (on a cost recovery basis)	**8,595**	7,064
Development fees charged by DAM[(1)]	**(2,353)**	(1,473)
Expenditures processed by DAM on behalf of the Trust (on a cost recovery basis)	**(1,580)**	(1,897)
Net fees and reimbursements from DAM	**$ 4,887**	$ 3,915

(1) Development fees charged by DAM became effective May 15, 2019.

The following table summarizes the amounts due from (to) DAM as at December 31, 2020 and December 31, 2019:

	December 31, 2020	December 31, 2019
Amounts due from DAM	**$ 894**	$ 658
Amounts due to DAM	**(852)**	(921)
Net amounts due from (to) DAM	**$ 42**	$ (263)

Related party transactions with Dream Impact Trust

Dream Office Management Corp. ("DOMC") provides property management services to an investment property co-owned with Dream Impact Trust, which is accounted for as a joint operation (see Note 6).

DOMC and Dream Impact Trust are parties to a Services Agreement, in which the Trust provides certain services to Dream Impact Trust on a cost recovery basis.

The following table summarizes the amounts that were charged to Dream Impact Trust for the years ended December 31, 2020 and December 31, 2019:

	Year ended December 31,	
	2020	2019
Property management and construction fees related to co-owned properties	**$ 990**	$ 1,130
Costs processed on behalf of Dream Impact Trust related to co-owned properties	**1,055**	1,647
Amounts charged to Dream Impact Trust under the Services Agreement	**332**	366
Total cost recoveries from Dream Impact Trust	**$ 2,377**	$ 3,143

Amounts due from Dream Impact Trust as of December 31, 2020 were $204 (December 31, 2019 – $102).

Related party transactions with Dream Industrial REIT

DOMC and Dream Industrial REIT are parties to a Services Agreement, pursuant to which the Trust provides certain services to Dream Industrial REIT on a cost recovery basis.

The following table summarizes the cost recoveries from Dream Industrial REIT for the years ended December 31, 2020 and December 31, 2019:

	Year ended December 31,	
	2020	2019
Total cost recoveries from Dream Industrial REIT	**$ 6,169**	$ 4,037

Amounts due from Dream Industrial REIT relating to the Services Agreement as of December 31, 2020 were $1,352 (December 31, 2019 – $302).

Amounts due to Dream Industrial REIT as of December 31, 2020 were $375 (December 31, 2019 – $2,275).

Distributions and interest receivable from (payable to) related parties

	December 31, 2020	December 31, 2019
Distributions receivable from Dream Industrial REIT(1)	**$ 1,552**	$ 1,643
Distributions payable to DAM(2)	**(1,034)**	(958)
Subsidiary redeemable interest payable to DAM(3)	**(436)**	(436)

(1) Distributions receivable from Dream Industrial REIT is in relation to the 8,052,451 Dream Industrial REIT units and 18,551,855 Dream Industrial LP Class B limited partnership units held by the Trust as at December 31, 2020 (December 31, 2019 – 8,792,170 Dream Industrial REIT units and 18,551,855 Dream Industrial LP Class B limited partnership units). Distributions receivable from Dream Industrial REIT as at December 31, 2019 included bonus distributions pursuant to Dream Industrial REIT's distribution reinvestment plan.

(2) Distributions payable to DAM is in relation to the 12,410,002 REIT A Units held by DAM as at December 31, 2020 (December 31, 2019 – 11,490,702 REIT A Units).

(3) Subsidiary redeemable interest payable to DAM is in relation to the 5,233,823 subsidiary redeemable units held by DAM as at December 31, 2020 and December 31, 2019.

For the year ended December 31, 2020, total distributions and subsidiary redeemable interest paid and payable to DAM were $17,548 (for the year ended December 31, 2019 – $14,814).

Compensation of key management personnel and trustees

Compensation of key management personnel and trustees for the years ended December 31, 2020 and December 31, 2019 is as follows:

	Year ended December 31,	
	2020	2019
Compensation and benefits	**$ 2,218**	$ 1,746
Unit-based awards(1)	**2,787**	1,574
Total	**$ 5,005**	$ 3,320

(1) Deferred trust units granted to officers vest over a five-year period with one-fifth of the deferred trust units vesting each year. Deferred trust units granted to trustees vest immediately. 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 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, on certain debt assumed by purchasers of disposed investment properties, 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 as at December 31, 2020.

In 2015, 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 $12,895. 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 at December 31, 2020.

At December 31, 2020, Dream Office REIT's future minimum commitments are as follows:

				Minimum payments due
	Within 1 year	1–5 years	> 5 years	Total
Operating lease payments for low value assets	$ 143	$ 178	$ —	$ 321
Operating commitments	3,393	2,081	—	5,474
Fixed price contracts	222	888	1,911	3,021
Total	$ 3,758	$ 3,147	$ 1,911	$ 8,816

In 2018, the Trust originally committed US$7,250 to fund investments in real estate technologies, of which US$5,108 was funded since inception as at December 31, 2020 (December 31, 2019 – US$3,483). Subsequent to December 31, 2020, the Trust funded an additional US$250.

The Trust is contingently liable under guarantees that are issued on certain debt assumed by purchasers of investment properties totalling $57,326 (December 31, 2019 – $114,291) with a weighted average term to maturity of 5.2 years (December 31, 2019 – 3.7 years). The geographic distribution of the guaranteed debt is 92% in British Columbia and 8% in Ontario. During the year, three guaranteed mortgages totalling $53,758 secured by properties in British Columbia, Ontario and Québec were repaid in full by the respective purchasers at maturity.

In the event that a contemplated development project proceeds, the Trust has committed to contribute one of its investment properties with a fair value of $41,184 to the development project.

Note 28

CAPITAL MANAGEMENT

The Trust's capital consists of debt, including mortgages, demand revolving credit facilities, debentures, subsidiary redeemable units and unitholders' equity. The Trust's primary objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable unitholder distributions, service debt obligations and fund leasing costs and capital expenditure requirements. The Trust's maximum credit exposure is equal to its trade receivables and the outstanding balances on the VTB mortgage receivables as at December 31, 2020 and December 31, 2019.

Various debt ratios and cash flow metrics are used to ensure capital adequacy and to 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 unpledged assets, weighted average interest rate, average term to maturity of debt and variable rate debt as a portion of total debt. These indicators assist the Trust in assessing whether the debt level maintained is sufficient to provide adequate cash flows for leasing costs 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 as at December 31, 2020 and December 31, 2019. For the years ended December 31, 2020 and December 31, 2019, there were no events of default on any of the Trust's obligations under its demand revolving credit facilities or mortgages.

The Trust's equity consists of REIT A Units, in which the carrying value is impacted by earnings and unitholder distributions. Amounts retained in excess of the distributions are used to service debt obligations and fund leasing costs, capital expenditures and working capital requirements. Management monitors distributions to ensure adequate resources are available by comparing total distributions (considered by the Trust to be the sum of distributions on REIT Units and interest on subsidiary redeemable units) to, among other considerations, its assessment of cash flows generated from (utilized in) operating activities.

Note 29

RISK MANAGEMENT

Risks arising from financial instruments

IFRS 7, "Financial Instruments: Disclosures" ("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

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, foreign currency risk and other market price risk. The Trust has 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 and credit spreads on maturing debt to be renewed. Variable rate debt at December 31, 2020 was 15% of the Trust's total debt (December 31, 2019 – nil%). 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 25 bps change in the interest rate on variable rate financial assets and liabilities for the prospective 12-month period.

			Interest rate risk			
			-25 bps		+25 bps	
		Amounts as at December 31, 2020	Income	Equity	Income	Equity
Financial assets						
Cash and cash equivalents[(1)]	$	13,075	$ (33)	$ (33)	$ 33	$ 33
Financial liabilities						
Fixed rate debt due to mature in 2021 and total variable debt	$	286,782	$ 717	$ 717	$ (717)	$ (717)

(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% to 2.00%. Cash and cash equivalents as at December 31, 2020 are short-term in nature and may not be representative of the balance during the year.

Liquidity risk

Liquidity risk is the risk the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. As at December 31, 2020, current liabilities exceeded current assets by $155,718 (December 31, 2019 – current liabilities exceeded current assets by $146,819). The Trust's main sources of liquidity are its cash and cash equivalents on hand, demand revolving credit facilities and unencumbered assets. The Trust is able to use its demand revolving credit facilities on short notice, which eliminates the need to hold a significant amount of cash and cash equivalents on hand. Working capital balances fluctuate significantly from period to period depending on the timing of receipts and payments. The Trust manages maturities of fixed term debts, monitors the repayment dates and maintains adequate cash and cash equivalents on hand and availability on the demand revolving credit facilities to ensure sufficient capital will be available to cover obligations as they become due.

The table in Note 9 details the Trust's total debt service requirements. In order to meet ongoing operational and interest requirements the Trust relies on cash flows from operations. Where, due to the timing of leasing costs, cash flows from operations are insufficient to cover immediate operational and leasing cost requirements, the Trust makes use of its demand revolving credit facilities. As of December 31, 2020, the Trust has $13,075 of cash on hand and $135,380 available on its demand revolving credit facilities. The Trust is in talks with lenders to renew or refinance its mortgages maturing in 2021 of which two are secured by properties in downtown Toronto at low loan-to-value ratios. In addition, the Trust has additional assets which could be pledged as security for further borrowings totalling $244,792 if required.

Credit risk

The Trust's assets mainly consist of investment properties. Credit risk arises from the possibility that tenants in investment properties or counterparties to financial instruments 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. As at December 31, 2020, the Government of Ontario represented 11.3% of the Trust's annual gross rental revenue. No other tenant accounts for more than 10% of the Trust's annual gross rental revenue. The Trust also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. The Trust manages its credit risk on vendor takeback mortgage receivables by lending to reputable purchasers of properties, retaining security interests in the sold investment properties, monitoring compliance with repayment schedules, and evaluating the progress and estimated rates of returns of financed projects. The Trust manages its credit risk on debt guarantees of assumed debt by reputable purchasers of properties through monitoring the debtors' compliance with repayment schedules and loan covenants, and obtaining indemnities from parties with strong covenants. When assessing the credit risk of outstanding trade receivables, the Trust classifies the receivables by type. As at December 31, 2020, the trade receivables balance consisted of 23% for leases of office space to government entities, 44% for leases of office space to non-government tenants, 28% for leases of retail space and 6% for other lease receivables.

COVID-19 and the measures to contain it have created significant uncertainty in the general economy. A deterioration in the economy may impact the ability of tenants to meet their obligations under their leases or contracts. The Trust continues to assess the effect of economic conditions on the creditworthiness of our tenants and counterparties. As part of this assessment, the Trust reviews the risk profiles of its tenant base to assess which tenants are likely to continue meeting their obligations under their leases and which tenants are at a greater risk of default. We expect that certain tenants may have difficulty meeting their obligations under their leases, resulting in an elevated risk of credit losses. Certain of our tenants have qualified, and may continue to qualify, for government assistance programs or required assistance in the form of short-term rent deferrals.

For the year ended December 31, 2020, the Trust has recorded COVID-related provisions totalling $3,454 which are included in investment properties operating expenses within the consolidated statements of comprehensive income. This provisions balance represents an estimate of potential credit losses on our trade receivables for all uncollected rent as at December 31, 2020, as well as the 25% of recurring gross contractual rent that the Trust forgave for eligible tenants through our participation in the CECRA program, operated jointly by the federal and provincial governments during the period from April 1, 2020 to September 30, 2020. Also included in investment properties operating expenses for the year ended December 31, 2020 is the impact of the Canada Emergency Wage Subsidy program totalling $1,982 that the Trust qualified for during the year.

As at December 31, 2020, the Trust has assessed the expected credit losses associated with its vendor takeback mortgages receivable by evaluating the credit quality of the borrower, whether the counterparties are fulfilling their obligations under the terms of the agreements and the value of the collateral and loan guarantees relative to the balance of the respective receivables. No provisions were required as a result of this assessment.

Foreign currency risk

The Trust is not exposed to significant foreign currency risk.

Residual value risk

The Trust is exposed to changes in the residual value of properties at the end of current lease agreements. The residual value risk borne by the Trust is mitigated by active management of its property portfolio with the objective of optimizing tenant mix in order to: achieve the longest weighted average lease term possible; minimize vacancy rates across all properties; and minimize the turnover of tenants with high-quality credit ratings.

Note 30

FAIR VALUE MEASUREMENT

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 in 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 for the years ended December 31, 2020 and December 31, 2019.

The following section summarizes the 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.

Investment properties

The Trust's accounting policy as indicated in Note 2 is applied in determining the fair value of investment properties by using the income approach, which is derived from one of two methods: the overall cap rate method and the discounted cash flow method. As a result, these measurements are classified as Level 3 in the fair value hierarchy as summarized in the tables below.

			Fair value as at December 31, 2020		
	Note	**Carrying value as at December 31, 2020**	**Level 1**	**Level 2**	**Level 3**
Investment properties	4	**$ 2,471,879**	**$ —**	**$ —**	**$ 2,471,879**

			Fair value as at December 31, 2019		
	Note	Carrying value as at December 31, 2019	Level 1	Level 2	Level 3
Investment properties	4	$ 2,420,945	$ —	$ —	$ 2,420,945

Valuations of investment properties are most sensitive to changes in discount rates and cap rates. In applying the overall cap rate method the stabilized NOI of each property is divided by an appropriate cap rate.

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

Cap rate method

- Cap rates – based on actual location, size and quality of the properties and taking into account any available market data at the valuation date.
- Stabilized NOI – normalized property operating revenues less property operating expenses.

Discounted cash flow method

- Discount and terminal rates – reflecting current market assessments of the return expectations.
- Market rents, leasing costs and vacancy rates – reflecting management's best estimates with reference to recent leasing activity and external market data.
- Capital expenditures – reflecting management's best estimates of costs to complete capital projects.

Investment properties are valued on a highest-and-best-use basis. One property with redevelopment potential is currently an income producing property while its highest and best use is as a multi-use development. For the remainder 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. At the end of each reporting period, the Trust determines the fair value of investment properties by:

1) considering current contracted sales prices for properties that are available for sale;
2) obtaining appraisals from qualified external professionals on a rotational basis for select properties; and
3) using internally prepared valuations applying the income approach.

The fair values of these investment properties are reviewed at least quarterly by management with reference to independent property appraisals and market conditions existing at the reporting date, using generally accepted market practices. Judgment is also applied in determining the extent and frequency of obtaining independent property appraisals. At each reporting period, a select number of properties, determined on a rotational basis, are valued by independent appraisers. The independent appraisers are experienced, nationally recognized and qualified in the professional valuation of office buildings in their respective geographic areas. For properties not subject to independent appraisals, valuations are prepared internally during each reporting period.

Elevated estimation uncertainty as a result of COVID-19

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic. The pandemic has created significant uncertainty in the general economy, including the real estate market. Such a pandemic could, if prolonged, adversely impact our business directly and/or indirectly. Management continues to assess the impact of COVID-19 and governments' responses to it on the Trust. The Trust's fair value measurements for investment properties incorporate estimates from management that are subject to increased uncertainty due to the market disruptions caused by the COVID-19 pandemic.

The amounts recorded in these consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared where that information reflects conditions at the date of the consolidated financial statements. 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.

Financial instruments

Financial instruments carried at amortized cost or accounted for as investments in associates where the carrying value does not approximate fair value are noted below:

	Note	Carrying value as at December 31, 2020	Fair value as at December 31, 2020 Level 1	Level 2	Level 3
Investment in Dream Industrial REIT	5	**$ 333,937**	**$ 243,957**	**$ 105,890**	**$ —**
Non-current VTB mortgage receivable	7, 27	**37,132**	**—**	**—**	**33,756**
Mortgages	9	**1,012,572**	**—**	**—**	**1,059,142**
Demand revolving credit facilities	9	**181,577**	**—**	**183,000**	**—**

	Note	Carrying value as at December 31, 2019	Fair value as at December 31, 2019 Level 1	Level 2	Level 3
Investment in Dream Industrial REIT	5	$ 320,295	$ 115,529	$ 243,771	$ —
Non-current VTB mortgage receivable	7, 27	34,100	—	—	33,084
Mortgages	9	1,003,081	—	—	1,016,143
Demand revolving credit facilities	9	(2,709)	—	—	—
Debentures	9	150,000	150,000	—	—

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

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

Investment in Dream Industrial REIT

The Trust's investment in Dream Industrial REIT is accounted for as an investment in associate using the equity method. The Trust's ownership of Dream Industrial REIT is composed of its holdings of Dream Industrial REIT units and Dream Industrial LP Class B units. The Trust determines the fair value of the Dream Industrial REIT units using the units' trading price on or about December 31, 2020 and December 31, 2019, respectively. The Dream Industrial LP Class B units are economically equivalent to the Dream Industrial REIT units, but are not publicly traded. The Trust determines the fair value of the LP B units by reference to the trading price of Dream Industrial REIT units. Consequently, the fair values of the Dream Industrial REIT units and Dream Industrial LP Class B units are Level 1 and Level 2 measurements in the fair value hierarchy, respectively.

Non-current VTB mortgage receivable

The fair value of the non-current VTB mortgage receivable as at December 31, 2020 and December 31, 2019 are determined by discounting the expected cash flows of the VTB mortgage receivable using market discount rates. The discount rates are determined using the Government of Canada benchmark bond yield for instruments of similar maturity adjusted for the counterparty's specific credit risk. In determining the adjustment for credit risk, the Trust considers market conditions and indicators of the counterparty's creditworthiness. As a result, these measurements are classified as Level 3 in the fair value hierarchy.

Mortgages

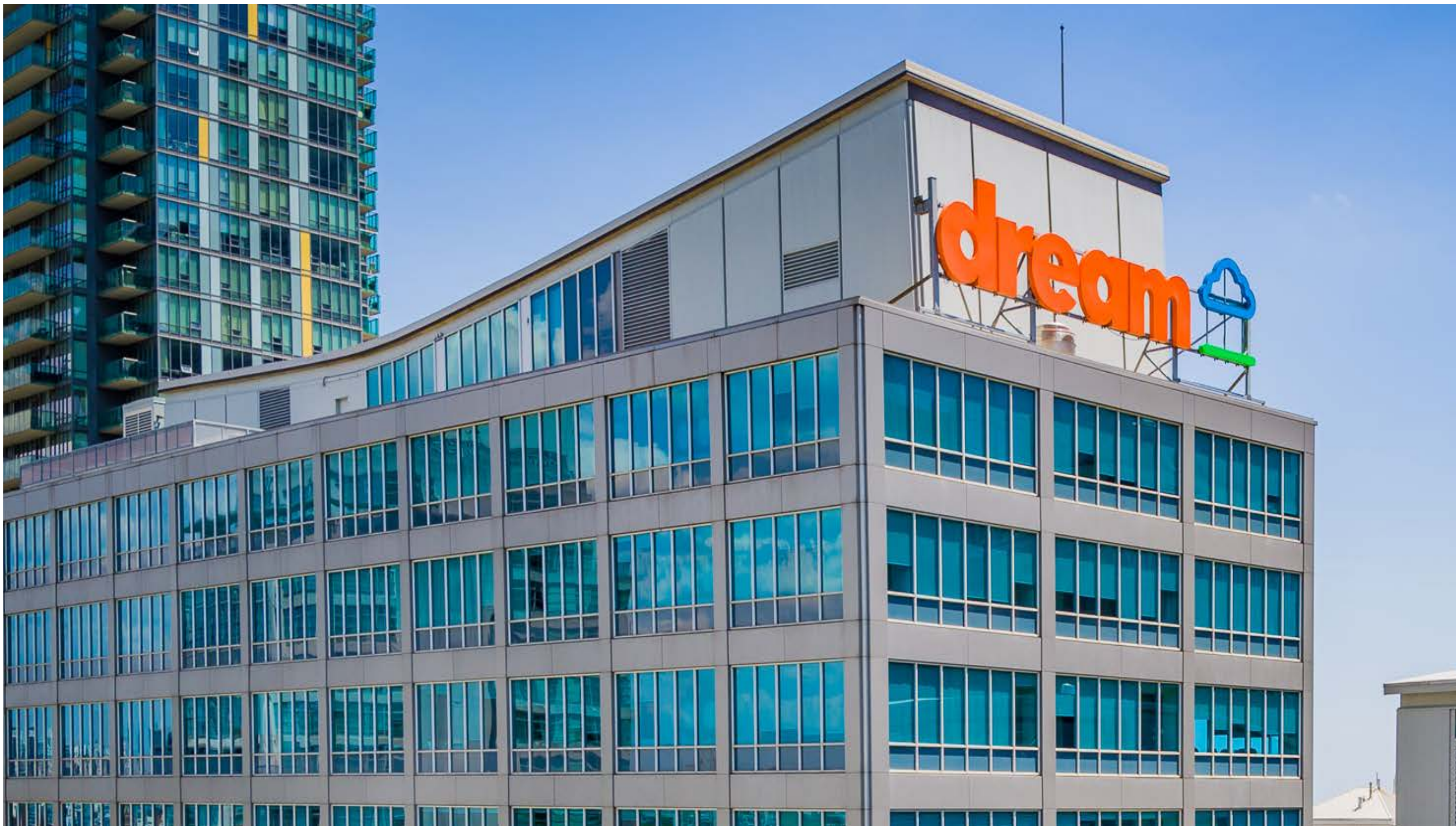
The fair value of mortgages as at December 31, 2020 and December 31, 2019 are determined by discounting the expected cash flows of each mortgage using market discount rates. The discount rates are determined using the Government of Canada benchmark bond yield for instruments of similar maturity adjusted for the Trust's specific credit risk. In determining the adjustment for credit risk, the Trust considers market conditions, the fair value of the investment properties that the mortgages are secured by and other indicators of the Trust's creditworthiness. As a result, these measurements are classified as Level 3 in the fair value hierarchy.

Demand revolving credit facilities

Demand revolving credit facilities are variable rate debt priced at prevailing market interest rates plus a Trust-specific credit spread. Because the interest rate on the demand revolving credit facilities fluctuates with changes in market rates, the fair value of the demand revolving credit facilities is equivalent to amounts drawn on the facilities. Because the applicable interest rate is a combination of market rates plus a contractual spread, these are Level 2 measurements in the fair value hierarchy.

Debentures

The fair value of debentures as at December 31, 2019 were based on the debentures' trading price on or about December 31, 2019. As a result, these measurements were classified as Level 1 in the fair value hierarchy.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STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Listing Symbol: REIT Units, Series A: D.UN

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