Dream Office REIT

Annual Report 2021

36 Toronto Street,
Toronto, ON

Dream Office REIT is an unincorporated, open-ended real estate investment trust.

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.

Letter to Unitholders

The COVID-19 pandemic is now approaching its second anniversary in North America. We entered the pandemic with a high-quality, well-curated portfolio of assets primarily located in Downtown Toronto. While the variants have delayed the re-opening of the economy, asset values of prime real estate have remained resilient.

There have been ebbs and flows regarding the desirability of working from home over the last two years. We believe that successful companies of the future will package the desirability of their company to attract and retain talent. The package will include the career path and opportunities, potential for lateral moves and internal promotions, the meaningfulness of the work, and flexibility of hours and where to work from. There continue to be many companies that want people to work from the office primarily to promote culture but also to achieve the certainty of productivity that is so much easier to establish in person.

Employees have many goals they would like to achieve. Many people want to work from the office in person for social as well as quicker advancements through an organization. Others want the flexibility of when and how often they come to the office.

Companies seem to be looking for exciting office space that provides them with a competitive advantage to attract and retain talent coupled with more flexibility of when people come to the office.

It is still early in the process of people returning to work. But we are seeing a need to have desks for everyone who will be coming to the office regularly, increased meeting rooms as hybrid work seems to require more meeting spaces and an increase in common areas.

We are very fortunate that most of our assets are in downtown Toronto which is a very dynamic and growing city. There continues to be increasing immigration and the need for significantly more office workers.

We are focused on creating boutique office buildings that provide our tenants with the ability to customize their space as full floor tenants starting at only 4,000 square feet. In addition, we are decarbonizing our buildings, renovating the HVAC, air cleaners and otherwise making our buildings healthy, increasing the aesthetics of the common areas, improving connectivity, and animating the retail, common space and making the buildings more inclusive.

In addition, our new procurement policy is focused on supporting local and under-represented communities, using our common space for the benefit of the community, focusing on retail tenants that enhance the neighbourhood, and programming common space. Dream Office is looking for more opportunities to make our properties more impactful in the community such as our recent 70-foot tall BIPOC art that transformed Bay Street.

Although there are many opportunities to create impact downtown and it is very much needed, we also have an unique opportunity to create an impactful community at 2200 Eglinton in Scarborough. This future multi-family development adjacent to the new LRT is an opportunity to support local businesses, create housing for a wide swath of our society and to provide programming through our foundation that we believe will be life changing for our residents.

We believe that this combination of exciting, healthy, environmentally friendly and customized buildings will be very well received by our customers and will also add value to the properties. While new buildings and boutique buildings will be competitive, there are an enormous number of buildings that are obsolete and will require tremendous capital to be competitive or will be converted for another purpose. We are confident that our buildings will be able to outperform the market and return to high levels of occupancy.

Toronto is and has been one of the most desirable markets for office buildings. As a result, we continue to believe that our business is very valuable. Our plan of improving our buildings through modernization and decarbonization, animating and making them more inclusive and making progress on approvals will add significant value to our business.

We remain optimistic as we enter into what many perceive to be the final stretch of the pandemic, and will remain focused on improving our assets and operations. Thank you for your continued support in our business.

Sincerely,

Michael J. Cooper
Chief Executive Officer

February 17, 2022


BIRCHMOUNT STATION
2200 Eglinton St.
Toronto, ON

Dream Office REIT

At a Glance*

Dream Office REIT owns well-located, high-quality central business district office properties in major urban centres across Canada, with a focus on downtown Toronto.

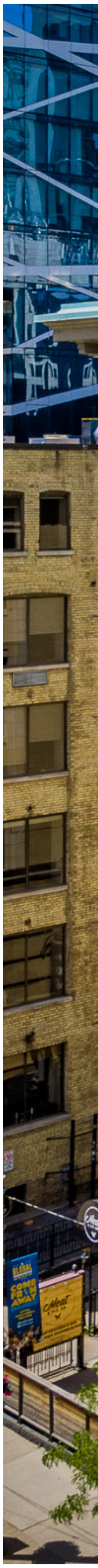
30
investment properties

5.5 million
square feet of gross leasable area

85.5%
in-place and committed occupancy

$3.1 billion
in total assets

$31.49
NAV per unit



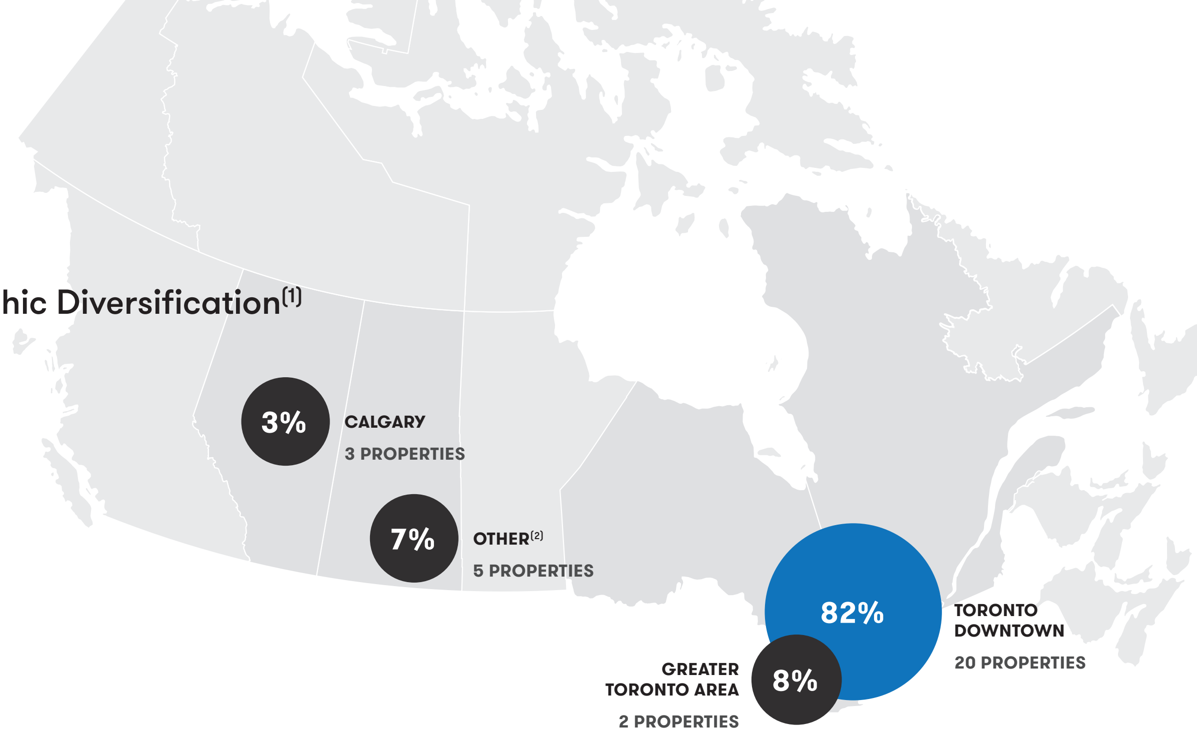
* All figures as at December 31, 2021.

212 King Street West,
Toronto, ON

At a Glance

36 Toronto Street,
Toronto, ON

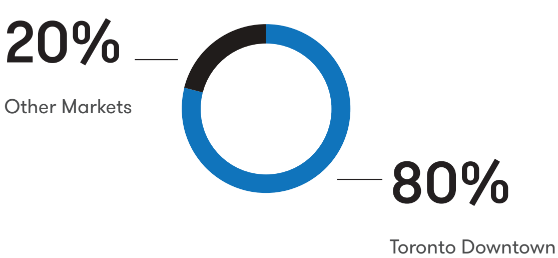
Geographic Diversification[1]



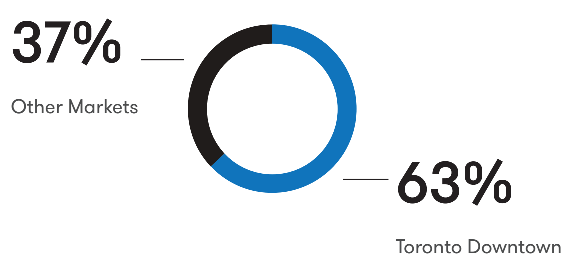
Top Ten Tenants with Weighted Average Lease Term of 5.6 Years

TENANT	GROSS RENTAL REVENUE (%)	OWNED AREA (THOUSANDS OF SQ. FT.)	OWNED AREA (%)	CREDIT RATING[3]
Government of Ontario	10.9	534	9.8	A+/A-1
Government of Canada	8.0	344	6.3	AAA/A-1+
State Street Trust Company	5.5	219	4.0	AA-/A/A-1+
International Financial Data Services	3.3	137	2.5	N/R
U.S. Bank National Association	2.4	185	3.4	AA-/A-1+
Co-operators Life Insurance	2.3	122	2.3	A-
Medcan Health Management Inc.	2.2	69	1.3	N/R
WeWork	2.0	65	1.2	CCC+
Veeva Software Solutions	1.4	54	1.0	N/R
International Language Academy of Canada	1.4	60	1.1	N/R
Total	**39.4**	**1,789**	**32.9**	

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, 2021.
(2) Other includes 5% in Saskatchewan and 2% in 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, 2021. 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.

ESG Highlights

dream office REIT

Sustainability Report

See our 2020-2021 Sustainability Report under the Sustainability section of our website at: www.sustainability.dream.ca↗

Environmental

LEED Gold[1]

Re-certification was achieved at Sussex Centre located at 50 and 90 Burnhamthorpe Rd. West in Mississauga in 2021

Green Lease Leader

Recognized as a Green Lease Leader (Gold) by the Institute for Market Transformation and the US Department of Energy Better Buildings Alliance in 2021

26 Projects

that improve energy efficiency, water efficiency, or reduce GHG emissions were completed in 2020

Green Will Initiative

Joined the City of Toronto Green Will Initiative to support Toronto-based best practices for low carbon buildings and operations in 2021

Top Reducer

350 Bay Street won BOMA Toronto's 2021 Building Challenge Top Reducer Award as part of the Beyond Earth Hour Challenge

28%

of GLA is sub-metered for energy consumption as of December 31, 2020

Social

$50,823

donated to charities and NGOs in 2020

$125,294

paid out towards employee tuition and professional fees in 2020[2]

40%

of employees are women as of December 31, 2020[2]

Well Health-Safety Rating

Recognized as Canada's largest commercial portfolio to earn the WELL Health-Safety Rating in 2021

Return to Operations

plans were updated to ensure the safe return of our tenants to our buildings amid the COVID-19 pandemic

46%

of managers are women as of December 31, 2020[2]

96%

employee response rate for employee engagement satisfaction survey which was conducted in 2021

Governance

GRESB

Five Star Rating

of 91/100, which is one of the best first year scores in the GRESB benchmark

SUSTAINALYTICS

Top 10%

ESG Risk Rating. This represents a low risk[3]

75%

of Board Directors are independent as of December 31, 2021

Developed ESG Framework

Dream Office's new ESG Framework sets out the most material sustainability topics and how we are responding based on the type of asset class and specific objectives

100%

of properties assessed for climate change risk as of September 30, 2021

50%

of Board Directors are women as of December 31, 2021

(1) The LEED® certification trademark is owned by the U.S. Green Bu lding Council and is used with permission.
(2) Includes only employees 100% dedicated to Dream Office REI and excludes employees on unpaid leaves of absence (e.g., permanent disability, long-term disability, parental leave) and interns.
(3) Based on 1,054 real estate companies rated by Sustainalytics globally. As of December, 2021. Copyright ©2021 Sustainalytics. All rights reserved. This [publication/ article/ section] contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at https://www.sustainalytics.com/legal-disclaimers.

ESG Commitments

Our overarching commitment to ESG requires us to address climate change. We are committed to a thoughtful and specific approach to reducing carbon emissions in line with international standards and commitments. We look forward to sharing our net zero strategy in 2022, which will include best-in-class methodologies, science based interim targets, road-maps and reporting requirements.

Dream Office is supporting the following voluntary international initiatives to demonstrate our commitment to climate action and responsible investing:

PRI Principles for Responsible Investment

United Nations Principles for Responsible Investment ↗

The United Nations Principles for Responsible Investment (UN PRI) is the world's leading responsible investor collaboration. It supports its signatories to incorporate environmental, social and governance (ESG) factors into their investment and ownership decisions. Signatories commit to follow UN PRI's six principles and report annually on their progress through the UN PRI Reporting Framework. Dream Unlimited, with support from Dream Office, became a signatory to the UN PRI in 2021 and will report on our responsible investment activities starting in 2023.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Taskforce on Climate-related Financial Disclosures ↗

In 2017, the Financial Stability Board established the Taskforce on Climate-related Financial Disclosures (TCFD) to provide guidance and recommendations on climate-related risk and opportunity disclosures. The TCFD recommendations are structured around four core reporting areas: governance, strategy, risk management and metrics and targets. More than 2,300 organizations support the TCFD. Dream Office became an official supporter of the TCFD recommendations in 2021.

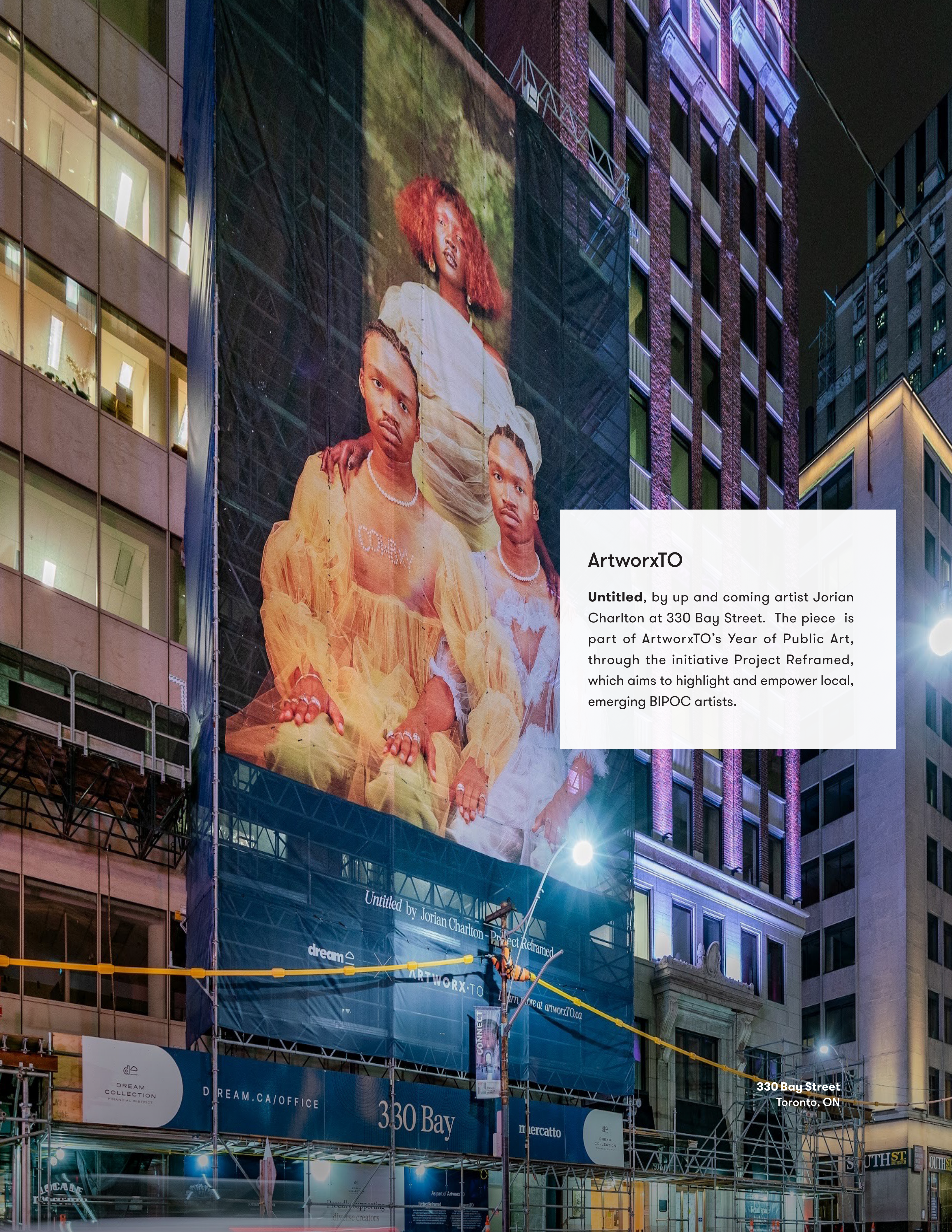
NET ZERO ASSET MANAGERS INITIATIVE

NZAM ↗

The Net Zero Asset Managers (NZAM) Initiative is an alliance of global asset managers committing to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with the global efforts to limit warming to 1.5 degrees Celsius. The initiative covers 220 signatories and U.S.$57.4 trillion in assets under management of which Dream Unlimited, with the support of Dream Office, was one of the first Canadian companies to join.

Communicating our Plan to Reach Net Zero by 2035

Dream Office has committed to net zero GHG emissions by 2035 – fifteen years ahead of the Paris Agreement's 2050 goal. Over the next year we will communicate a thoughtful and specific strategy on how we will achieve this overarching goal with a detailed plan, including interim targets, for how we will reduce our Scope 1, Scope 2 and select Scope 3 emissions.



ArtworxTO

Untitled, by up and coming artist Jorian Charlton at 330 Bay Street. The piece is part of ArtworxTO's Year of Public Art, through the initiative Project Reframed, which aims to highlight and empower local, emerging BIPOC artists.

330 Bay Street
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, 2021	September 30, 2021	December 31, 2020
Total properties[1]			
Number of active properties	**29**	29	29
Number of properties under development	**1**	1	1
Gross leasable area ("GLA") (in millions of square feet)	**5.5**	5.5	5.5
Investment properties value	**$ 2,569,002**	$ 2,553,395	$ 2,471,879
Total portfolio[2]			
Occupancy rate – including committed (period-end)	**85.5%**	84.6%	88.0%
Occupancy rate – in-place (period-end)	**82.9%**	82.7%	85.2%
Average in-place and committed net rent per square foot (period-end)	**$ 23.25**	$ 23.08	$ 23.31
Weighted average lease term ("WALT") (years)	**5.2**	5.2	5.1

	Three months ended		Year ended	
	December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
Operating results				
Net income	**$ 26,881**	$ 15,551	**$ 154,207**	$ 177,276
Funds from operations ("FFO")[3]	**21,751**	22,723	**87,615**	93,029
Net rental income	**26,522**	27,945	**107,134**	112,942
Comparative properties net operating income ("NOI")[3][4]	**27,628**	29,177	**110,976**	121,703
Per unit amounts				
FFO (diluted)[3][5]	**$ 0.40**	$ 0.40	**$ 1.56**	$ 1.54
Distribution rate	**0.25**	0.25	**1.00**	1.00

	As at	
	December 31, 2021	December 31, 2020
Financing		
Weighted average face rate of interest on debt (period-end)[6]	**3.28%**	3.56%
Interest coverage ratio (times)[3]	**3.0**	3.2
Net total debt-to-normalized adjusted EBITDAFV ratio (years)[3]	**9.8**	8.8
Level of debt (net total debt-to-net total assets)[3]	**41.8%**	41.1%
Average term to maturity on debt (years)	**3.6**	4.1
Undrawn revolving credit facilities, available liquidity and unencumbered assets		
Undrawn revolving credit facilities	**$ 192,355**	$ 135,380
Available liquidity[3]	**$ 201,118**	$ 148,455
Unencumbered assets[3]	**$ 178,268**	$ 244,792
Capital (period-end)		
Total number of REIT A Units and LP B Units (in millions)[7]	**53.3**	55.9
Net asset value ("NAV") per unit[3]	**$ 31.49**	$ 28.69

(1) Total properties excludes investments in joint ventures that are equity accounted at the end of each period.

(2) Total portfolio excludes properties under development and investments in joint ventures that are equity accounted at the end of each period.

(3) FFO, comparative properties NOI and available liquidity are non-GAAP measures. Diluted FFO per unit, interest coverage ratio, net total debt-to-normalized adjusted EBITDAFV, level of debt (net total debt-to-net total assets) are non-GAAP ratios. Unencumbered assets is a supplementary financial measure. These measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Please refer to the sections "Non-GAAP Financial Measures and Ratios" and "Supplementary Financial Measures and Other Disclosures" for details of these measures.

(4) Current and comparative period excludes acquired properties, properties sold, properties under development, completed properties under development and joint ventures that are equity accounted as at December 31, 2021. Properties acquired and properties under development completed subsequent to January 1, 2020 along with properties under development are excluded from comparative properties NOI.

(5) Diluted weighted average number of units is used in the calculation of diluted FFO per unit. Diluted weighted average number of units is defined in the "Supplementary Financial Measures and Other Disclosures" section under the heading "Weighted average number of units".

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

(7) 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, 2021. 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 17, 2022.

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 of investment properties that the Trust has owned in all periods presented. Properties acquired and properties under development completed subsequent to January 1, 2020, along with properties under development, are excluded from comparative portfolio figures. 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; as well as specific statements regarding our distributions and net income; our development, redevelopment and intensification plans and timelines; expected capital requirements and cost to complete development projects; timing of project completion; the effect of building improvements on tenant experience, building quality and performance; our ability to attract and retain tenants; our acquisition and leasing pipeline; leasing velocity, property operating costs and rates on future leasing; our expectations regarding future demand for office space in urban markets in Canada; our expectations regarding the COVID-19 pandemic and the timing of current and prospective tenants' return to the office and its effects on our business and financial metrics, including in respect of leasing, building traffic and our revenues; our ability to achieve building certifications; the recoverability of capital investments from future tenants; the future composition of our portfolio; our ability to mitigate certain risks; 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, revolving credit facilities and conventional mortgage refinancing; our future capital requirements and ability to meet those requirements; and our overall financial performance, profitability and liquidity for future periods and years. 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", "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 assumptions include, but are not limited to: that no unforeseen changes in the legislative and operating framework for our business will occur, including unforeseen changes to tax laws; that we will meet our future objectives and priorities; that we will have access to adequate capital to fund our future projects and plans; that our future projects and plans will proceed as anticipated; that government restrictions due to COVID-19 on the ability of us and our tenants to operate their businesses at our properties will continue to ease and will not be re-imposed in any material respects; that our interest costs will be relatively low and stable; that we will have the ability to refinance our debts as they mature; and that future market and economic conditions will develop as expected. Risks and uncertainties include, but are not limited to, general and local economic and business conditions, including in respect of real estate; foreign exchange rates; employment levels; mortgage and interest rates and regulations; the uncertainties around the availability, timing and amount of future financings; the impact of the COVID-19 pandemic on the Trust; the effect of government restrictions on leasing and building traffic; 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; the timing of current and prospective tenants' return to the office; 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; the ability to effectively integrate acquisitions; development risks, including construction costs, project timings and the availability of labour; tax risks, including our continued compliance with the real estate investment trust ("REIT") exception under the specified investment flow-through trust ("SIFT") legislation; and interest rates.

Although the forward-looking statements contained in this MD&A are based on what we believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking information is disclosed in this MD&A as part of the sections "Our Objectives", "Business Update" and "Comparative Properties NOI". 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 17, 2022. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE UPDATE

During 2021, we made our inaugural submission to the Global Real Estate Sustainability Benchmark. We achieved a five-star rating of 91/100, one of the highest ever first-year scores, placing us in the top 20% of the global benchmark.

During 2021, Dream Office was also recognized as a 2021 Green Lease Leader by the Institute for Market Transformation and the U.S. Department of Energy's Better Buildings Alliance. Green Lease Leaders is a national recognition program honouring landlords, tenants and partnering real estate practitioners from a variety of sectors that incorporate green leasing to drive high-performance and healthy buildings.

We also obtained WELL Health-Safety Certifications from the International WELL Building Institute ("IWBI"). Dream Office REIT was recognized during Q2 2021 as Canada's largest office portfolio to be WELL Health-Safety rated by IWBI, with 25 properties totalling 4.6 million square feet, or 87%, of the Trust's Canadian gross leasable area being certified by the group.

BUSINESS UPDATE

As at December 31, 2021, the Trust had approximately $201 million of available liquidity[1], $178 million of unencumbered assets[1] and a level of debt (net total debt-to-net total assets)[1] of 41.8%. As at December 31, 2021, the Trust had $8.8 million of cash and cash equivalents, $2.6 billion of investment properties, $1.3 billion of total debt and $3.1 billion of total assets.

The novel coronavirus ("COVID-19") pandemic continues to disrupt the Canadian economy. Repeated states of emergency and lockdowns as a result of emerging variants, most recently public health measures due to the Omicron variant in December 2021 and January 2022, have made it difficult for businesses to plan for the future. The full impact that these disruptions will have on the market for office space in the near term and the wider economy in general is unclear and difficult to predict. However, we continue to believe there will continue to be demand for high-quality, well-located office space in urban markets in Canada, especially in Toronto, when the economy normalizes. The Trust has ample financial resources to absorb near-term operational challenges and a program to drive value in the business through capital improvements and redevelopments to deliver best-in-class boutique office space to our tenants.

The COVID-19 pandemic delayed the construction timelines for the planned Bay Street corridor revitalization, but we are near completion of the interior renovation work and façade improvements are scheduled for 2022. Since 2020, our successful redevelopment program has completed two projects on time and on budget that have significantly increased the value of the redeveloped properties and delivered significant incremental income to the Trust. 357 Bay Street in Toronto downtown was completed in Q4 2020 and in Q4 2021 contributed $3.0 million of annualized NOI. July 2021 marked the completion of 1900 Sherwood Place in Regina, Saskatchewan and the commencement of the 25-year Co-operators lease at the property. 1900 Sherwood Place generated $5.4 million of annualized NOI over Q4 2021. We are currently in the process of revitalizing 366 Bay Street in Toronto by fully modernizing the building's systems, improving the building's floorplates and upgrading the quality of the common areas. We are targeting a LEED Gold certification, among other certifications, as part of this development project. In addition, we have received zoning approval for 250 Dundas Street West in Toronto, have a zoning application underway for our property at Eglinton Avenue East and Birchmount Road in Scarborough, and are working on a development plan for 212 and 220 King Street West in Toronto.

We hold a stake in Dream Industrial REIT which continues to provide a meaningful contribution to our FFO as a result of the REIT's successful expansion and value-add strategy, and the monthly distributions provide steady, predictable cash flow to the Trust at a time of uncertainty. As at December 31, 2021, the fair value of our investment in Dream Industrial REIT was $458.1 million.

Despite the ongoing disruption to the Canadian economy, the Trust continues to manage an active leasing pipeline. Leasing tours during Q4 2021 dipped slightly but were still largely in line with pre-COVID levels and building traffic and parking lot utilization continued to improve. Despite the impact of public health measures enacted as a result of the Omicron variant, we expect the encouraging trends of the second half of 2021 to re-emerge later in 2022.

During Q4 2021, the Trust executed leases totalling approximately 138,000 square feet across our portfolio. In Toronto downtown, 94,000 square feet of leases were executed at a weighted average net rent of $29.92 per square foot, or 41.3% higher than the weighted average prior net rent per square foot on the same space, with a weighted average lease term of 8.6 years. In the regions that we collectively refer to as "Other markets", comprising our properties located in Calgary, Saskatchewan, Mississauga, Scarborough and the U.S., we executed leases totalling 44,000 square feet at a weighted average net rent of $12.81 per square foot, a decrease of 18.8% from the weighted average prior net rent on the same space, with a weighted average lease term of 5.2 years. Since the beginning of the year, we have executed leases in Toronto downtown totalling approximately 283,000 square feet at a weighted average net rent of approximately $32.27 per square foot, 31.5% higher than the weighted average prior net rent on the same space, with a weighted average lease term of 7.6 years. In the Other markets region, the Trust has secured leases for approximately 250,000 square feet at a weighted average net rent of $14.34 per square foot, a decrease of 13.6% relative to prior rents primarily due to new deals rolling down to market rates in Western Canada, with a weighted average lease term of 4.9 years. To date, the Trust has secured commitments for approximately 581,000 square feet, or 74%, of 2022 full-year portfolio lease expiries, consistent with pre-COVID leasing trends.

Approximately 2% of the Trust's total portfolio is currently sublet, with a weighted average in-place net rent of just over $25 per square foot.

The following table summarizes selected operational statistics with respect to the trailing four quarters and the month of January 2022 as at February 17, 2022, all presented as a percentage of recurring contractual gross rent:

	Cash collected	Deferral arrangements*	Outstanding
Q1 2021	99.4%	—%	0.6%
Q2 2021	98.3%	0.3%	1.4%
Q3 2021	98.3%	0.4%	1.3%
Q4 2021	**98.4%**	**—%**	**1.6%**
January 2022	97.0 %	—%	3.0%

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

Over the course of the COVID-19 pandemic, we have worked collaboratively with our tenants to help them weather the storm and be set up for long-term success when the pandemic has passed. The Canadian Emergency Rent Subsidy program ended during Q4 2020 and the Hardest-Hit Business Recovery Program was introduced. It is too early to determine what effect the change in programs will have on a long-term basis, but cash collections have remained strong during Q4 2021 and into January 2022. In certain instances, the Trust has granted deferrals and rent repayment arrangements to select tenants on a case-by-case basis.

For the three months and year ended December 31, 2021, the Trust recorded COVID-related provisions totalling approximately $0.9 million and $2.1 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, 2021. Partially offsetting the impact of the provisions included in "COVID-related provisions and adjustments" for the three months and year ended December 31, 2021, is the impact of government programs totalling $nil and $1.6 million, respectively.

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 and level of debt (net total debt-to-net total assets) are non-GAAP financial measures. Unencumbered assets is a supplementary financial measure. These specified measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Please refer to the sections "Non-GAAP Financial Measures and Ratios" and "Supplementary Financial Measures and Other Disclosures" for details of these measures.

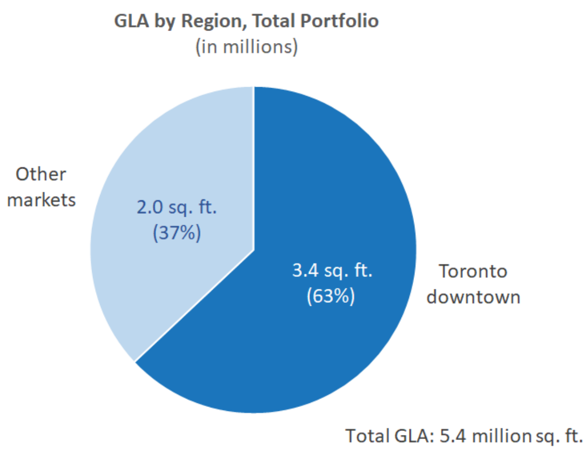
SECTION II

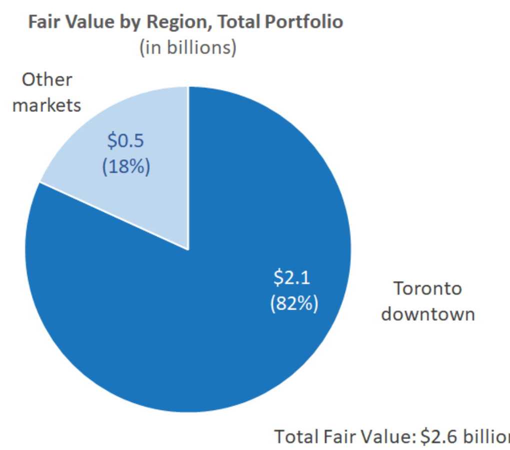
OUR PROPERTIES

At December 31, 2021, our ownership interests included 5.5 million square feet of GLA across 30 properties, which comprise 29 active office properties (5.4 million square feet) and one property under development (0.1 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 equity accounted 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 properties under development and investments in joint ventures that are equity accounted as at December 31, 2021.





Top ten tenants

Our external tenant base includes provincial and federal governments as well as a wide range of large, high-quality international corporations, including Canada's major banks and small to medium-sized businesses across Canada. With just under 440 tenants and an average tenant size of approximately 11,000 square feet in our portfolio, excluding investment properties under development and investments in joint ventures that are equity accounted, 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 5.6 years.

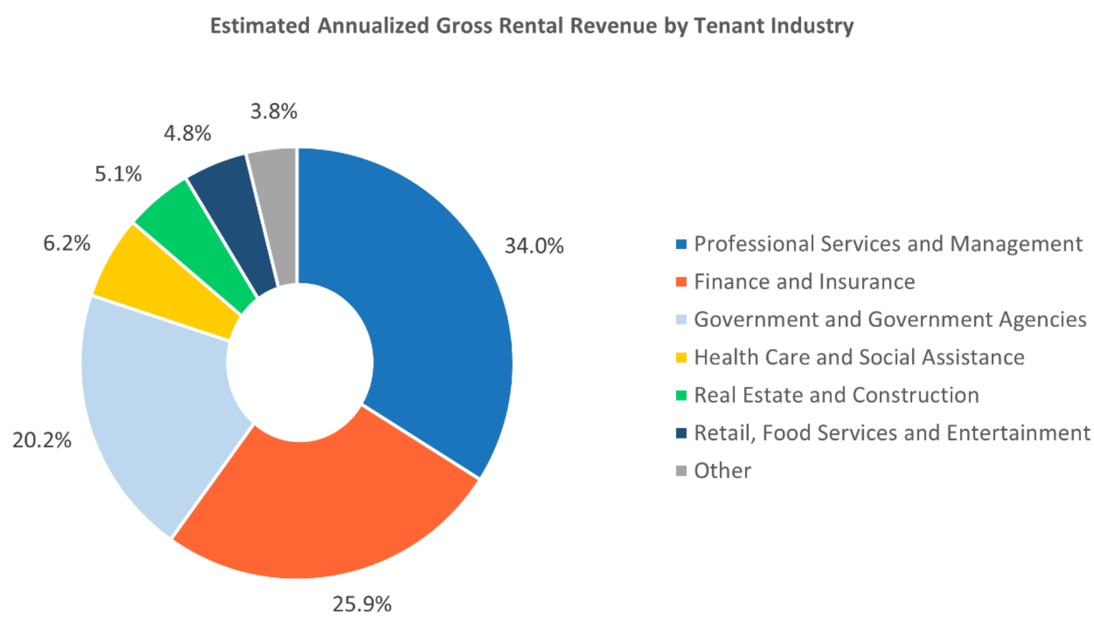
	Tenant	Gross rental revenue (%)	Owned area (thousands of sq. ft.)	Owned area (%)	Credit rating[(1)]
1	Government of Ontario	10.9	534	9.8	A+/A-1
2	Government of Canada	8.0	344	6.3	AAA/A-1+
3	State Street Trust Company	5.5	219	4.0	AA-/A/A-1+
4	International Financial Data Services	3.3	137	2.5	N/R
5	U.S. Bank National Association	2.4	185	3.4	AA-/A-1+
6	Co-operators Life Insurance	2.3	122	2.3	A-
7	Medcan Health Management Inc.	2.2	69	1.3	N/R
8	WeWork	2.0	65	1.2	CCC+
9	Veeva Software Solutions	1.4	54	1.0	N/R
10	International Language Academy of Canada	1.4	60	1.1	N/R
	Total	39.4	1,789	32.9	

(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 approximately 39% 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 stable 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, 2021**	September 30, 2021	December 31, 2020
Total portfolio[(1)]			
Occupancy rate – including committed (period-end)	**85.5%**	84.6%	88.0%
Occupancy rate – in-place (period-end)	**82.9%**	82.7%	85.2%
Average in-place and committed net rent per square foot (period-end)	**$ 23.25**	$ 23.08	$ 23.31
WALT (years)	**5.2**	5.2	5.1

(1) Total portfolio excludes properties under development and investments in joint ventures that are equity accounted 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 and investments in joint ventures that are equity accounted at December 31, 2021, September 30, 2021 and December 31, 2020. 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, 2021**	September 30, 2021	December 31, 2020	**December 31, 2021**	September 30, 2021	December 31, 2020
Toronto downtown	**89.6**	88.6	95.7	**87.9**	88.2	94.6
Other markets	**78.5**	77.7	73.1	**74.3**	73.2	66.8
Total portfolio[(1)]	**85.5**	84.6	88.0	**82.9**	82.7	85.2

(1) Total portfolio excludes properties under development and investments in joint ventures that are equity accounted at the end of each period.

Total portfolio in-place occupancy on a quarter-over-quarter basis increased by 0.2% relative to Q3 2021 driven by net positive leasing absorption in Other markets, partially offset by net negative absorption in Toronto downtown. In the Other markets region, 37,000 square feet of renewals and 45,000 square feet of new leasing activity were partially offset by 59,000 square feet of expiries.

In Toronto downtown, 117,000 square feet of expiries were substantially offset by 91,000 square feet of renewals and 21,000 square feet of new leasing activity. In Toronto downtown, 41,000 square feet, or approximately 1.2% of the region's gross leaseable area, is currently being held intentionally vacant for retail repositioning projects in order to attract premium retail tenants.

Total portfolio in-place occupancy on a year-over-year basis decreased from 85.2% at Q4 2020 to 82.9% this quarter due to net negative absorption in Toronto downtown partially offset by the reclassification of 1900 Sherwood Place to active properties in Q3 2021 and net positive leasing in Other markets driven by the commencement of leases at 2200–2206 Eglinton Avenue East in Scarborough, Ontario and Saskatoon Square in Saskatchewan in Q1 2021.

In-place and committed occupancy increased by 0.9% relative to the prior quarter and decreased by 2.5% year-over-year. Although the repeated states of emergency and increased provincial restrictions have significantly limited touring activity and the ability of tenants to sign leases and make business decisions, tour volume increased in the latter half of 2021 as prospective tenants planned for their space needs for a return to the office in 2022. Despite the decrease in in-place occupancy in Toronto downtown quarter-over-quarter, in-place and committed occupancy increased by 1.0% in the region relative to Q3 2021 as leasing during the quarter exceeded current quarter negative in-place absorption.

The following table details the change in total portfolio in-place and committed occupancy for the three months and year ended December 31, 2021:

	Three months ended December 31, 2021			Year ended December 31, 2021		
	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
Total portfolio occupancy (in-place and committed) at beginning of period		4,599	84.6%		4,632	88.0%
Vacancy committed for future occupancy		(105)	(1.9%)		(148)	(2.8%)
Total portfolio occupancy (in-place) at beginning of period		4,494	82.7%		4,484	85.2%
Reclassifications of completed properties under development		—		$ 20.24	192	
Reclassifications to properties under development		—			(12)	
Total portfolio occupancy (in-place) at beginning of period – adjusted		4,494	82.7%		4,664	85.8%
Natural expiries and relocations	$ (22.39)	(175)	(3.4%)	$ (22.88)	(856)	(15.7%)
Early terminations and bankruptcies	(18.83)	(2)	0.0%	(23.97)	(55)	(1.0%)
Temporary lease expiries	—	—	—	—	(23)	(0.4%)
Temporary leasing	—	—	—	8.04	13	0.2%
New leases	19.77	65	1.2%	17.60	226	4.2%
Renewals and relocations	21.84	128	2.4%	22.99	541	9.8%
Total portfolio occupancy (in-place) at end of period(1)		4,510	82.9%		4,510	82.9%
Vacancy committed for future occupancy(1)		142	2.6%		142	2.6%
Total portfolio occupancy (in-place and committed) at end of period(1)		4,652	85.5%		4,652	85.5%

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

Lease commitments have increased by 37,000 square feet relative to Q3 2021 to 142,000 square feet, primarily in the Other markets region. These leases are primarily scheduled to commence over the course of 2022 and 2023.

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, 2021. 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, 2021(1)	Year ended December 31, 2021(1)
Tenant retention ratio	73.1%	63.2%
Renewal and relocation rate (per sq. ft.)	$ 21.84	$ 22.99
Expiring rate on retained tenant space (per sq. ft.)	21.49	21.45
Renewal and relocation rate to expiring rate spread (per sq. ft.)	0.35	1.54
Renewal and relocation rate to expiring rate spread (%)	1.6%	7.2%

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

The renewal and relocation rate to expiring rate spreads for the three months and year ended December 31, 2021 were 1.6% and 7.2%, respectively, above expiring rates. For the three months ended December 31, 2021, positive spreads on renewals and relocations in Toronto downtown of 4.5% were partially offset by negative spreads on renewals and relocations in Other markets as leases rolled down to market rates. The low spreads on renewals in Toronto downtown were primarily driven by the effect of a nine-year government lease renewal totalling 72,000 square feet at $23.28 per square foot established in 2010 with no associated leasing costs. The contractual net rents for this space increase to $40.00 per square foot in 2023.

For the year ended December 31, 2021, positive leasing spreads on renewals and relocations in Toronto downtown of 9.6% were partially offset by negative leasing spreads on renewals and relocations of 6.8% in the Other markets region. In Toronto downtown, renewals included the 72,000 square foot lease discussed above and a 248,000 square foot government tenant exercising its option to renew at expiring rates established back in 2010 with no associated leasing costs. Excluding the effect of these renewal options, the increase in net rents on renewals and relocations in Toronto downtown was 24.5%.

Total portfolio in-place and committed net rent

Total portfolio in-place and committed net rents represent contractual annual net rental rates per leased square foot for binding leases with current and future tenants as at December 31, 2021, September 30, 2021 and December 31, 2020.

Average in-place and committed net rents across our total portfolio increased to $23.25 per square foot at December 31, 2021 when compared to $23.08 per square foot at September 30, 2021 and $23.31 per square foot at December 31, 2020.

In Toronto downtown, net rents increased quarter-over-quarter due to rent steps and higher rates on new leases and renewals. In Other markets, net rents decreased relative to Q3 2021 due to lower rates on new and renewed leases.

The increase in total portfolio in-place and committed net rents on a year-over-year basis was primarily driven by Toronto downtown, with rent steps and increases in net rents for new leases and renewals as well as the reclassification of 1900 Sherwood Place to active properties in Q3 2021, partially offset by lower rates on new and renewed leases in Other markets.

The following table details the average in-place and committed net rental rates in our total portfolio as at December 31, 2021, September 30, 2021 and December 31, 2020:

	Average in-place and committed net rent (per sq. ft.)		
	December 31, 2021	September 30, 2021	December 31, 2020
Toronto downtown	**$ 26.55**	$ 26.33	$ 25.85
Other markets	**16.69**	16.71	16.77
Total portfolio(1)	**$ 23.25**	$ 23.08	$ 23.31

(1) Total portfolio excludes properties under development and investments in joint ventures that are equity accounted 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 include allowances 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, 2021.

The following table compares market rents in our total portfolio to the average in-place and committed net rent as at December 31, 2021:

			As at December 31, 2021
	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	$ 31.19	$ 26.55	17.5%
Other markets	14.46	16.69	(13.4%)
Total portfolio[2]	$ 25.58	$ 23.25	10.0%

(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, 2021, our total portfolio average initial direct leasing costs and lease incentives were $1.37 and $2.02 per square foot per year, respectively, representing a decrease of $3.84 and a decrease of $2.98 per square foot per year, respectively, over the prior year comparative periods. The decrease in leasing costs for the quarter and year is primarily due to the effect of two government lease renewals totalling 72,000 square feet in Q4 2021 and 248,000 square feet in Q1 2021 with no associated leasing costs.

	Three months ended December 31,		Year ended December 31,	
Performance indicators	**2021[1]**	2020[1]	**2021[1]**	2020[1]
Leases that commenced during the period				
Thousands of square feet	**193**	210	**767**	393
Average lease term (years)	**8.0**	5.7	**6.2**	5.7
Initial direct leasing costs and lease incentives				
In thousands of dollars	**$ 2,114**	$ 6,178	**$ 9,524**	$ 11,103
Per square foot	**10.95**	29.42	**12.42**	28.25
Per square foot per year	**1.37**	5.21	**2.02**	5.00

(1) Current and comparative period excludes temporary leases. Total portfolio excludes properties under development and investments in joint ventures that are equity accounted at the end of each period.

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, 2021:

(in thousands of square feet)	Temporary leases	2022	2023	2024	2025	2026	2027+
Toronto downtown							
Expiries	(14)	(750)	(608)	(220)	(317)	(495)	(621)
Expiring net rents at maturity	$ 20.25	$ 25.88	$ 26.61	$ 28.55	$ 27.60	$ 25.45	$ 31.31
Commencements	n/a	454	249	—	11	17	—
Commencements as a percentage of expiries	n/a	61%	41%	—	3%	3%	—
Other markets							
Expiries	(6)	(147)	(67)	(163)	(250)	(126)	(726)
Expiring net rents at maturity	$ 14.66	$ 20.81	$ 18.35	$ 15.76	$ 17.88	$ 21.67	$ 19.16
Commencements	n/a	112	23	9	—	—	—
Commencements as a percentage of expiries	n/a	76%	34%	6%	—	—	—
Total portfolio							
Expiries	(20)	(897)	(675)	(383)	(567)	(621)	(1,347)
Expiring net rents at maturity	$ 18.62	$ 25.05	$ 25.80	$ 23.09	$ 23.31	$ 24.69	$ 24.76
Commencements	n/a	566	272	9	11	17	—
Commencements as a percentage of expiries	n/a	63%	40%	2%	2%	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 for 2022 are $30.60 per square foot in Toronto downtown and $17.12 per square foot in Other markets.

Net rental income

Net rental income in the Trust's financial statements is total investment property revenue, which includes property management and other service fees, less investment property operating expenses. 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, 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.

For a detailed discussion about investment properties revenue and expenses for the three months and year ended December 31, 2021, refer to the "Our Results of Operations" section.

Comparative properties NOI

Comparative properties NOI is a non-GAAP financial 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, 2021 and December 31, 2020, the Trust excludes properties under development completed subsequent to January 1, 2020 and assets held for sale or properties sold as at or prior to the current period. Comparative properties NOI also excludes NOI from properties under development; property management and other service fees; lease termination fees; one-time property adjustments, if any; government assistance net of COVID-related provisions; straight-line rent; amortization of lease incentives; and NOI from sold properties. This measure is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers. See "Non-GAAP Financial Measures and Ratios" for a description of this non-GAAP financial measure.

	December 31, 2021	December 31, 2020	Three months ended Change Amount	Change %	Change in weighted average occupancy %	Change in in-place net rents %
Toronto downtown	**$ 21,868**	$ 23,815	$ (1,947)	(8.2)	(7.6)	3.4
Other markets	**5,760**	5,362	398	7.4	5.1	(3.7)
Comparative properties NOI	**27,628**	29,177	(1,549)	(5.3)	(3.3)	0.7
357 Bay Street and 1900 Sherwood Place(1)	**2,088**	708	1,380			
Property under development	**(138)**	17	(155)			
Property management and other service fees	**405**	645	(240)			
COVID-related provisions and adjustments	**(856)**	(564)	(292)			
Straight-line rent	**60**	(113)	173			
Amortization of lease incentives	**(2,782)**	(2,536)	(246)			
Lease termination fees and other	**113**	570	(457)			
Sold properties(2)	**4**	41	(37)			
Net rental income from continuing operations	**$ 26,522**	$ 27,945	$ (1,423)			

(1) 357 Bay Street, Toronto downtown 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. 1900 Sherwood Place, Regina was reclassified from properties under development upon completion of the project with the tenant taking full occupancy commencing Q3 2021.

(2) For the three months ended December 31, 2021, NOI from sold properties comprises post-closing adjustments for properties sold in prior periods.

	December 31, 2021	December 31, 2020	Year ended Change Amount	Change %	Change in weighted average occupancy %	Change in in-place net rents %
Toronto downtown	**$ 88,568**	$ 96,970	$ (8,402)	(8.7)	(6.6)	2.2
Other markets	**22,408**	24,733	(2,325)	(9.4)	(0.2)	(3.8)
Comparative properties NOI	**110,976**	121,703	(10,727)	(8.8)	(4.4)	0.4
357 Bay Street and 1900 Sherwood Place(1)	**5,805**	817	4,988			
Property under development	**(309)**	211	(520)			
Property management and other service fees	**1,546**	1,848	(302)			
COVID-related provisions and adjustments	**(482)**	(1,472)	990			
Straight-line rent	**236**	(397)	633			
Amortization of lease incentives	**(11,453)**	(11,568)	115			
Lease termination fees and other	**836**	920	(84)			
Sold properties(2)	**(21)**	880	(901)			
Net rental income from continuing operations	**$ 107,134**	$ 112,942	$ (5,808)			

(1) 357 Bay Street, Toronto downtown 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. 1900 Sherwood Place, Regina was reclassified from properties under development upon completion of the project with the tenant taking full occupancy commencing Q3 2021.

(2) For the year ended December 31, 2021, NOI from sold properties comprises post-closing adjustments for properties sold in prior periods.

For the three months ended December 31, 2021, comparative properties NOI decreased by 5.3%, or $1.5 million, over the prior year comparative quarter, primarily driven by a decline in weighted average occupancy in Toronto downtown. Partially offsetting the declines were favourable parking revenues and rent steps in Toronto downtown and higher weighted average occupancy in Other markets, which offset declines in in-place net rents in the region. For the three months ended December 31, 2021, net rental income from continuing operations decreased by 5.1% or $1.4 million over the prior year comparative quarter.

Toronto downtown saw a decrease in comparative properties NOI of $1.9 million, or 8.2%, over the prior year comparative quarter mainly driven by a decrease in weighted average occupancy. This decrease was partially offset by higher parking revenues, rent steps and higher rates on new and renewed leasing in the region. Over the course of the COVID-19 pandemic, we have seen significant reductions in leasing activity and building traffic relative to historical norms leading to declines in occupancy and parking income as a result of repeated states of emergency in Toronto. Despite the public health measures enacted in response to the Omicron variant in December 2021 and January 2022, we continue to anticipate that many companies will return their employees to the office during 2022 and, with that, leasing activity and traffic flow to our properties will improve and our comparative properties NOI and parking revenues will begin to normalize. During the latter half of 2021, tour volume heightened, and we began to see increased building traffic and parking lot utilization indicating tenants are returning to the office.

Other markets experienced an increase in comparative properties NOI of $0.4 million, or 7.4%, over the prior year comparative quarter, primarily driven by an increase in weighted average occupancy.

For the year ended December 31, 2021, comparative properties NOI decreased by 8.8%, or $10.7 million, over the prior year comparative period, primarily driven by a decline in weighted average occupancy and lower parking revenues of $0.9 million across the portfolio as a result of city lockdown restrictions, partially offset by rent step-ups and higher rents on lease commencements and renewals in Toronto downtown. For the year ended December 31, 2021, net rental income from continuing operations decreased by 5.1% or $5.8 million over the prior year comparative period.

In Q4 2020, 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 with net rents starting at $45 per square foot. As income had stabilized, the property was reclassified to completed properties under development. The property will be reclassified to comparative properties in Q1 2022. In Q3 2021, 1900 Sherwood Place in Regina was reclassified to completed properties under development as the redevelopment project to revitalize the property was complete and the tenant took full occupancy and commenced paying rent on July 1, 2021. The property will be reclassified to comparative properties in Q1 2023. During 2021, completed properties under development contributed an additional $5.0 million of NOI relative to 2020.

The Trust currently has one property under development, 366 Bay Street in Toronto downtown. The Trust reclassified 366 Bay Street in Toronto downtown to properties under development in Q1 2021 as the project to transform this building into a best-in-class boutique office building had commenced.

Included in "COVID-related provisions and adjustments" for the three months and year ended December 31, 2021, are provisions for outstanding and deferred accounts receivable totalling $0.9 million and $2.1 million, respectively, net of government subsidy programs totalling $nil million and $1.6 million, respectively.

OUR RESULTS OF OPERATIONS

Consolidated statement of comprehensive income

	Three months ended December 31,		Year ended December 31,	
(in thousands of Canadian dollars)	**2021**	2020	**2021**	2020
Investment properties revenue	**$ 48,616**	$ 51,821	**$ 195,932**	$ 206,585
Investment properties operating expenses	**(22,094)**	(23,876)	**(88,798)**	(93,643)
Net rental income	**26,522**	27,945	**107,134**	112,942
Other income				
Share of net income from investment in Dream Industrial REIT	**26,075**	18,999	**90,645**	36,985
Share of net loss from investment in joint ventures	**(25)**	(401)	**(340)**	(197)
Interest and other income	**353**	444	**1,605**	2,312
	26,403	19,042	**91,910**	39,100
Other expenses				
General and administrative	**(2,462)**	(1,981)	**(9,811)**	(9,757)
Interest:				
Debt	**(10,926)**	(10,856)	**(43,372)**	(43,089)
Subsidiary redeemable units	**(1,309)**	(1,309)	**(5,234)**	(5,234)
Amortization and write-off of intangible assets and depreciation on property and equipment	**(212)**	(802)	**(897)**	(1,927)
	(14,909)	(14,948)	**(59,314)**	(60,007)
Fair value adjustments, internal leasing costs and net gain (loss) on transactions				
Fair value adjustments to investment properties	**(283)**	(6,159)	**47,926**	17,997
Fair value adjustments to financial instruments	**(10,297)**	(10,205)	**(29,922)**	65,855
Internal leasing costs and net gains (losses) on transactions	**(543)**	(1,104)	**(2,625)**	56
	(11,123)	(17,468)	**15,379**	83,908
Income before income taxes and discontinued operations	**26,893**	14,571	**155,109**	175,943
Current and deferred income taxes recovery (expense), net	**(15)**	944	**203**	1,307
Income from continuing operations, net of taxes	**26,878**	15,515	**155,312**	177,250
Income (loss) from discontinued operations	**3**	36	**(1,105)**	26
Net income for the period	**26,881**	15,551	**154,207**	177,276
Other comprehensive income (loss)	**3,973**	(2,244)	**5,152**	3,140
Comprehensive income for the period	**$ 30,854**	$ 13,307	**$ 159,359**	$ 180,416

Investment properties revenue

Investment properties revenue includes base rent from investment properties, recoveries 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 three months and year ended December 31, 2021 was $48.6 million and $195.9 million, respectively, compared to $51.8 million and $206.6 million, respectively, in the prior year comparative quarter and year. Overall, the decreases over the prior year were primarily due to lower weighted average occupancy, the effect of a sold property in the prior year, lower rents on renewals and new leases in the Other markets region. For the year ended December 31, 2021, investment properties revenue was also impacted by lower transient parking revenues as a result of parking lot closures from city lockdown restrictions across our portfolio. Partially offsetting the decrease in investment properties revenue were lease commencements at our two properties under development, 357 Bay Street during Q4 2020 and 1900 Sherwood Place during Q3 2021, improved transient parking revenues during the latter half of 2021 and higher rents on renewals and new leases in Toronto downtown.

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 three months and year ended December 31, 2021 were $22.1 million and $88.8 million, respectively, compared to $23.9 million and $93.6 million, respectively, in the prior year comparative quarter and year. Overall, the decreases in investment properties operating expenses over the prior year were mainly driven by a property sold in the prior year and property operating expense savings.

Share of net income from investment in Dream Industrial REIT

Share of net income from our investment in Dream Industrial Real Estate Investment Trust ("Dream Industrial REIT") includes our share of the entity's net income, 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 the net income of Dream Industrial REIT and changes in our ownership levels. Net dilution gains and losses occur as a result of equity issuances by Dream Industrial REIT and vary from period-to-period based on the dilutive effect of the issuances on our share of the equity from Dream Industrial REIT relative to our share of the proceeds received from the equity issuances.

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

	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Share of income	**$ 23,171**	$ 19,002	**$ 85,441**	$ 33,902
Net dilution gain (loss)	**2,904**	(3)	**5,204**	4,331
Loss on the sale of Dream Industrial REIT units	**—**	—	**—**	(1,248)
Share of net income from investment in Dream Industrial REIT	**$ 26,075**	$ 18,999	**$ 90,645**	$ 36,985

Our share of income from our investment in Dream Industrial REIT increased by $4.2 million and $51.5 million, respectively, over the prior year comparative quarter and year, and was primarily due to the effect of higher fair value gains during the current periods relative to the prior year comparative periods and net rental income growth from new and renewed leasing and acquisitions year-over-year.

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, a venture focused on the property technology market in which we have invested jointly with DAM. In Q4 2021, a new Alate PropTech fund was formed around the vehicle's existing investments and outside investors were secured. The Trust maintains a 25% interest in the managing GP and is entitled to fees for managing the fund.

For the three months and year ended December 31, 2021, share of net loss from investment in joint ventures amounted to $25 thousand and $0.3 million, respectively, and mainly comprises general and administrative expenses, interest on debt and foreign exchange adjustments, partially offset by net rental income from 220 King Street West.

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 and year ended December 31, 2021, interest and other income was $0.4 million and $1.6 million, respectively, compared to $0.4 million and $2.3 million, respectively, in the prior year comparative quarter and year. The decrease of $0.7 million over the prior year was due to lower interest income on our VTB mortgage receivables as well as lower interest income on lower average cash balances.

General and administrative expenses

The following table summarizes the nature of expenses included in general and administrative expenses:

	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Salaries and benefits	**$ (731)**	$ (722)	**$ (3,254)**	$ (3,577)
Deferred compensation expense	**(577)**	(457)	**(2,711)**	(2,371)
Professional services fees, public reporting, overhead-related costs and other	**(1,154)**	(802)	**(3,846)**	(3,809)
General and administrative expenses	**$ (2,462)**	$ (1,981)	**$ (9,811)**	$ (9,757)

For the three months and year ended December 31, 2021, general and administrative expenses were $2.5 million and $9.8 million, respectively, representing increases of $0.5 million and $0.1 million, respectively, over the prior year comparative quarter and year as a result of higher overhead costs and deferred compensation expenses due to a higher average unit price.

Interest expense – debt

For the three months and year ended December 31, 2021, interest expense on debt was $10.9 million and $43.4 million, respectively, relative to $10.9 million and $43.1 million in the prior year comparative quarter and year as a result of higher average debt balances net of the effect of lower interest rates on our revolving credit facilities and refinanced mortgages.

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, 2021 was $1.3 million and $5.2 million, respectively, and remained consistent with the prior year as the distribution rate and the number of outstanding subsidiary redeemable units remained unchanged.

Amortization and write-off 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, 2021 was $0.2 million and $0.9 million, respectively, a decrease of $0.6 million and $1.0 million, respectively, when compared to the prior year comparative periods due to the write-off of intangible assets in Q4 2020.

Fair value adjustments to investment properties

Refer to the heading "Fair value adjustments to investment properties" in the "Investment Properties" section for a discussion of fair value adjustments to investment properties for the three months and year ended December 31, 2021.

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, 2021, the Trust recorded fair value losses totalling $10.3 million and $29.9 million, respectively, due to the remeasurement of the carrying value of subsidiary redeemable units and deferred trust units as a result of increases in the Trust's unit price relative to September 30, 2021 and December 31, 2020.

Internal leasing costs and net gains (losses) 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,	
	2021	2020	**2021**	2020
Internal leasing costs	**$ (543)**	$ (728)	**$ (1,775)**	$ (1,821)
Recovery (costs) attributable to sale of investment properties[1]	**—**	(376)	**(883)**	1,878
Debt settlement costs, net[2]	**—**	—	**33**	(1)
Internal leasing costs and net gain (loss) on transactions	**$ (543)**	$ (1,104)	**$ (2,625)**	$ 56

(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.

Internal leasing costs and net gain (loss) on transactions for the three months and year ended December 31, 2021 was an expense of $0.5 million and $2.6 million, respectively, compared to an expense of $1.1 million and a recovery of $0.1 million, respectively, in the prior year comparative quarter and year. Costs attributable to sale of investment properties for the current year represent post-closing adjustments for properties sold in prior years. The prior year recovery was due to the recovery of an escrow which was held back on the sale of an investment property in 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, 2021, the Trust recorded deferred income taxes expense of $15 thousand and net current and deferred income tax recovery of $0.2 million, respectively, relating to our sole investment property in the U.S.

Income (loss) from discontinued operations

Loss from discontinued operations comprises the results of our investment properties previously included in the Ottawa and Montréal region. For the year ended December 31, 2021, the Trust generated a loss of $1.1 million from discontinued operations due to costs of sale arising from post-closing adjustments.

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, 2021, other comprehensive income amounted to $4.0 million and $5.2 million, respectively, as compared to a loss of $2.2 million and income of $3.1 million, respectively, for the three months and year ended December 31, 2020. The change in other comprehensive income (loss) over the prior year comparative periods was primarily driven by our share of fair value gains on investments held in a property technology investment joint venture totalling $5.1 million and $8.2 million, respectively, for the three months and year ended December 31, 2021. These fair value gains were partially offset by our share of Dream Industrial REIT's foreign currency translation losses during 2021.

Funds from operations ("FFO")

FFO is a non-GAAP financial measure. Management believes FFO (including diluted FFO per unit) is an important measure of our operating performance. This non-GAAP financial measure is a commonly used measure of performance of real estate operations; however, it is not a standardized financial measure under IFRS and it might not be comparable to similar financial measures disclosed by other issuers. It does not represent net income nor cash flows generated from (utilized in) operating activities, as defined by IFRS, and is not necessarily indicative of cash available to fund Dream Office REIT's needs. FFO has been reconciled to net income in the "Non-GAAP Financial Measures and Ratios" section under the heading "Funds from operations and diluted FFO per Unit". Diluted weighted average number of units is defined in the section "Supplementary Financial Measures and Other Disclosures" under the heading "Weighted average number of units".

The following table summarizes FFO and diluted FFO per unit:

	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
FFO for the period	**$ 21,751**	$ 22,723	**$ 87,615**	$ 93,029
Diluted weighted average number of units(1)	**54,553**	57,390	**56,197**	60,460
FFO per unit – diluted	**$ 0.40**	$ 0.40	**$ 1.56**	$ 1.54

(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.

For the three months ended December 31, 2021, diluted FFO per unit was flat at $0.40 per unit relative to Q4 2020 as NOI from our completed developments at 357 Bay Street in Toronto downtown and 1900 Sherwood Place in Regina (+$0.03), the effect of accretive unit repurchases under our Normal Course Issuer Bid ("NCIB") program in the current and prior year (+$0.02) and higher FFO from our investment in Dream Industrial REIT (+$0.01) were offset by lower comparative properties NOI (-$0.02), lower lease termination fees (-$0.02), the effect of a property sale in the prior year (-$0.01) and other items (-$0.01).

For the year ended December 31, 2021, diluted FFO per unit increased slightly to $1.56 per unit due to NOI from our completed developments at 357 Bay Street in Toronto downtown and 1900 Sherwood Place in Regina (+$0.09), the effect of accretive unit repurchases under our NCIB program in the current and prior year (+$0.06), higher FFO from our investment in Dream Industrial REIT (+$0.04), and improvements in COVID-related provisions and adjustments (+$0.02) were largely offset by decreases in comparative properties NOI (-$0.16), primarily as a result of the ongoing pandemic, and other items (-$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.

The Trust and DAM are parties to a shared services agreement dated January 1, 2019 (as amended, restated, amended and restated or otherwise revised from time to time, the "New Shared Services Agreement"). 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 includes 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 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.

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, 2021 and December 31, 2020:

	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Property management services fee charged by the Trust	**$ 107**	$ 73	**$ 302**	$ 225
Expenditures processed by the Trust on behalf of DAM (on a cost recovery basis)	**2,581**	2,284	**8,787**	8,595
Development fees charged by DAM	**(588)**	(588)	**(2,353)**	(2,353)
Expenditures processed by DAM on behalf of the Trust (on a cost recovery basis)	**(552)**	(329)	**(1,405)**	(1,580)
Net fees and reimbursements from DAM	**$ 1,548**	$ 1,440	**$ 5,331**	$ 4,887

For the three months and year ended December 31, 2021, total distributions and subsidiary redeemable unit interest paid and payable to DAM were $4.4 million and $17.6 million, respectively (for the three months and year ended December 31, 2020 – $4.4 million and $17.5 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, pursuant to 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 for the three months and years ended December 31, 2021 and December 31, 2020:

	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Property management and construction fees related to co-owned and managed properties	**$ 221**	$ 296	**$ 833**	$ 990
Costs processed on behalf of Dream Impact Trust related to co-owned properties	**292**	249	**1,270**	1,055
Amounts charged to Dream Impact Trust under the services agreement	**157**	83	**552**	332
Total cost recoveries from Dream Impact Trust	**$ 670**	$ 628	**$ 2,655**	$ 2,377

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, 2021 and December 31, 2020:

	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Total cost recoveries from Dream Industrial REIT	**$ 1,928**	$ 2,333	**$ 5,979**	$ 6,169

SECTION III

INVESTMENT PROPERTIES

Investment properties continuity

Changes in the value of our investment properties by region, excluding an investment property owned through an investment in a joint venture that is equity accounted, for the three months and year ended December 31, 2021 are summarized in the following table:

					Three months ended
	October 1, 2021	Building improvements, initial direct leasing costs and lease incentives	Fair value adjustments	Amortization of lease incentives, foreign exchange and other adjustments[(1)]	**December 31, 2021**
Toronto downtown	$ 2,069,965	$ 13,741	$ 1,605	$ (1,934)	**$ 2,083,377**
Other markets	461,253	4,456	(1,947)	(1,215)	**462,547**
Active properties	2,531,218	18,197	(342)	(3,149)	**2,545,924**
Add:					
Properties under development	22,177	843	59	(1)	**23,078**
Total amounts included in consolidated financial statements	$ 2,553,395	$ 19,040	$ (283)	$ (3,150)	**$ 2,569,002**

(1) Included in Other markets is a foreign currency translation adjustment totalling $(223) related to a property located in the U.S. during the quarter.

						Year ended
	January 1, 2021	Building improvements, initial direct leasing costs and lease incentives	Fair value adjustments	Amortization of lease incentives, foreign exchange and other adjustments[(1)]	Transfers to/ transfers from properties under development	**December 31, 2021**
Toronto downtown	$ 2,082,657	$ 37,922	$ (7,798)	$ (7,447)	$ (21,957)	**$ 2,083,377**
Other markets	329,216	15,096	55,971	(4,131)	66,395	**462,547**
Active properties	2,411,873	53,018	48,173	(11,578)	44,438	**2,545,924**
Add:						
Properties under development	60,006	7,659	(247)	98	(44,438)	**23,078**
Total amounts included in consolidated financial statements	$ 2,471,879	$ 60,677	$ 47,926	$ (11,480)	$ —	**$ 2,569,002**

(1) Included in Other markets is a foreign currency translation adjustment totalling $(202) related to a property located in the U.S. during the year.

Properties under development

On July 1, 2021, the Trust reclassified 1900 Sherwood Place in Regina from properties under development to active properties. The development project at this property was completed on time and on budget at the end of Q2 2021 and the tenant took occupancy and began paying rent commencing July 1, 2021.

The remaining property under development is 366 Bay Street in Toronto. A development project is underway at this property to transform it into a best-in-class boutique office building by fully modernizing this property's technical systems, installing high-efficiency heating, ventilation and air conditioning systems, improving the floorplates and upgrading washrooms and common areas. We are targeting multiple building certifications, including LEED Gold certification, as part of this development project. We intend to invest approximately $16.1 million over the course of the project of which $10.3 million was previously planned as part of our Bay Street corridor transformation initiatives. Project completion is planned for Q1 2023.

Valuations of externally appraised properties

The following table summarizes the investment properties valued by qualified external valuation professionals for the years ended December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Investment properties valued by qualified external valuation professionals (in millions)	**$ 628**	$ 778
Number of investment properties valued by qualified external valuation professionals	**9**	8
Percentage of the total investment properties valued by qualified external valuation professionals	**24%**	31%

Fair value adjustments to investment properties

The duration and full scope of the economic impact of COVID-19 is still unknown. Key valuation assumptions that 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, 2021, the Trust recorded a fair value loss totalling $0.3 million comprising fair value losses of $1.9 million in Other markets, partially offset by a fair value gain of $1.6 million in Toronto primarily due to a fair value increase for a property in the Bay Street corridor valued by a qualified external valuation professional at the completion of our capital enhancement program at the asset, partially offset by maintenance capital spent but not capitalized.

For the year ended December 31, 2021, the Trust recorded a fair value gain totalling $47.9 million, comprising fair value gains of $56.0 million in Other markets for an increase in value at Eglinton and Birchmount in Scarborough, Ontario due to an appraisal received in Q3 2021 reflecting nearby comparable property sales, partially offset by net fair value losses of $7.8 million in Toronto downtown due as a result of maintenance capital spent but not capitalized.

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.

Our strategy is to invest in capital projects which enhance our highest quality and best located assets in order to attract quality tenants at the highest possible rents. In addition to making our properties more desirable, our capital program enhances property efficiency and reduces future maintenance and operating costs.

The table below summarizes the building improvements incurred for the three months and years ended December 31, 2021 and December 31, 2020:

	Three months ended December 31,		Year ended December 31,	
Building improvements	**2021**	2020	**2021**	2020
Recoverable	**$ 6,057**	$ 1,870	**$ 15,492**	$ 10,924
Value-add	**1,008**	1,465	**5,883**	4,205
Value-add additions to properties in the Bay Street corridor	**7,429**	5,624	**19,270**	17,488
Non-recoverable	**351**	423	**1,609**	2,178
Active properties	**14,845**	9,382	**42,254**	34,795
Add:				
Properties under development	**826**	816	**1,331**	4,127
Interest capitalized to properties under development	**17**	219	**383**	1,013
Total	**$ 15,688**	$ 10,417	**$ 43,968**	$ 39,935
Less: Interest capitalized to properties under development	**(17)**	(219)	**(383)**	(1,013)
Total amounts included in consolidated financial statements	**$ 15,671**	$ 10,198	**$ 43,585**	$ 38,922

For the three months and year ended December 31, 2021, we incurred $14.8 million and $42.3 million, respectively, in expenditures related to building improvements in our active portfolio, the majority of which are value-add and recoverable from tenants under the terms of current and future leases.

Recoverable building improvements are capital expenditures on investment properties required to maintain current net rental rates for new leases that are recoverable from tenants. For the three months and year ended December 31, 2021 were $6.1 million and $15.5 million, respectively, and included safety enhancements, heating, ventilation and air conditioning upgrades, elevator modernization and recoverable lobby and common area upgrades.

Value-add building improvements are building capital expenditures that are made with the aim of enhancing building quality in order to increase net rents on future leases or pre-development costs for contemplated future developments. For the three months and year ended December 31, 2021, value-add building improvements were $1.0 million and $5.9 million, respectively.

As part of our transformation of our properties in the Bay Street corridor, for the three months and year ended December 31, 2021, the Trust incurred $7.4 million and $19.3 million, respectively. These costs incurred represent 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 the re-imagining of an alleyway. We plan to invest a total of approximately $50 million over the course of the project, of which approximately $39.2 million had been spent between project commencement and December 31, 2021 to revitalize these assets into best-in-class boutique office buildings, which we believe can attract top tier tenants and the highest rents.

INVESTMENT IN DREAM INDUSTRIAL REIT

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

The table below summarizes the Trust's ownership of Dream Industrial REIT:

	As at	
	December 31, 2021	December 31, 2020
Dream Industrial REIT units held, end of year	**8,052,451**	8,052,451
Dream Industrial LP Class B limited partnership units held, end of year	**18,551,855**	18,551,855
Total units held, end of year	**26,604,306**	26,604,306
Total Dream Industrial REIT units outstanding, end of year	**252,416,700**	171,230,716
Ownership at year-end	**10.5%**	15.5%

On October 22, 2021, Dream Industrial REIT completed a public offering in which the Trust did not participate and issued 17,434,000 REIT units.

On November 30, 2021, Dream Industrial REIT announced that it has renewed its at-the-market equity program that allows the issuance of up to $250,000,000 of Dream Industrial REIT units from the treasury to the public from time to time, at its discretion. During the year ended December 31, 2021, Dream Industrial REIT issued 5,278,300 REIT units under the program.

OUR FINANCING

Debt summary

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

Financing and liquidity metrics		**December 31, 2021**		December 31, 2020
Weighted average face rate of interest on debt (period-end)(1)		**3.28%**		3.56%
Interest coverage ratio (times)(2)		**3.0**		3.2
Net total debt-to-normalized adjusted EBITDAFV ratio (years)(2)		**9.8**		8.8
Level of debt (net total debt-to-net total assets)(2)		**41.8%**		41.1%
Average term to maturity on debt (years)		**3.6**		4.1
Variable rate debt as percentage of total debt		**24.1%**		15.2%
Undrawn revolving credit facilities	**$**	**192,355**	$	135,380
Available liquidity(2)	**$**	**201,118**	$	148,455
Unencumbered assets(2)	**$**	**178,268**	$	244,792

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

(2) The calculations of the following specified financial measures – interest coverage ratio, net total debt-to-normalized adjusted EBITDAFV ratio, level of debt (net total debt-to-net total assets), available liquidity and unencumbered assets – are included in the "Non-GAAP Financial Measures and Ratios" and "Supplementary Financial Measures and Other Disclosures" sections of the MD&A.

Net total debt-to-normalized adjusted EBITDAFV increased to 9.8 years from 8.8 years at December 31, 2020 as a result of higher net debt balances and lower adjusted EBITDAFV.

The net total debt-to-net total assets ratio increased slightly to 41.8% this quarter compared to 41.1% at December 31, 2020 as higher debt balances were partially offset by increases in investment property values and our investment in Dream Industrial REIT.

Our available liquidity of approximately $201.1 million comprises undrawn revolving credit facilities totalling $192.4 million and $8.8 million of cash and cash equivalents on hand as at December 31, 2021, an increase of $52.7 million when compared to December 31, 2020 primarily due to the Trust increasing its existing credit facility from $300,000 to $375,000 on November 4, 2021, net of the effect of purchases under the NCIB program, capital expenditures and leasing costs.

Unencumbered assets as at December 31, 2021 were $178.3 million, a decrease of $66.5 million from $244.8 million at December 31, 2020, primarily due to pledging an additional property and additional Dream Industrial LP Class B Units as security for the revolving credit facility and pledging a property under a new mortgage during Q4 2021.

Liquidity and capital resources

Dream Office REIT's primary sources of capital are cash generated from operating activities, net proceeds from investment property dispositions, 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.

In our consolidated financial statements as at December 31, 2021, our current liabilities exceeded our current assets by $121.4 million. Typically, real estate entities seek to address liquidity needs by having a balanced debt maturity schedule and undrawn revolving credit facilities. We are able to use our 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 $77.7 million. We typically refinance maturing debt with our undrawn revolving credit facilities and mortgages of terms between five and ten years unless our strategy for the asset or preferential loan terms dictate otherwise. 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, if any.

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 revolving credit facilities. As of December 31, 2021, the Trust has $201.1 million of available liquidity. In addition, the Trust has unencumbered assets totalling $178.3 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.

Mortgage financing activities

On April 1, 2021, a $9.7 million mortgage secured by an investment property in Toronto, Ontario matured and was repaid. On the same day, the Trust entered into a new mortgage secured by the same property totalling $30.0 million. The new interest-only mortgage has a term of three years and bears interest at an annual fixed rate of 2.97%.

Also on April 1, 2021, the Trust repaid in full, without penalty, a $26.6 million mortgage secured by our sole property in the U.S. prior to its maturity date.

On May 1, 2021, the Trust refinanced a mortgage secured by an investment property in Calgary, Alberta at maturity totalling $28.3 million for a term of three years at an annual fixed interest rate of 3.50%.

On June 1, 2021, a $14.5 million mortgage secured by an investment property in Toronto, Ontario matured and was repaid. On the same day, the Trust entered into a new mortgage secured by the same property totalling $44.3 million. The new interest-only mortgage has a term of two years with a six-month extension option and bears variable interest at the bankers' acceptance ("BA") rate plus 1.70%.

On July 2, 2021, the Trust refinanced a mortgage secured by an investment property in Calgary, Alberta at maturity totalling $14.5 million for a term of five years at an annual fixed interest rate of 2.54%.

Also on July 2, 2021, the Trust refinanced a mortgage secured by an investment property in Calgary, Alberta prior to maturity, without penalty, totalling $10.0 million for a term of five years at an annual fixed interest rate of 3.15%.

On December 7, 2021, the Trust entered into a new mortgage secured by a property in Scarborough, Ontario totalling $66.5 million. The new interest-only mortgage has a term of two years with two six-month extension options and bears interest at the BA rate plus 1.70%.

Revolving credit facilities

On November 4, 2021, the Trust increased its existing revolving credit facility from $300 million to $375 million and extended the maturity date from March 1, 2022 to September 30, 2024. The interest rate remained in the form of rolling BAs bearing interest at the BA rate plus 1.70% or at the bank's prime rate plus 0.70%.

As at December 31, 2021, the Trust's $375 million revolving credit facility is secured by first-ranking charges on five investment properties and 13,751,268 Dream Industrial LP Class B limited partnership units. The Trust has an accordion option of up to $100 million additional borrowing capacity on the $375 million 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, 2021, the amount available under the $375 million revolving credit facility was $172.4 million, comprising $375 million of borrowing capacity less $200.2 million in drawings and $2.4 million in the form of letters of credit.

As at December 31, 2021, the Trust's $20 million revolving credit facility is secured by 4,800,587 Dream Industrial LP Class B limited partnership units. As at December 31, 2021, the amount available under the $20 million revolving credit facility was $20 million.

Debt maturity profile

Our current debt profile is balanced with staggered maturities over the next eight years. The following table summarizes our debt maturity profile, excluding debt in joint ventures that are equity accounted, as at December 31, 2021:

	Mortgages		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
2022	$ 59,880	3.49%	$ —	—	$ 59,880	3.49%
2023	250,715	3.34%	—	—	250,715	3.34%
2024	73,369	3.44%	200,215	2.14%	273,584	2.49%
2025	241,187	3.61%	—	—	241,187	3.61%
2026	81,005	3.10%	—	—	81,005	3.10%
2027–2029	316,715	3.61%	—	—	316,715	3.61%
Subtotal before undernoted items	$ 1,022,871	3.48%	$ 200,215	2.14%	$ 1,223,086	3.26%
Scheduled principal repayments on non-matured debt (2022–2029)	64,989	—	—	—	64,989	—
Subtotal before undernoted items	$ 1,087,860	3.49%	$ 200,215	2.14%	$ 1,288,075	3.28%
Unamortized financing costs	(3,763)		(1,039)		(4,802)	
Debt per consolidated financial statements	$ 1,084,097	3.55%	$ 199,176	2.36%	$ 1,283,273	3.37%

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, 2021.

The Trust is contingently liable under a guarantee that was issued on debt assumed by a purchaser of an investment property totalling $51.4 million (December 31, 2020 – $57.3 million) with a weighted average term to maturity of 4.6 years (December 31, 2020 – 5.2 years). The guaranteed debt is secured by a property in British Columbia. During the year ended December 31, 2021, a guaranteed mortgage totalling $4.3 million secured by a property in Ontario was repaid by the purchaser at maturity.

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 $13.5 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, 2021.

At December 31, 2021, 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	$ 109	$ 33	$ —	$ 142
Operating commitments	3,680	840	—	4,520
Fixed price contracts	214	857	1,618	2,689
Total	$ 4,003	$ 1,730	$ 1,618	$ 7,351

In 2018, the Trust took a 25% stake in Alate, a vehicle specializing in real estate technology investments. To date, we have invested US$6.6 million, at our 25% share, to fund 12 investments. In Q4 2021, a new Alate PropTech fund was formed around the vehicle's existing investments and outside investors were secured. The Trust maintains a 25% interest in the managing GP and is entitled to fees for managing the fund. The formation of the new fund crystallized cumulative gains of $8.8 million, at the Trust's share, in the venture's investments since its inception in 2018. As at December 31, 2021, the Trust had a US$5.0 million funding commitment to the new fund.

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 loan facility of up to $12.5 million. The loan facility bears interest at 2.5% (December 31, 2020 – 4.5%), matures on April 10, 2022, with options to extend to April 10, 2025, subject to extension fees, and is secured by the property. As at December 31, 2021, the Trust had funded $5.2 million under the 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, 2021				December 31, 2020
	Number of Units		**Amount**	Number of Units		Amount
Unitholders' equity	**48,034,754**	**$**	**1,883,653**	50,631,596	$	1,943,738
Deficit	**—**		**(338,593)**	—		(451,665)
Accumulated other comprehensive income	**—**		**3,268**	—		6,930
Equity per consolidated financial statements	**48,034,754**		**1,548,328**	50,631,596		1,499,003
Add: LP B Units	**5,233,823**		**128,909**	5,233,823		103,630
Total equity (including LP B Units)(1)	**53,268,577**	**$**	**1,677,237**	55,865,419	$	1,602,633
NAV per unit(2)		**$**	**31.49**		$	28.69

(1) Total equity (including LP B Units) is a non-GAAP financial measure. It is defined in the section "Non-GAAP Financial Measures and Ratios" under the heading "Total equity (including LP B Units or subsidiary redeemable units)". It is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

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

The amended and restated Declaration of Trust of Dream Office REIT dated May 8, 2014 (as amended, restated, amended and restated or otherwise revised 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, 2021, DAM held 12,410,002 REIT A Units and 5,233,823 LP B Units for a total ownership interest of approximately 33.1%.

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 ratio is an important measure used by the Trust, as it reflects management's view of the intrinsic value of the Trust. However, NAV per unit is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

As at December 31, 2021, our NAV per unit increased to $31.49 when compared to $28.69 at December 31, 2020. The increase in NAV per unit relative to December 31, 2020 was primarily due to cash flow retention (diluted FFO net of distributions), fair value gains on investment properties at Eglinton Avenue East and Birchmount Road in Scarborough, Ontario and 1900 Sherwood Place in Regina, Saskatchewan in Q3 2021, incremental income from our investment in Dream Industrial REIT and the effect of accretive unit repurchases under our NCIB program. As at December 31, 2021, our total equity was $1.6 billion.

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	$ 2,083,377	$ 39.11	3.4	89.6%	4.5
Other markets	462,547	8.68	2.0	78.5%	6.6
Total portfolio investment properties	2,545,924	47.79	5.4	85.5%	5.2
Mortgages	(1,073,511)	(20.15)			
Total portfolio investment properties, net of mortgages	1,472,413	27.64			
Property under development, net of mortgage	12,492	0.23			
Investment in Dream Industrial REIT	402,790	7.56			
Investments in joint ventures	28,850	0.54			
Cash and cash equivalents	8,763	0.16			
Revolving credit facilities	(199,176)	(3.74)			
Other items	(48,895)	(0.90)			
Net asset value	$ 1,677,237	$ 31.49			
Less: LP B Units	(128,909)				
Total equity per consolidated financial statements	**$ 1,548,328**				

Outstanding equity

The following table summarizes the changes in our outstanding equity:

For the three months ended December 31, 2021	REIT A Units	LP B Units	Total
Total units issued and outstanding at October 1, 2021	49,700,730	5,233,823	54,934,553
REIT A Units issued pursuant to Deferred Unit Incentive Plan ("DUIP")	730	—	730
Cancellation of REIT A Units under NCIB	(1,666,706)	—	(1,666,706)
Total units issued and outstanding at December 31, 2021	48,034,754	5,233,823	53,268,577
Percentage of all units	90.2%	9.8%	100.0%

For the year ended December 31, 2021 and subsequent to the quarter	REIT A Units	LP B Units	Total
Total units issued and outstanding at January 1, 2021	50,631,596	5,233,823	55,865,419
REIT A Units issued pursuant to DUIP	43,718	—	43,718
Cancellation of REIT A Units under NCIB	(2,640,560)	—	(2,640,560)
Total units issued and outstanding at December 31, 2021	48,034,754	5,233,823	53,268,577
Percentage of all units	90.2%	9.8%	100.0%
REIT A Units issued pursuant to DUIP	680	—	680
Cancellation of REIT A Units under NCIB	(544,911)	—	(544,911)
Total units issued and outstanding at February 17, 2022	47,490,523	5,233,823	52,724,346
Percentage of all units	90.1%	9.9%	100.0%

As at December 31, 2021, there were 984,239 deferred trust units and income deferred trust units outstanding (December 31, 2020 – 853,796) under the DUIP.

Normal course issuer bid

On August 17, 2021, the TSX accepted a notice filed by the Trust to renew its prior NCIB for a one-year period. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 3,676,723 of its REIT A Units (representing 10% of the Trust's public float of 36,767,233 REIT A Units) through the facilities of the TSX. The renewed bid commenced on August 19, 2021 and will remain in effect until the earlier of August 18, 2022 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 38,579 REIT A Units, which equals 25% of the average daily trading volume during the prior six calendar months (being 154,317 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, 2022.

For the three months and year ended December 31, 2021, the Trust purchased for cancellation 1,666,706 and 2,640,560 REIT A Units, respectively, under the NCIB program at a cost of $38.5 million and $61.0 million, respectively (for the year ended December 31, 2020 – 5,773,896 REIT A Units cancelled at a cost of $110.2 million).

Subsequent to December 31, 2021, the Trust purchased for cancellation an additional 544,911 REIT A Units under the NCIB at a cost of $13.2 million. As of today's date, the Trust is able to purchase a further 491,252 REIT A Units under its current NCIB program.

Weighted average number of units

The following table outlines the basic and diluted weighted average number of units for the three months and years ended December 31, 2021 and December 31, 2020:

	Three months ended December 31,		Year ended December 31,	
Weighted average number of units(1) (in thousands)	**2021**	2020	**2021**	2020
Basic	**54,321**	57,186	**55,971**	60,247
Diluted	**54,553**	57,390	**56,197**	60,460

(1) Weighted average number of units is defined in the section "Supplementary Financial Measures and Ratios and Other Disclosures" under the heading "Weighted average number of units".

Distribution policy

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. For the three months and years ended December 31, 2021 and December 31, 2020, 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 financial measure) for the three months and years ended December 31, 2021 and December 31, 2020:

	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Total distributions paid and payable on REIT A Units	**$ 12,054**	$ 12,759	**$ 49,949**	$ 54,140
Add: Interest on subsidiary redeemable units	**1,309**	1,309	**5,234**	5,234
Total distributions paid and payable(1)	**$ 13,363**	$ 14,068	**$ 55,183**	$ 59,374

(1) Total distributions paid and payable is a non-GAAP financial measure. It is defined in the section "Non-GAAP Financial Measures and Ratios" under the heading "Total distributions paid and payable". It is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

The decrease in total distributions paid and payable on a year-over-year basis for the three months and year ended December 31, 2021 was due to the cancellation of REIT A Units under the current and prior NCIB programs 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 distributions paid or payable
December 21, 2021	December 2021	January 14, 2022	$ 0.08333	$ 4,003
January 20, 2022	January 2022	February 15, 2022	0.08333	3,968
February 16, 2022	February 2022	March 15, 2022	0.08333	TBD

TBD – to be determined

Cash flows from operating activities less cash interest paid on debt and distributions declared

In any given period, actual cash flows generated from (utilized in) operating activities less cash interest paid on debt may differ from total distributions paid and payable (a non-GAAP financial 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 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 less cash interest paid on debt may be less than total distributions paid and payable. 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 less interest paid on debt when compared to total distributions paid and payable, the Trust will fund the shortfalls with cash and cash equivalents on hand and with our existing revolving credit facilities. The use of the 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 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 less 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 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, cash interest paid on debt and total distributions paid and payable for the three months and years ended December 31, 2021 and December 31, 2020:

	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Net income for the period	**$ 26,881**	$ 15,551	**$ 154,207**	$ 177,276
Cash flows generated from (utilized in) operating activities	**17,519**	21,672	**95,807**	94,292
Cash interest paid on debt	**(7,640)**	(10,377)	**(41,830)**	(44,603)
Total distributions paid and payable[1] for the period	**(13,363)**	(14,068)	**(55,183)**	(59,374)

(1) Total distributions paid and payable (a non-GAAP financial measure) is defined in the section "Non-GAAP Financial Measures and Ratios" 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 financial measure), as well as the difference between cash flows generated from (utilized in) operating activities less cash interest paid on debt, and total distributions paid and payable, in accordance with the guidelines:

	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Excess of net income over total distributions paid and payable[1][3]	**$ 13,518**	$ 1,483	**$ 99,024**	$ 117,902
Shortfall of cash flows generated from (utilized in) operating activities less cash interest paid on debt over total distributions paid and payable[2][3]	**(3,484)**	(2,773)	**(1,206)**	(9,685)

(1) Excess of net income over total distributions paid and payable is calculated as net income less total distributions paid and payable.

(2) Shortfall of cash flows generated from (utilized in) operating activities less cash interest paid on debt over total distributions paid and payable less cash interest paid on debt less total distributions paid and payable.

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

For the three months and year ended December 31, 2021, total distributions paid and payable exceeded cash flows generated from operating activities less cash interest paid on debt by $3.5 million and $1.2 million, respectively (for the three months and year ended December 31, 2020, $2.8 million and $9.7 million, respectively), primarily due to the timing of leasing costs.

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 less interest paid on debt over total distributions paid and payable. For the three months and year ended December 31, 2021, the Trust earned distributions from Dream Industrial REIT totalling $4.7 million and $18.6 million, respectively (for the three months and year ended December 31, 2020, $4.7 million and $19.2 million, respectively).

SECTION IV

NON-GAAP FINANCIAL MEASURES AND RATIOS

Included in this section are reconciliations of non-GAAP financial measures presented throughout this MD&A to the most directly comparable financial measure. These measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

Available liquidity

Available liquidity is defined as the sum of cash and cash equivalents and undrawn revolving credit facilities at period-end, excluding cash held in joint ventures that are equity accounted. Management believes that available liquidity, a non-GAAP financial measure, is an important measure in determining our resources available to meet all of our ongoing obligations and future commitments.

The table below reconciles available liquidity to undrawn revolving credit facilities (the most directly comparable financial measure) as at December 31, 2021 and December 31, 2020:

		As at
	December 31, 2021	December 31, 2020
Undrawn revolving credit facilities	**$ 192,355**	$ 135,380
Cash and cash equivalents	**8,763**	13,075
Available liquidity	**$ 201,118**	$ 148,455

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

One of the components used to determine the Trust's NAV per unit (a non-GAAP ratio) is total equity (including LP B Units) a non-GAAP financial measure. 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.

The table within the section "Our Equity" under the heading "Total equity" reconciles total equity (including LP B Units) to equity (the most directly comparable financial measure).

Total distributions paid and payable

Total distributions paid and payable is a non-GAAP financial measure 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.

The table within the section "Our Equity" under the heading "Distribution policy" reconciles total distributions paid and payable to distributions paid on REIT A Units (the most directly comparable financial measure) for the three months and years ended December 31, 2021 and December 31, 2020.

NAV per unit

NAV per unit is a non-GAAP ratio calculated as the total equity (including LP B Units) (a non-GAAP financial measure) divided by the total number of REIT A Units and LP B Units. This non-GAAP ratio is an important measure used by the Trust, as it reflects management's view of the intrinsic value of the Trust and enables stakeholders to determine if the Trust's REIT Unit price is trading at a discount or premium relative to the NAV per Unit at each reporting period.

The table within the section "Our Equity" under the heading "NAV per unit" reconciles NAV per unit to equity (the most directly comparable financial measure) as at December 31, 2021 and December 31, 2020.

Funds from operations and diluted FFO per Unit

Management believes FFO, a non-GAAP financial measure, and diluted FFO per Unit, a non-GAAP ratio, provide our stakeholders additional relevant information on our operating performance. Fair value adjustments to investment properties and financial instruments, gains or losses on disposal of investment properties, debt settlement costs due to the disposal of investment properties, and other items detailed in the table below do not necessarily provide an accurate picture of the Trust's past or recurring operating performance. FFO and diluted FFO per Unit are commonly used measures 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.

In January 2022, REALPAC issued guidance on determining FFO and adjusted funds from operations for IFRS. The Trust has reviewed the REALPAC FFO guidance and its determination of FFO is substantially aligned with the REALPAC FFO 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.

FFO has been reconciled to net income (the most directly comparable financial measure) in the table below for the three months and years ended December 31, 2021 and December 31, 2020. Diluted FFO per Unit is a non-GAAP ratio calculated as FFO (a non-GAAP financial measure) divided by the weighted average number of Units. The table below summarizes the components used to calculate diluted FFO per Unit for the three months and years ended December 31, 2021 and December 31, 2020:

	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Net income for the period	**$ 26,881**	$ 15,551	**$ 154,207**	$ 177,276
Add (deduct):				
Share of net income from investment in Dream Industrial REIT	**(26,075)**	(18,999)	**(90,645)**	(36,985)
Share of FFO from investment in Dream Industrial REIT	**5,640**	4,956	**21,614**	19,333
Depreciation, amortization and write-off of intangible assets	**2,880**	3,222	**11,912**	13,053
Costs (recovery) attributable to sale of investment properties[1]	**(3)**	376	**1,990**	(1,876)
Interest expense on subsidiary redeemable units	**1,309**	1,309	**5,234**	5,234
Fair value adjustments to investment properties	**283**	6,159	**(47,926)**	(17,997)
Fair value adjustments to investment properties held in joint ventures	**3**	367	**36**	351
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**10,288**	10,027	**29,721**	(66,306)
Internal leasing costs	**543**	728	**1,775**	1,821
Principal repayments on finance lease liabilities	**(13)**	(11)	**(49)**	(46)
Deferred income taxes expense (recovery)	**15**	(962)	**(254)**	(829)
FFO for the period	**$ 21,751**	$ 22,723	**$ 87,615**	$ 93,029
Diluted weighted average number of units[2]	**54,553**	57,390	**56,197**	60,460
FFO per Unit – diluted	**$ 0.40**	$ 0.40	**$ 1.56**	$ 1.54

(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 operating performance of properties owned by the Trust in the current and comparative periods presented. Comparative properties NOI enables stakeholders to evaluate our current and future operating performance, especially to assess the effectiveness of our management of properties generating NOI growth from existing properties in the respective regions.

When the Trust compares comparative properties NOI on a year-over-year basis for the three months and years ended December 31, 2021 and December 31, 2020, the Trust excludes investment properties acquired and properties under development completed after January 1, 2020 and assets held for sale or disposed of prior to or during the current period. Comparative properties NOI also excludes NOI from properties under development; property management and other service fees; lease termination fees; one-time property adjustments, if any; government assistance, net of COVID-related provisions; straight-line rent; and amortization of lease incentives.

Comparative properties NOI for the respective periods has been reconciled to net rental income (the most directly comparable measure) within the section "Our Operations" under the heading "Comparative properties NOI".

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

Adjusted EBITDAFV is defined by the Trust as net income for the period adjusted for COVID-related provisions and adjustments, lease termination fees, one-time property 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, share of net loss from investment in joint ventures, 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, net losses on transactions and other items, and net current and deferred income tax expense (recovery). The aforementioned adjustments included in net income do not necessarily provide an accurate picture of the Trust's past or recurring operating performance. Management believes adjusted EBITDAFV, a non-GAAP financial measure, provides our stakeholders with additional relevant information on our operating performance, excluding any non-cash items and extraneous factors. Adjusted EBITDAFV 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, and is not necessarily indicative of cash available to fund the Trust's needs.

Adjusted EBITDAFV has been reconciled to net income (the most directly comparable financial measure) for the three months and years ended December 31, 2021 and December 31, 2020 in the table below:

	Three months ended		Year ended	
	December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
Net income for the period	**$ 26,881**	$ 15,551	**$ 154,207**	$ 177,276
Add (deduct):				
Interest – debt	**10,926**	10,856	**43,372**	43,089
Interest – subsidiary redeemable units	**1,309**	1,309	**5,234**	5,234
Current and deferred income taxes expense (recovery), net	**15**	(944)	**(203)**	(1,307)
Amortization and write-off of intangible assets and depreciation on property and equipment	**212**	802	**897**	1,927
Fair value adjustments to investment properties	**283**	6,159	**(47,926)**	(17,997)
Fair value adjustments to financial instruments	**10,297**	10,205	**29,922**	(65,855)
Share of net income from investment in Dream Industrial REIT	**(26,075)**	(18,999)	**(90,645)**	(36,985)
Distributions received from Dream Industrial REIT	**4,656**	4,655	**18,622**	19,153
Share of net loss from investment in joint ventures	**25**	401	**340**	197
Non-cash items included in investment properties revenue(1)	**2,722**	2,649	**11,217**	11,965
Government assistance and COVID-related provisions	**856**	564	**482**	1,472
Lease termination fees and other	**(113)**	(570)	**(836)**	(920)
Net losses (gains) on transactions and other items(2)	**540**	1,104	**3,732**	(54)
Adjusted EBITDAFV for the period	**$ 32,534**	$ 33,742	**$ 128,415**	$ 137,195

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

(2) Includes both continuing and discontinued operations.

Interest coverage ratio (times)

Management believes that interest coverage ratio, a non-GAAP ratio, is an important measure in determining our ability to cover interest expense based on our operating performance.

The following table calculates the interest coverage ratio for the year ended December 31, 2021 and December 31, 2020:

	For the trailing 12-month period ended	
	December 31, 2021	December 31, 2020
Adjusted EBITDAFV	**$ 128,415**	$ 137,195
Interest expense on debt	**$ 43,372**	$ 43,089
Interest coverage ratio (times)	**3.0**	3.2

Net total debt-to-normalized adjusted EBITDAFV ratio (years)

Management believes that net total debt-to-normalized adjusted EBITDAFV ratio (years), a non-GAAP ratio, is an important measure in determining the time it takes the Trust, on a go-forward basis, based on its normalized operating performance, to repay our debt.

Net total debt is a non-GAAP measure calculated as the sum of current and non-current debt less cash on hand (a non-GAAP financial measure). Cash on hand is calculated as the sum of cash and cash equivalents (the most directly comparable financial measure) less cash held in co-owned properties and joint ventures that are equity accounted. Net total debt is a component in the calculation of net total debt-to-normalized adjusted EBITDAFV ratio (years). Management believes net total debt is an important financial measure used to monitor the principal amount of debt outstanding after factoring in cash on hand and is used as a component to assess the Trust's ability to take on additional debt and its ability to manage overall balance sheet risk levels.

Net total debt-to-normalized adjusted EBITDAFV ratio (years) as shown below is calculated as net total debt (a non-GAAP financial measure), which includes debt related to assets held for sale, divided by normalized adjusted EBITDAFV – annualized (a non-GAAP financial measure). Normalized adjusted EBITDAFV – annualized is calculated as the quarterly adjusted EBITDAFV less NOI of disposed properties for the quarter plus the normalized NOI of properties acquired in the quarter. Adjusted EBITDAFV (a non-GAAP financial measure) is defined under the heading "Adjusted earnings before interest, taxes, depreciation, amortization and fair value adjustments ("Adjusted EBITDAFV")" within this section.

The following table calculates the annualized net total debt-to-normalized adjusted EBITDAFV as at December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Non-current debt	**$ 1,206,734**	$ 1,074,768
Current debt	**76,539**	119,381
Total debt	**1,283,273**	1,194,149
Less: Cash on hand(1)	**(5,556)**	(10,622)
Net total debt	**$ 1,277,717**	$ 1,183,527
Adjusted EBITDAFV(2) – quarterly	**32,534**	33,742
Less: NOI of disposed properties for the quarter	**(4)**	(77)
Normalized adjusted EBITDAFV – quarterly	**$ 32,530**	$ 33,665
Normalized adjusted EBITDAFV – annualized	**$ 130,120**	$ 134,660
Net total debt-to-normalized adjusted EBITDAFV ratio (years)	**9.8**	8.8

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

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

Net total debt is a non-GAAP measure calculated as the sum of current and non-current debt less cash on hand (a non-GAAP financial measure). Cash on hand is calculated as the sum of cash and cash equivalents (the most directly comparable financial measure) less cash held in co-owned properties and joint ventures that are equity accounted. Net total debt is a component in the calculation of net total debt-to-net total assets. Management believes net total debt is an important financial measure used to monitor the principal amount of debt outstanding after factoring in cash on hand and is used as a component to assess the Trust's ability to take on additional debt and its ability to manage overall balance sheet risk levels.

Net total assets is a non-GAAP measure calculated as the sum of total assets less cash on hand. Cash on hand is calculated as the sum of cash and cash equivalents (the most directly comparable financial measure) less cash held in co-owned properties and joint ventures that are equity accounted. Net total assets is a component in the calculation of net total debt-to-net total assets.

Management believes net total assets is an important financial measure used as a component to assess the Trust's ability to take on additional debt and its ability to manage overall balance sheet risk levels.

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 total assets less cash on hand.

The following table reconciles net total debt to non-current debt (the most comparable financial measure) and net total assets to total assets (the most directly comparable financial measure) as at December 31, 2021 and December 31, 2020:

	Amounts included in consolidated financial statements	
	December 31, 2021	December 31, 2020
Non-current debt	**$ 1,206,734**	$ 1,074,768
Current debt	**76,539**	119,381
Total debt	**1,283,273**	1,194,149
Less: Cash on hand[1]	**(5,556)**	(10,622)
Net total debt	**$ 1,277,717**	$ 1,183,527
Total assets	**3,065,560**	2,888,880
Less: Cash on hand[1]	**(5,556)**	(10,622)
Net total assets	**$ 3,060,004**	$ 2,878,258
Net total debt-to-net total assets	**41.8%**	41.1%

(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.

SUPPLEMENTARY FINANCIAL MEASURES AND OTHER DISCLOSURES

Unencumbered assets

Unencumbered assets represents the value of investment properties, excluding properties held for sale or investment properties in joint ventures that are equity accounted, which have not been pledged as collateral for the Trust's revolving credit facilities or mortgages, plus the fair value of unpledged Dream Industrial REIT units. This measure is used by management in assessing the borrowing capacity available to the Trust. However, it is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosures by other issuers.

The table below presents the components of unencumbered assets as at December 31, 2021 and December 31, 2020:

	As at	
	December 31, 2021	December 31, 2020
Investment properties not pledged as security for debt	**$ 39,605**	$ 83,671
Fair value of unpledged Dream Industrial REIT units[1]	**138,663**	161,121
Unencumbered assets	**$ 178,268**	$ 244,792

(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 revolving credit facilities.

Weighted average number of units

The basic weighted average number of units comprises 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 outstanding used in the FFO per Unit (non-GAAP ratio) calculation includes the basic weighted average number of Units, unvested deferred trust units and associated income deferred trust units.

The following table outlines the basic and diluted weighted average number of units for the three months and years ended December 31, 2021 and December 31, 2020:

	Three months ended December 31,		Year ended December 31,	
Weighted average number of units (in thousands)	**2021**	2020	**2021**	2020
Basic	**54,321**	57,186	**55,971**	60,247
Diluted	**54,553**	57,390	**56,197**	60,460

SELECTED ANNUAL INFORMATION

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

	2021	2020	2019
Investment properties revenue	**$ 195,932**	$ 206,585	$ 229,018
Net income	**154,207**	177,276	117,320
Total assets	**3,065,560**	2,888,880	2,911,682
Non-current debt	**1,206,734**	1,074,768	967,861
Total debt	**1,283,273**	1,194,149	1,150,372
Total distributions paid and payable[1]	**55,183**	59,374	62,842
Distribution rate (per unit)	**$ 1.00**	$ 1.00	$ 1.00
Units outstanding:			
REIT Units, Series A	**48,034,754**	50,631,596	56,234,546
LP Class B Units, Series 1	**5,233,823**	5,233,823	5,233,823

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

QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2020.

Key portfolio, leasing, financing and other capital information

				2021				2020
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Portfolio[1]								
Number of properties	**30**	30	30	30	30	30	31	31
GLA (millions of sq. ft.)	**5.5**	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Leasing – total portfolio[2]								
In-place and committed occupancy	**85.5%**	84.6%	85.6%	87.2%	88.0%	88.0%	88.4%	89.9%
In-place occupancy	**82.9%**	82.7%	83.9%	85.8%	85.2%	87.8%	87.9%	89.2%
Tenant retention ratio	**73.1%**	30.7%	33.9%	82.9%	70.0%	56.0%	73.9%	45.0%
Average in-place and committed net rent per square foot (period-end)	**$23.25**	$23.08	$23.18	$23.26	$23.31	$23.15	$23.07	$22.70
Financing								
Weighted average face rate of interest on debt (period-end)[3]	**3.28%**	3.33%	3.41%	3.54%	3.56%	3.60%	3.68%	3.78%
Interest coverage ratio (times)[4]	**3.0**	3.0	3.0	3.1	3.2	3.2	3.1	3.0
Net total debt-to-normalized adjusted EBITDAFV (years)[4]	**9.8**	9.4	9.5	9.3	8.8	8.4	8.1	7.8
Level of debt (net total debt-to-net total assets)[4]	**41.8%**	40.7%	41.0%	41.2%	41.1%	39.9%	38.3%	38.5%
Capital								
Total number of REIT A Units and LP B Units (in millions)[5]	**53.3**	54.9	55.9	55.9	55.9	58.0	60.5	60.8
NAV per unit[4]	**$31.49**	$30.74	$29.09	$28.73	$28.69	$28.17	$27.61	$27.13

(1) Excludes properties held for sale and investments 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 contractual 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 financial measures – interest coverage ratio, net total debt-to-normalized adjusted EBITDAFV, level of debt (net total debt-to-net total assets) and NAV per unit – are included in the "Non-GAAP Financial Measures and Ratios" section of the MD&A.

(5) 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

(in thousands of Canadian dollars)	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Investment properties revenue	**$ 48,616**	$ 49,690	$ 48,150	$ 49,476	$ 51,821	$ 51,312	$ 50,704	$ 52,748
Investment properties operating expenses	**(22,094)**	(22,363)	(21,136)	(23,205)	(23,876)	(23,422)	(22,525)	(23,820)
Net rental income	**26,522**	27,327	27,014	26,271	27,945	27,890	28,179	28,928
Other income	**26,403**	22,322	28,747	14,438	19,042	13,018	5,907	1,133
Other expenses	**(14,909)**	(14,514)	(15,169)	(14,722)	(14,948)	(14,614)	(15,218)	(15,227)
Fair value adjustments, internal leasing costs and net gains (losses) on transactions	**(11,123)**	56,206	(15,057)	(14,647)	(17,468)	13,008	38,766	49,602
Income before income taxes and discontinued operations	**26,893**	91,341	25,535	11,340	14,571	39,302	57,634	64,436
Current and deferred income taxes recovery (expense), net	**(15)**	377	(71)	(88)	944	(13)	(32)	408
Income from continuing operations, net of taxes	**26,878**	91,718	25,464	11,252	15,515	39,289	57,602	64,844
Income (loss) from discontinued operations	**3**	(2)	—	(1,106)	36	5	(2)	(13)
Net income for the period	**26,881**	91,716	25,464	10,146	15,551	39,294	57,600	64,831
Other comprehensive income (loss)	**3,973**	5,408	(2,083)	(2,146)	(2,244)	(907)	(2,914)	9,205
Comprehensive income for the period	**$ 30,854**	$ 97,124	$ 23,381	$ 8,000	$ 13,307	$ 38,387	$ 54,686	$ 74,036

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 2020 and Q4 2021 is primarily due to lower rental revenues as a result of the impact of the COVID-19 pandemic on our portfolio occupancy and the sale of a property during 2020, partially offset by net rental income from our completed properties under development at 357 Bay Street in Toronto and 1900 Sherwood Place in Regina.

Reconciliation between net income and funds from operations

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

				2021				2020
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income for the period	**$ 26,881**	$ 91,716	$ 25,464	$ 10,146	$ 15,551	$ 39,294	$ 57,600	$ 64,831
Add (deduct):								
Share of income from investment in Dream Industrial REIT	**(26,075)**	(22,125)	(28,495)	(13,950)	(18,999)	(12,559)	(4,904)	(523)
Share of FFO from investment in Dream Industrial REIT	**5,640**	5,882	5,058	5,034	4,956	4,811	4,818	4,748
Depreciation, amortization and write-off of intangible assets	**2,880**	3,026	2,927	3,079	3,222	3,338	3,045	3,448
Costs (recovery) attributable to sale of investment properties[1]	**(3)**	895	24	1,074	376	12	(2,212)	(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]	**283**	(58,044)	3,696	6,139	6,159	753	(20,203)	(4,706)
Fair value adjustments to investment properties held in joint ventures	**3**	15	31	(13)	367	—	(16)	—
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**10,288**	462	10,945	8,026	10,027	(14,261)	(16,865)	(45,207)
Internal leasing costs	**543**	462	380	390	728	311	370	412
Principal repayments on finance lease liabilities[1]	**(13)**	(12)	(12)	(12)	(11)	(12)	(12)	(11)
Deferred income taxes expense (recovery)	**15**	(377)	20	88	(962)	93	206	(166)
FFO for the period[2]	**$ 21,751**	$ 23,208	$ 21,347	$ 21,309	$ 22,723	$ 23,088	$ 23,136	$ 24,082
Diluted weighted average number of units[3]	**54,553**	56,660	56,849	56,768	57,390	60,611	61,512	62,336
FFO per Unit – diluted[4]	**$ 0.40**	$ 0.41	$ 0.38	$ 0.38	$ 0.40	$ 0.38	$ 0.38	$ 0.39

(1) Includes both continuing and discontinued operations.

(2) FFO is a non-GAAP financial measure. Refer to the section "Non-GAAP Financial Measures and Ratios" under the heading "Funds from operations and diluted FFO per Unit" for further details.

(3) A description of the determination of diluted weighted average number units can be found in the section "Supplementary Financial Measures and Other Disclosures".

(4) Diluted FFO per Unit is a non-GAAP ratio. Refer to the section "Non-GAAP Financial Measures and Ratios" under the heading "Funds from operations and diluted FFO per Unit" for further details.

SECTION V

DISCLOSURE CONTROLS AND PROCEDURES

For the year ended December 31, 2021, 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 the "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, 2021.

There were no changes in Dream Office REIT's internal control over financial reporting during the financial year ended December 31, 2021 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 COVID-19 pandemic and the corresponding government response and the response of the private sector have materially affected the Trust and may materially affect the Trust in the future. The duration and full scope of the economic impact of the COVID-19 pandemic are unknown and, as a result, it is not possible to estimate the full impact that the COVID-19 pandemic will have 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.

The extent to which COVID-19 (or any other disease, epidemic or pandemic) impacts business activity or financial results, and the duration and scope of any such negative impact, will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning COVID-19 and the actions required to contain or treat its impact. The COVID-19 pandemic and the corresponding government response, including the public safety related protocols adopted by us in response to the COVID-19 pandemic, have materially affected us. The various government mandates, including "work from home" orders, resulted in the temporary closure of our head office and regional offices to all employees other than essential services and affected the trading price of our Units. The COVID-19 pandemic, the government response and government mandates may continue to materially affect us and the trading price of our Units. 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 and other obligations due to us, which could have a material adverse effect on us.

COVID-19 has slowed down global economies, increased volatility in financial markets, and resulted in volatility in the price of our Units. The pandemic could impact debt and equity markets, which could affect our 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.

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 VTB 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 VTB 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-RELATED 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 COVID-19 a global pandemic. The pandemic has created significant uncertainty in the general economy, including the real estate market. The pandemic could, if further 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 and the responses of governments and the private sector to it. 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.

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, 2021:

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%	659	60	9	4.9	83.3%
30 Adelaide Street East, Toronto	100.0%	414	7	59	4.6	100.0%
438 University Avenue, Toronto	100.0%	323	17	19	4.1	99.1%
655 Bay Street, Toronto	100.0%	303	21	13	5.0	93.3%
74 Victoria Street/137 Yonge Street, Toronto	100.0%	266	5	53	4.0	98.9%
720 Bay Street, Toronto	100.0%	248	1	248	4.0	100.0%
36 Toronto Street, Toronto	100.0%	214	34	5	2.9	84.3%
330 Bay Street, Toronto	100.0%	165	32	3	2.9	66.2%
20 Toronto Street/33 Victoria Street, Toronto	100.0%	158	15	10	5.1	96.6%
250 Dundas Street West, Toronto	100.0%	121	17	7	4.0	99.1%
80 Richmond Street West, Toronto	100.0%	102	29	2	2.6	58.7%
425 Bloor Street East, Toronto(1)	100.0%	83	7	12	8.5	100.0%
212 King Street West, Toronto	100.0%	73	8	8	3.9	85.3%
357 Bay Street, Toronto(2)	100.0%	65	1	65	13.8	100.0%
360 Bay Street, Toronto	100.0%	58	12	3	2.5	62.4%
6 Adelaide Street East, Toronto	100.0%	53	10	3	3.9	56.7%
350 Bay Street, Toronto	100.0%	53	7	5	3.0	67.5%
67 Richmond Street West, Toronto	100.0%	50	3	15	0.5	92.0%
56 Temperance Street, Toronto	100.0%	32	6	4	5.0	80.2%
Toronto downtown		**3,440**	**292**	**11**	**4.5**	**89.6%**
2200–2206 Eglinton Avenue East & 1020 Birchmount Road, Scarborough	100.0%	442	14	23	6.5	71.8%
50 & 90 Burnhamthorpe Road West, Mississauga (Sussex Centre)(3)	49.9%	326	57	9	5.9	79.1%
444 – 7th Building, Calgary	100.0%	261	9	23	5.1	77.9%
Saskatoon Square, Saskatoon	100.0%	228	11	14	7.9	68.6%
1900 Sherwood Place, Regina(4)	100.0%	206	5	38	12.6	93.4%
12800 Foster Street, Overland Park, Kansas, U.S.	100.0%	185	1	185	3.9	100.0%
Princeton Tower, Saskatoon	100.0%	136	11	6	6.0	47.6%
606 – 4th Building & Barclay Parkade, Calgary	100.0%	126	13	9	5.0	88.8%
Kensington House, Calgary	100.0%	78	17	4	4.7	91.2%
234 – 1st Avenue South, Saskatoon	100.0%	10	4	2	3.3	83.3%
Other markets		**1,998**	**142**	**13**	**6.6**	**78.5%**
Total portfolio		**5,438**	**434**	**11**	**5.2**	**85.5%**
366 Bay Street, Toronto(5)	100.0%	36	1	3	—	17.0%
Total properties under development		**36**	**1**	**3**	**—**	**17.0%**
Total portfolio and properties under development		**5,474**	**435**	**11**	**5.2**	**85.1%**
220 King Street West, Toronto(6)	50.0%	11	3	5	3.6	66.2%

(1) Property subject to a ground lease.

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

(3) The Trust owns 49.9% of this property through a co-ownership with Dream Impact Trust, a related party to the Trust.

(4) This property was reclassified from properties under development to Other markets on July 1, 2021.

(5) This property was reclassified from Toronto downtown to properties under development on March 31, 2021.

(6) The Trust owns 50% of this property through a joint venture arrangement that is equity accounted.

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 17, 2022

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, 2021 and 2020, 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, 2021 and 2020;
- 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.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

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, 2021. These matters were 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, 2021, these assets were valued at $2,569 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 included cap rates and stabilized net operating income ("NOI"). For the discounted cash flow method, the critical and key assumptions included discount rates, terminal 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	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 valuations that is significant to the fair value of investment properties. • Evaluated the reasonableness of stabilized NOI used in the cap rate method 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, such as the discount rates, terminal 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 further assisted us in evaluating the reasonableness of these critical and key assumptions.

Key audit matter	How our audit addressed the key audit matter
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, 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 Carly Stallwood.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 17, 2022

Consolidated balance sheets

(in thousands of Canadian dollars)

	Note		**December 31, 2021**		December 31, 2020
Assets					
NON-CURRENT ASSETS					
Investment properties	4	**$**	**2,569,002**	$	2,471,879
Investment in Dream Industrial REIT	5		**402,790**		333,937
Investments in joint ventures	6		**28,850**		17,467
Other non-current assets	7		**40,145**		39,928
			3,040,787		2,863,211
CURRENT ASSETS					
Amounts receivable	8		**9,937**		6,631
Prepaid expenses and other assets			**6,073**		5,963
Cash and cash equivalents			**8,763**		13,075
			24,773		25,669
Total assets		**$**	**3,065,560**	$	2,888,880
Liabilities					
NON-CURRENT LIABILITIES					
Debt	9	**$**	**1,206,734**	$	1,074,768
Subsidiary redeemable units	10		**128,909**		103,630
Deferred Unit Incentive Plan	11		**23,215**		16,929
Deferred tax liabilities, net	12		**1,201**		1,477
Other non-current liabilities	13		**11,045**		11,686
			1,371,104		1,208,490
CURRENT LIABILITIES					
Debt	9		**76,539**		119,381
Amounts payable and accrued liabilities	14		**69,589**		62,006
			146,128		181,387
Total liabilities			**1,517,232**		1,389,877
Equity					
Unitholders’ equity	15		**1,883,653**		1,943,738
Deficit	15		**(338,593)**		(451,665)
Accumulated other comprehensive income	15, 16		**3,268**		6,930
Total equity			**1,548,328**		1,499,003
Total liabilities and equity		**$**	**3,065,560**	$	2,888,880

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)

	Note		Year ended December 31, 2021		2020
Investment properties revenue	17	$	**195,932**	$	206,585
Investment properties operating expenses			**(88,798)**		(93,643)
Net rental income			**107,134**		112,942
Other income					
Share of net income from investment in Dream Industrial REIT	5		**90,645**		36,985
Share of net loss from investment in joint ventures	6		**(340)**		(197)
Interest and other income			**1,605**		2,312
			91,910		39,100
Other expenses					
General and administrative	18		**(9,811)**		(9,757)
Interest:					
Debt	19		**(43,372)**		(43,089)
Subsidiary redeemable units			**(5,234)**		(5,234)
Amortization and write-off of intangible assets and depreciation on property and equipment			**(897)**		(1,927)
			(59,314)		(60,007)
Fair value adjustments, internal leasing costs and net gain on transactions					
Fair value adjustments to investment properties	4		**47,926**		17,997
Fair value adjustments to financial instruments	20		**(29,922)**		65,855
Internal leasing costs and net gains (losses) on transactions	21		**(2,625)**		56
			15,379		83,908
Income before income taxes and discontinued operations			**155,109**		175,943
Current and deferred income taxes recovery, net	12		**203**		1,307
Income from continuing operations, net of taxes			**155,312**		177,250
Income (loss) from discontinued operations	22		**(1,105)**		26
Net income for the year			**154,207**		177,276
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		**37**		38
Unrealized gain (loss) on foreign currency translation, net of taxes	16		**108**		(371)
Share of other comprehensive income (loss) from investment in Dream Industrial REIT	5, 16		**(3,170)**		3,061
Items that will not be reclassified subsequently to net income:					
Share of other comprehensive income from investment in joint ventures	6, 16		**8,177**		412
			5,152		3,140
Comprehensive income for the year		$	**159,359**	$	180,416

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, 2021	Note	**Number of REIT A Units**		**Unitholders' equity**		**Deficit**		**Accumulated other comprehensive income**		**Total equity**
Balance at January 1, 2021		**50,631,596**	**$**	**1,943,738**	**$**	**(451,665)**	**$**	**6,930**	**$**	**1,499,003**
Net income for the year		**—**		**—**		**154,207**		**—**		**154,207**
Distributions paid and payable	2	**—**		**—**		**(49,949)**		**—**		**(49,949)**
Deferred trust units exchanged for REIT A Units	1	**43,718**		**909**		**—**		**—**		**909**
Cancellation of REIT A Units under NCIB	1	**(2,640,560)**		**(60,968)**		**—**		**—**		**(60,968)**
Issue and cancellation costs		**—**		**(26)**		**—**		**—**		**(26)**
Other comprehensive income	16	**—**		**—**		**—**		**5,152**		**5,152**
Reclassification of joint venture's accumulated other comprehensive income to retained earnings	6, 16	**—**		**—**		**8,814**		**(8,814)**		**—**
Balance at December 31, 2021		**48,034,754**	**$**	**1,883,653**	**$**	**(338,593)**	**$**	**3,268**	**$**	**1,548,328**

					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

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)

	Note	Year ended December 31, 2021	2020
Generated from (utilized in) operating activities			
Net income for the year		**$ 154,207**	$ 177,276
Non-cash items:			
Net income from investment in Dream Industrial REIT	5	**(90,645)**	(36,985)
Fair value adjustments to investment properties	4	**(47,926)**	(17,997)
Fair value adjustments to financial instruments	20	**29,922**	(65,855)
Amortization and depreciation	24	**12,494**	13,611
Other adjustments	24	**4,518**	261
Interest expense on debt	19	**43,372**	43,089
Interest expense on subsidiary redeemable units	19	**5,234**	5,234
Change in non-cash working capital	24	**5,248**	(7,930)
Investment in lease incentives and initial direct leasing costs		**(20,617)**	(16,412)
		95,807	94,292
Generated from (utilized in) investing activities			
Investment in building improvements		**(41,119)**	(34,366)
Investment in properties under development		**(1,441)**	(7,643)
Investment in property and equipment		**(3)**	(350)
Contributions to joint ventures		**(3,546)**	(3,317)
Distributions from investment in Dream Industrial REIT		**18,622**	14,015
Net proceeds from sale of Dream Industrial REIT units	5	**—**	12,201
Recovery (costs) on disposal of investment properties		**(811)**	14,364
Advances on loan facility	7	**(2,216)**	(3,032)
Change in restricted cash		**1,138**	3,626
		(29,376)	(4,502)
Generated from (utilized in) financing activities			
Borrowings	9	**262,768**	279,979
Lump sum repayments	9	**(155,620)**	(217,523)
Principal repayments	9	**(18,193)**	(19,397)
Financing cost additions	9	**(1,422)**	(500)
Interest paid on debt	19	**(41,830)**	(44,603)
Interest paid on subsidiary redeemable units		**(5,234)**	(5,234)
Distributions paid on REIT A Units	23	**(50,165)**	(54,607)
Cancellation of REIT A Units under NCIB and transaction costs		**(60,994)**	(110,213)
Debt settlement costs paid		**—**	(1)
Principal repayments on finance lease liabilities	13	**(49)**	(46)
		(70,739)	(172,145)
Decrease in cash and cash equivalents		**(4,308)**	(82,355)
Foreign exchange gain (loss) on cash held in foreign currency		**(4)**	20
Cash and cash equivalents, beginning of year		**13,075**	95,410
Cash and cash equivalents, end of year		**$ 8,763**	$ 13,075

See accompanying notes to the consolidated financial statements.

Note 1

ORGANIZATION

Dream Office Real Estate Investment Trust ("Dream Office REIT" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The consolidated financial statements of Dream Office REIT include the accounts of Dream Office REIT and its 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, 2021 were authorized for issuance by the Board of Trustees on February 17, 2022, 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 arrangement is a joint operation.

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:

(i) considering current contracted sales prices for properties that are available for sale;

(ii) obtaining appraisals from qualified external professionals on a rotational basis for select properties; and

(iii) using internally prepared valuations.

Generally the Trust values its investment properties using 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. Where comparable recent market transactions indicate that the price an arm's length purchaser would be willing to pay for an investment property is not fully captured in the values derived under the income approach using the current highest and best use for the property, the Trust applies a comparable sales approach to determine the fair value for that investment property.

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 transfer of control. 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 ("VTB") mortgage receivable, property and equipment, restricted cash, intangible assets and deposits. The VTB 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. 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	
VTB 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
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. 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 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, 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 for office space monthly in accordance with the terms of the agreements.

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.

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 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.

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 for the foreseeable future.

For the United States ("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 the 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 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, 2021. These changes were made in accordance with the applicable transitional provisions as described below.

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, 2021			Year ended December 31, 2020		
	Active properties	**Properties under development**	**Investment properties**	Active properties	Properties under development	Investment properties
Balance, beginning of year	**$ 2,411,873**	**$ 60,006**	**$ 2,471,879**	$ 2,318,599	$ 102,346	$ 2,420,945
Additions:						
Building improvements	**42,254**	**1,331**	**43,585**	34,794	4,128	38,922
Lease incentives and initial direct leasing costs	**10,764**	**5,945**	**16,709**	10,485	11,522	22,007
Capitalized interest	**—**	**383**	**383**	—	1,013	1,013
Total additions to investment properties	**53,018**	**7,659**	**60,677**	45,279	16,663	61,942
Transfers, dispositions, assets classified as held for sale and other:						
Active properties transferred to properties under development during the year(1)	**(21,957)**	**21,957**	**—**	—	—	—
Properties under development transferred to active properties during the year(2)	**66,395**	**(66,395)**	**—**	61,702	(61,702)	—
Investment properties classified as held for sale during the year	**—**	**—**	**—**	(12,750)	—	(12,750)
Other(3)	**—**	**—**	**—**	(3,171)	—	(3,171)
Total transferred, disposed, classified as held for sale and other	**44,438**	**(44,438)**	**—**	45,781	(61,702)	(15,921)
Changes included in net income:						
Fair value adjustments to investment properties	**48,173**	**(247)**	**47,926**	15,083	2,914	17,997
Change in straight-line rent	**103**	**216**	**319**	(482)	(36)	(518)
Amortization and write-off of lease incentives	**(11,479)**	**(118)**	**(11,597)**	(11,505)	(179)	(11,684)
Total changes included in net income	**36,797**	**(149)**	**36,648**	3,096	2,699	5,795
Change included in other comprehensive income (loss):						
Foreign currency translation adjustment	**(202)**	**—**	**(202)**	(882)	—	(882)
Total change included in other comprehensive income (loss)	**(202)**	**—**	**(202)**	(882)	—	(882)
Balance, end of year	**$ 2,545,924**	**$ 23,078**	**$ 2,569,002**	$ 2,411,873	$ 60,006	$ 2,471,879
Change in unrealized income included in net income for the year						
Unrealized change in fair value of investment properties	**$ 48,173**	**$ (247)**	**$ 47,926**	$ 19,815	$ 2,914	$ 22,729

(1) On March 31, 2021, 366 Bay Street in Toronto was reclassified from active properties to properties under development.

(2) On July 1, 2021, Sherwood Place in Regina was reclassified from properties under development to active properties. For the year ended December 31, 2020, 357 Bay Street in Toronto was reclassified from properties under development to active properties as the property had reached substantial completion.

(3) Included in Other is a reversal of accrued leasing costs for the settlement of lease-related obligations during the year ended December 31, 2020.

Investment properties includes $12,446 (December 31, 2020 – $12,127) 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, 2021 and December 31, 2020:

		December 31, 2021	December 31, 2020
Investment properties valued by qualified external valuation professionals	$	**627,605**	$ 778,154
Number of investment properties valued by qualified external valuation professionals		**9**	8
Percentage of the total investment properties valued by qualified external valuation professionals		**24%**	31%

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, 2021 and December 31, 2020 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 novel coronavirus ("COVID-19") pandemic are 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 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.

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

As at December 31, 2021, the Trust's investment properties, excluding one property under development, a property with redevelopment potential and a property valued under the direct comparison approach, were valued using the cap rate method. During the year, one property under development was reclassified to active properties in Other markets and valued by using the cap rate method as at December 31, 2021.

The critical valuation metrics by segment as at December 31, 2021 and December 31, 2020 are set out below:

	December 31, 2021		December 31, 2020	
	Range (%)	**Weighted average cap rates (%)**	Range (%)	Weighted average cap rates (%)
Toronto downtown	**4.50–5.50**	**4.79**	4.50–5.50	4.79
Other markets	**6.25–8.25**	**7.23**	6.25–8.25	7.37
Total portfolio	**4.50–8.25**	**5.16**	4.50–8.25	5.12

Sensitivities on assumptions

Generally, an increase in stabilized 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 one 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, 2021:

	Impact of change to weighted average cap rates	
	+25 bps	–25 bps
Increase (decrease) in value	$ (115,450)	$ 127,730

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

As at December 31, 2021, one investment property under development and a property with redevelopment potential were valued using the discounted cash flow method. For the year ended December 31, 2021, one property with redevelopment potential previously valued using the discounted cash flow method was valued by a qualified external appraisal using the direct comparison approach taking into consideration recent activity for comparable development sites. As at December 31, 2021, the property continues to be valued using the direct comparison approach. Also during 2021, one property was reclassified to properties under development and the valuation approach was changed from the direct cap rate method to the discounted cash flow method.

The critical valuation metrics as at December 31, 2021 and December 31, 2020 are set out below:

	December 31, 2021[1]		December 31, 2020[2]	
	Range	**Weighted average**	Range	Weighted average
Discount rates (%)	**5.75–6.50**	**6.35**	6.50–8.25	7.28
Terminal cap rates (%)	**4.25–5.25**	**4.45**	4.25–7.50	5.99
Market rental rates (in dollars per square foot)[3]	**$ 31.00–47.00**	**$ 43.80**	$ 10.00–47.00	$ 29.97

(1) Includes one investment property under development and one property with redevelopment potential.

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

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

In addition to the assumptions noted above, as at December 31, 2021, leasing cost assumptions for new and renewed leasing were within the range of $7.50 and $40.00 per square foot (December 31, 2020 – $5.00 and $40.00 per square foot).

Sensitivities on assumptions

The following sensitivity table outlines the potential impact on the fair value of an investment property under development and a property 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, 2021.

	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	$ (17,138)	$ 18,079	$ (12,132)	$ 14,061

The following sensitivity table outlines the potential impact on the fair value of an investment property under development and a property with redevelopment potential, assuming the market rental rates were to change by $1.00 per square foot and the leasing costs were to change by $5.00 per square foot as at December 31, 2021.

	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	$ 2,836	$ (5,081)	$ (1,210)	$ 1,210

Generally, a decrease in vacancy rate assumptions will result in an increase to the fair values of an investment property under development and a property with redevelopment potential, while an increase in vacancy rate assumptions will result in a decrease to the fair values of an investment property under development and a property 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,	
	2021	2020
Balance, beginning of year	**$ 333,937**	$ 320,295
Distributions earned	**(18,622)**	(19,153)
Share of income	**85,441**	33,902
Net dilution gain	**5,204**	4,331
Share of other comprehensive income (loss)	**(3,170)**	3,061
Dream Industrial REIT units purchased through distribution reinvestment plan	**—**	4,950
Net proceeds on sale of Dream Industrial REIT units	**—**	(12,201)
Loss on the sale of Dream Industrial REIT units	**—**	(1,248)
Balance, end of year	**$ 402,790**	$ 333,937
Dream Industrial REIT units held, end of year(1)	**8,052,451**	8,052,451
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**	26,604,306
Ownership as a percentage of total units outstanding, end of year	**10.5%**	15.5%

(1) 4,800,587 Dream Industrial REIT units are pledged as security for the $20,000 revolving credit facility as at December 31, 2021 and December 31, 2020.

(2) 13,751,268 Dream Industrial LP Class B limited partnership units are pledged as security for the $375,000 revolving credit facility as at December 31, 2021 (December 31, 2020 – 9,551,160 Dream Industrial LP Class B limited partnership units).

On January 29, 2021, Dream Industrial REIT completed a public offering and issued 20,240,000 REIT units.

On October 22, 2021, Dream Industrial REIT completed a public offering in which the Trust did not participate and issued 17,434,000 REIT units.

On November 30, 2021, Dream Industrial REIT announced that it had renewed its at-the-market equity program that allows the issuance of up to $250,000,000 of Dream Industrial REIT units from the treasury to the public from time to time, at its discretion. During the year ended December 31, 2021, Dream Industrial REIT issued 5,278,300 REIT units under the program.

The fair value of the Trust's interest in Dream Industrial REIT of $458,126 (December 31, 2020 – $349,847) was determined using the Dream Industrial REIT closing unit price of $17.22 per unit at year-end multiplied by the number of units held by the Trust as at December 31, 2021.

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,
	2021	2020	**2021**	2020
Non-current assets	**$ 5,876,827**	$ 3,253,408	**$ 619,847**	$ 505,592
Current assets	**176,739**	267,922	**18,641**	41,636
Total assets	**6,053,566**	3,521,330	**638,488**	547,228
Non-current liabilities	**2,419,298**	1,435,022	**540,939**	429,053
Current liabilities	**134,845**	181,432	**14,222**	28,195
Total liabilities	**2,554,143**	1,616,454	**555,161**	457,248
Net assets	**$ 3,499,423**	$ 1,904,876	**$ 83,327**	$ 89,980
Add-back:				
Subsidiary redeemable units			**319,463**	243,957
Investment in Dream Industrial REIT			**$ 402,790**	$ 333,937

	At 100%		At ownership interest	
	Year ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Net rental income	**$ 217,899**	$ 168,883	**$ 26,532**	$ 26,972
Other revenue and expenses, fair value adjustments and other items	**390,446**	31,272	**(29,583)**	(6,304)
Income (loss) from continuing operations, net of taxes	**608,345**	200,155	**(3,051)**	20,668
Loss from discontinued operations, net of taxes	**—**	(19)	**—**	(3)
Net income (loss) for the year	**608,345**	200,136	**(3,051)**	20,665
Other comprehensive income (loss)	**(21,202)**	18,056	**(3,170)**	3,061
Comprehensive income (loss) before the undernoted adjustments	**$ 587,143**	$ 218,192	**$ (6,221)**	$ 23,726
Add:				
Interest on subsidiary redeemable units			**12,986**	13,051
Fair value adjustments to subsidiary redeemable units			**75,506**	186
Share of comprehensive income from investment in Dream Industrial REIT			**$ 82,271**	$ 36,963
Add (deduct):				
Share of other comprehensive loss (income) from investment in Dream Industrial REIT			**3,170**	(3,061)
Share of income from investment in Dream Industrial REIT			**$ 85,441**	$ 33,902
Add (deduct):				
Loss on the sale of Dream Industrial REIT units			**—**	(1,248)
Net dilution gain			**5,204**	4,331
Share of net income from investment in Dream Industrial REIT			**$ 90,645**	$ 36,985

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.

In 2018, the Trust took a 25% stake in Alate, a vehicle specializing in real estate technology investments. As at December 31, 2021, the Trust had funded $8,638 since inception into the joint investment (December 31, 2020 – $6,753). In Q4 2021, a new Alate PropTech fund was formed around the vehicle's existing investments and outside investors were secured. The Trust maintains a 25% interest in the managing GP and is entitled to fees for managing the fund. The Trust has a commitment for US$5,000 to the new fund. The change in the joint venture's structure crystallized the unrealized gain on the joint venture's investments carried at fair value through other comprehensive income and so the cumulative gain was transferred to retained earnings.

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, 2021	December 31, 2020
Non-current assets	**$ 31,900**	$ 21,090
Current assets	**1,210**	648
Total assets	**33,110**	21,738
Non-current liabilities	**4,145**	4,222
Current liabilities	**115**	49
Total liabilities	**4,260**	4,271
Net assets	**$ 28,850**	$ 17,467

	Share of comprehensive income (loss) at ownership interest for the year ended December 31,	
	2021	2020
Net rental income	**$ 84**	$ 336
Other income, expenses and fair value adjustments	**(424)**	(533)
Share of net loss from investment in joint ventures	**(340)**	(197)
Other comprehensive income from investment in joint ventures	**8,177**	412
Share of comprehensive income from investment in joint ventures	**$ 7,837**	$ 215

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, 2021**	December 31, 2020
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 2020 and 2021.

	Net assets at ownership interest	
	December 31, 2021	December 31, 2020
Non-current assets	**$ 100,852**	$ 100,498
Current assets	**826**	634
Total assets	**101,678**	101,132
Non-current liabilities	**60,319**	60,201
Current liabilities	**2,587**	2,234
Total liabilities	**62,906**	62,435
Net assets	**$ 38,772**	$ 38,697

	Share of net income at ownership interest for the year ended December 31,	
	2021	2020
Net rental income	**$ 4,970**	$ 5,159
Other income, expenses and fair value adjustments	**(2,620)**	(914)
Share of net income from co-owned properties	**$ 2,350**	$ 4,245

Note 7

OTHER NON-CURRENT ASSETS

		December 31, 2021		December 31, 2020
VTB mortgage receivable	$	39,348	$	37,132
Property and equipment, net of accumulated depreciation of $8,810 (December 31, 2020 – $14,497)		712		1,606
Restricted cash		—		1,138
Deposits		85		52
Total	$	40,145	$	39,928

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 VTB mortgage receivable of $34,100. This interest-only VTB mortgage receivable bears interest at 2.5% (December 31, 2020 – 4.5%), matures on April 10, 2022 with options to extend to April 10, 2025, subject to extension fees, may be repaid at any time and is secured by a first-ranking charge on the sold property. The ECL 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, 2021, the Trust had funded $5,248 under the construction loan facility (December 31, 2020 – $3,032).

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. Deposits comprises refundable utility deposits.

Note 8

AMOUNTS RECEIVABLE

As at December 31, 2021, other amounts receivable are net of credit adjustments aggregating to $681 (December 31, 2020 – $7,493).

		December 31, 2021		December 31, 2020
Trade receivables	$	7,687	$	5,836
Less: Provision for impairment of trade receivables		(4,124)		(2,575)
Trade receivables, net		3,563		3,261
Other amounts receivable		6,374		3,370
Total	$	9,937	$	6,631

The movement in the provision for impairment of trade receivables for the years ended December 31, 2021 and December 31, 2020 were as follows:

	Year ended December 31,			
		2021		2020
Balance, beginning of year	$	2,575	$	855
Change in ECL provision		2,087		2,102
Provision for impairment of trade receivables due to CECRA[1] program		—		1,425
Receivables written off during the period as uncollectible		(538)		(1,807)
Balance, end of year	$	4,124	$	2,575

(1) CECRA – 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, 2021 over the remaining terms of those leases.

	December 31, 2021
2022	$ 100,612
2023	96,177
2024	87,714
2025	74,965
2026	55,219
2027+	212,354
Total	$ 627,041

Note 9

DEBT

	December 31, 2021	December 31, 2020
Mortgages(1)(2)	**$ 1,084,097**	$ 1,012,572
Revolving credit facilities(2)(3)(4)	**199,176**	181,577
Total	**1,283,273**	1,194,149
Less: Current portion	**(76,539)**	(119,381)
Non-current debt	**$ 1,206,734**	$ 1,074,768

(1) Net of financing costs of $3,763 (December 31, 2020 – $3,945).

(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.

(4) Net of financing costs of $1,039 (December 31, 2020 – $1,423).

Continuity of debt

The following tables provide a continuity of debt for the years ended December 31, 2021 and December 31, 2020:

	Year ended December 31, 2021		
	Mortgages	**Revolving credit facilities**	**Total**
Balance as at January 1, 2021	**$ 1,012,572**	**$ 181,577**	**$ 1,194,149**
Cash items:			
Borrowings	**140,764**	**122,004**	**262,768**
Lump sum repayments	**(50,834)**	**(104,786)**	**(155,620)**
Principal repayments	**(18,193)**	**—**	**(18,193)**
Financing costs additions	**(708)**	**(714)**	**(1,422)**
Non-cash items:			
Foreign currency translation adjustment	**(290)**	**—**	**(290)**
Other adjustments(1)	**786**	**1,095**	**1,881**
Balance as at December 31, 2021	**$ 1,084,097**	**$ 199,176**	**$ 1,283,273**

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

	Year ended December 31, 2020			
	Mortgages	Revolving credit facilities	Debentures	Total
Balance 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 repayments	(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 and write-offs of financing costs and fair value adjustments.

Mortgages

On April 1, 2021, a $9,729 mortgage secured by an investment property in Toronto, Ontario matured and was repaid. On the same day, the Trust entered into a new mortgage secured by the same property totalling $30,000. The new interest-only mortgage has a term of three years and bears interest at an annual rate of 2.97%.

Also on April 1, 2021, the Trust repaid in full, without penalty, a $26,574 mortgage secured by our sole property in the U.S. prior to its maturity date.

On May 1, 2021, the Trust refinanced a mortgage secured by an investment property in Calgary, Alberta at maturity totalling $28,348 for a term of three years at an annual fixed interest rate of 3.50%.

On June 1, 2021, a $14,492 mortgage secured by an investment property in Toronto, Ontario matured and was repaid. On the same day, the Trust entered into a new mortgage secured by the same property totalling $44,264. The new interest-only mortgage has a term of two years with a six-month extension option and bears variable interest at the Banker's Acceptance ("BA") rate plus 1.70%.

On July 2, 2021, the Trust refinanced a mortgage secured by an investment property in Calgary, Alberta at maturity totalling $14,492 for a term of five years at an annual fixed interest rate of 2.54%.

Also on July 2, 2021, the Trust refinanced a mortgage secured by an investment property in Calgary, Alberta prior to maturity, without penalty, totalling $9,967 for a term of five years at an annual fixed interest rate of 3.15%.

On December 7, 2021, the Trust entered into a new mortgage secured by a property in Scarborough, Ontario totalling $66,500. The new interest-only mortgage has a term of two years with two six-month extension options and bears interest at the BA rate plus 1.70%.

Revolving credit facilities

The Trust has two revolving credit facilities: (i) a $375,000 credit facility and (ii) a $20,000 revolving credit facility. The details of each 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 $375,000 revolving credit facility if additional assets are pledged as security, subject to lender approval.

During the first quarter of 2021, the Trust extended the maturity of the existing $20,000 revolving credit facility to March 31, 2023. The interest rate remained in the form of rolling one-month bankers' acceptances bearing interest at the BA rate plus 2.0% or at the bank's prime rate plus 0.85%.

On November 4, 2021, the Trust increased its existing revolving credit facility from $300,000 to $375,000 and extended the maturity date from March 1, 2022 to September 30, 2024. The interest rate remained in the form of rolling BAs bearing interest at the BA rate plus 1.70% or at the bank's prime rate plus 0.70%.

The amounts available and drawn under the revolving credit facilities as at December 31, 2021 and December 31, 2020 are summarized in the tables below:

	Maturity date	Interest rates on drawings	**Face interest rate**		**Borrowing capacity**		**Drawings**		**Letters of credit**		**Amount available**
			December 31, 2021								
Formula-based maximum not to exceed $375,000[1]	September 30, 2024	BA + 1.70% or prime + 0.70%	**2.14%**	**$**	**375,000**	**$**	**(200,215)**	**$**	**(2,430)**	**$**	**172,355**
Formula-based maximum not to exceed $20,000[2]	March 31, 2023	BA + 2.00% or prime + 0.85%	**n/a**		**20,000**		**—**		**—**		**20,000**
			2.14%	**$**	**395,000**	**$**	**(200,215)**	**$**	**(2,430)**	**$**	**192,355**

(1) The $375,000 revolving credit facility is secured by five investment properties and 13,751,268 Dream Industrial LP Class B limited partnership units.

(2) The $20,000 revolving credit facility is secured by 4,800,587 Dream Industrial LP Class B limited partnership units.

n/a – not applicable

	Maturity date	Interest rates on drawings	Face interest rate		Borrowing capacity		Drawings		Letters of credit		Amount available
			December 31, 2020								
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 revolving credit facility was secured by four investment properties and 9,551,160 Dream Industrial LP Class B limited partnership units.

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

n/a – not applicable

Debentures

On January 21, 2020, the Trust repaid the Series C Debentures with an aggregate principal amount of $150,000.

Debt weighted average effective interest rates and maturities

	Weighted average effective interest rates[1]				Debt amount		
	December 31, 2021	December 31, 2020	Maturity dates[2]		**December 31, 2021**		December 31, 2020
Fixed rate							
Mortgages	**3.71%**	3.86%	2022–2029	**$**	**973,739**	$	1,012,572
Total fixed rate debt	**3.71%**	3.86%			**973,739**		1,012,572
Variable rate							
Mortgages	**2.19%**	—	2023		**110,358**		—
Revolving credit facilities	**2.36%**	2.40%	2023–2024		**199,176**		181,577
Total variable rate debt	**2.30%**	2.40%			**309,534**		181,577
Total debt	**3.37%**	3.64%		**$**	**1,283,273**	$	1,194,149

(1) The effective interest rate method includes the impact of financing costs and fair value adjustments on assumed debt.

(2) As at December 31, 2021.

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	Revolving credit facilities	Contractual interest payments	Total debt service requirements
2022	$ 59,880	$ 17,781	$ 77,661	$ —	$ 41,037	$ 118,698
2023	250,715	17,488	268,203	—	37,081	305,284
2024	73,369	14,289	87,658	200,215	27,617	315,490
2025	241,187	7,987	249,174	—	15,257	264,431
2026	81,005	5,874	86,879	—	13,489	100,368
2027–2029	316,715	1,570	318,285	—	20,319	338,604
	$ 1,022,871	$ 64,989	$ 1,087,860	$ 200,215	$ 154,800	$ 1,442,875
Less: Contractual interest payments			—	—	(154,800)	(154,800)
Plus: Unamortized financing costs			(3,763)	(1,039)	—	(4,802)
Total debt			$ 1,084,097	$ 199,176	$ —	$ 1,283,273

Note 10

SUBSIDIARY REDEEMABLE UNITS

The Trust has the following subsidiary redeemable units outstanding:

		Year ended December 31, 2021		Year ended December 31, 2020	
	Note	**Number of units issued and outstanding**	**Amount**	Number of units issued and outstanding	Amount
Balance, beginning of year		**5,233,823**	**$ 103,630**	5,233,823	$ 162,929
Remeasurement of carrying value of subsidiary redeemable units	20	**—**	**25,279**	—	(59,299)
Balance, end of year		**5,233,823**	**$ 128,909**	5,233,823	$ 103,630

During the year ended December 31, 2021, the Trust incurred $5,234 (December 31, 2020 – $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, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, 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 and evenly over five- and three-year periods 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, 2021 and December 31, 2020, up to a maximum of 3,050,000 deferred trust units are issuable under the DUIP.

The following tables provide a continuity of the DUIP activity for the years ended December 31, 2021 and December 31, 2020:

	Note	Year ended December 31, 2021	Year ended December 31, 2020
Balance, beginning of year		**$ 16,929**	$ 27,064
Deferred compensation expense	18	**2,711**	2,371
REIT A Units issued for vested deferred trust units		**(909)**	(4,679)
Remeasurement of carrying value of deferred trust units	20	**4,643**	(6,556)
Cash settlement of deferred trust units		**(159)**	(1,271)
Balance, end of year		**$ 23,215**	$ 16,929

	Year ended December 31, 2021	Year ended December 31, 2020
Outstanding and payable at beginning of year	**853,796**	927,621
Granted	**140,064**	122,564
Income deferred trust units	**42,524**	37,785
REIT A Units issued	**(43,718)**	(170,946)
REIT A Units settled in cash	**(7,636)**	(57,333)
Forfeited	**(791)**	(5,895)
Outstanding and payable at end of year[(1)]	**984,239**	853,796

(1) Includes 751,243 of vested but not issued deferred trust units as at December 31, 2021 (December 31, 2020 – 649,249).

The following table summarizes the deferred trust units granted for the years ended December 31, 2021 and December 31, 2020:

	December 31, 2021		December 31, 2020	
	Grant price range	**Number of units granted[(1)]**	Grant price range	Number of units granted[(1)]
Deferred trust units granted	**$ 19.25–24.37**	**140,064**	$ 18.17–35.62	122,564

(1) Includes 113,064 deferred trust units granted to key management personnel and trustees as at December 31, 2021 (December 31, 2020 – 94,314).

Note 12

INCOME TAXES

The Trust is subject to taxation in the 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, 2021 and December 31, 2020. 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, 2021	December 31, 2020
Deferred tax assets		
Tax loss carryforwards	$ 395	$ 151
Financial instruments	538	91
Deferred financing costs	—	19
	933	261
Deferred tax liabilities		
Investment property	(2,134)	(1,738)
Deferred tax liabilities, net	$ (1,201)	$ (1,477)

A reconciliation between the expected income taxes based upon the 2021 and 2020 statutory rates and the income tax expense recognized during the years ended December 31, 2021 and December 31, 2020 is as follows:

	December 31, 2021	December 31, 2020
Income taxes computed at the statutory rate of 0% that is applicable to the Trust	$ —	$ —
Current income taxes recovery (expense) on a U.S. subsidiary	(51)	478
Deferred income taxes recovery on a U.S. subsidiary	254	829
Current and deferred income taxes recovery (expense), net	$ 203	$ 1,307

Note 13

OTHER NON-CURRENT LIABILITIES

	December 31, 2021	December 31, 2020
Tenant security deposits	$ 6,937	$ 7,529
Finance lease liabilities	4,108	4,157
Total	$ 11,045	$ 11,686

Finance leases

As at December 31, 2021, 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, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Balance, beginning of year	$ 4,157	$ 4,203
Principal repayments on finance lease liabilities	(49)	(46)
Balance, end of year	$ 4,108	$ 4,157

During the year ended December 31, 2021 the Trust incurred $209 of interest expense on finance lease liabilities (December 31, 2020 – $211) and $109 of lease payments for low value office equipment (December 31, 2020 – $156).

The following table summarizes the undiscounted maturity of the Trust's finance lease obligations included in other non-current liabilities as at December 31, 2021:

Due within one year	$	258
Due within one to five years		1,030
Due after five years		8,329
Total undiscounted finance lease obligations		9,617
Less: Effect of discounting finance lease obligations		(5,509)
Finance lease liabilities	$	4,108

Note 14

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note		**December 31, 2021**		December 31, 2020
Trade payables		**$**	**6,119**	$	5,571
Building improvement and leasing cost accruals			**22,265**		24,765
Investment properties operating expense accruals			**26,459**		14,768
Non-operating expense and other accruals			**5,245**		6,936
Accrued interest			**3,515**		3,455
Rent received in advance			**1,983**		2,292
Distributions payable	23		**4,003**		4,219
Total		**$**	**69,589**	$	62,006

Note 15

EQUITY

		December 31, 2021			December 31, 2020		
	Note	**Number of REIT A Units**		**Amount**	Number of REIT A Units		Amount
Unitholders' equity		**48,034,754**	**$**	**1,883,653**	50,631,596	$	1,943,738
Deficit		**—**		**(338,593)**	—		(451,665)
Accumulated other comprehensive income	16	**—**		**3,268**	—		6,930
Total		**48,034,754**	**$**	**1,548,328**	50,631,596	$	1,499,003

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 17, 2021, the TSX accepted a notice filed by the Trust to renew its prior NCIB for a one-year period. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 3,676,723 of its REIT A Units (representing 10% of the Trust's public float of 36,767,233 REIT A Units) through the facilities of the TSX. The renewed bid commenced on August 19, 2021 and will remain in effect until the earlier of August 18, 2022 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 38,579 REIT A Units, which equals 25% of the average daily trading volume during the prior six calendar months (being 154,317 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, 2022.

For the year ended December 31, 2021, the Trust purchased for cancellation 2,640,560 REIT A Units under the NCIB at a cost of $60,968 (for the year ended December 31, 2020 – 5,773,896 REIT A Units cancelled for $110,155).

Subsequent to December 31, 2021, the Trust purchased for cancellation an additional 544,911 REIT A Units under the normal course issuer bid at a cost of $13,233.

Note 16

ACCUMULATED OTHER COMPREHENSIVE INCOME

								Year ended December 31, 2021
		Opening balance January 1		**Net change during the year**		**Reclassification to retained earnings**		**Closing balance December 31**
Unrealized gain (loss) on interest rate swaps, net of taxes	**$**	**(151)**	**$**	**37**	**$**	**—**	**$**	**(114)**
Unrealized gain on foreign currency translation, net of taxes		**2,590**		**108**		**—**		**2,698**
Share of other comprehensive income (loss) from investment in Dream Industrial REIT		**3,854**		**(3,170)**		**—**		**684**
Share of other comprehensive income from investment in joint ventures		**637**		**8,177**		**(8,814)**		**—**
Accumulated other comprehensive income	**$**	**6,930**	**$**	**5,152**	**$**	**(8,814)**	**$**	**3,268**

						Year ended December 31, 2020
		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)
Unrealized gain (loss) on foreign currency translation, net of taxes		2,961		(371)		2,590
Share of other comprehensive income from investment in Dream Industrial REIT		793		3,061		3,854
Share of other comprehensive income from investment in joint ventures		225		412		637
Accumulated other comprehensive income	$	3,790	$	3,140	$	6,930

Note 17

INVESTMENT PROPERTIES REVENUE

				Year ended December 31,
		2021		2020
Rental revenue	**$**	**123,941**	$	130,353
CAM and parking services revenue		**70,445**		74,384
Property management and other service fees		**1,546**		1,848
Total	**$**	**195,932**	$	206,585

Note 18

GENERAL AND ADMINISTRATIVE EXPENSES

					Year ended December 31,
	Note		**2021**		2020
Salaries and benefits		**$**	**(3,254)**	$	(3,577)
Deferred compensation expense	11		**(2,711)**		(2,371)
Professional service fees, public reporting, overhead-related costs and other			**(3,846)**		(3,809)
Total		**$**	**(9,811)**	$	(9,757)

Note 19

INTEREST

Interest on debt

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

		Year ended December 31,	
	Note	**2021**	2020
Interest expense incurred, at contractual rate of debt		**$ (41,841)**	$ (42,369)
Amortization of financing costs		**(1,989)**	(2,071)
Amortization of fair value adjustments on assumed debt		**75**	338
Capitalized interest(1)	4	**383**	1,013
Interest expense on debt		**(43,372)**	(43,089)
Add (deduct):			
Amortization of financing costs		**1,989**	2,071
Amortization of fair value adjustments on assumed debt		**(75)**	(338)
Change in accrued interest		**(372)**	(3,247)
Cash interest paid		**$ (41,830)**	$ (44,603)

(1) For the year ended December 31, 2021, interest was capitalized to properties under development at a weighted average effective interest rate of 4.30% (for the year ended December 31, 2020 – 3.86%).

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.

Note 20

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Year ended December 31,	
	2021	2020
Remeasurement of carrying value of subsidiary redeemable units	**$ (25,279)**	$ 59,299
Remeasurement of carrying value of deferred trust units	**(4,643)**	6,556
Total	**$ (29,922)**	$ 65,855

Note 21

INTERNAL LEASING COSTS AND NET GAIN (LOSS) ON TRANSACTIONS

	Year ended December 31,	
	2021	2020
Internal leasing costs	**$ (1,775)**	$ (1,821)
Recovery (costs) attributable to sale of investment properties, net(1)	**(883)**	1,878
Gain (costs) on debt settlement, net(2)	**33**	(1)
Total	**$ (2,625)**	$ 56

(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) Gain (costs) on debt settlement, net comprise charges on discharge of mortgages and the write-off of unamortized financing costs and fair value adjustments.

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

DISCONTINUED OPERATIONS AND DISPOSITIONS

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, 2021 and December 31, 2020 as follows:

	Year ended December 31,	
	2021	2020
Investment properties revenue	**$ —**	$ 38
Investment properties operating expenses	**2**	(10)
Net rental income	**2**	28
Costs attributable to sale of investment properties[1]	**(1,107)**	(2)
Income (loss) from discontinued operations	**$ (1,105)**	$ 26

(1) For the year ended December 31, 2021, costs attributable to the sale of investment properties represent post-close activity.

	Year ended December 31,	
	2021	2020
Cash flow generated from (utilized in):		
Operating activities	**$ 128**	$ 541
Investing activities	**(363)**	(111)
Increase in cash and cash equivalents from discontinued operations	**$ (235)**	$ 430

The cash flows from discontinued operations for the years ended December 31, 2021 and December 31, 2020 represent post-close activity and the settlement of construction cost accruals outstanding at the time of sale.

Dispositions

For the year ended December 31, 2021, there were no investment properties sold by the Trust.

For the year ended December 31, 2020, the Trust completed the sale of one investment property located in Saskatoon for total gross proceeds (before adjustments and transaction costs) of $12,570.

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 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, 2021 and December 31, 2020, the Trust declared distributions totalling $1.00 per unit.

The following table summarizes distribution payments for the years ended December 31, 2021 and December 31, 2020:

	Year ended December 31,	
	2021	2020
Paid in cash	**$ (50,165)**	$ (54,607)
Add: Payable at December 31, 2020 (December 31, 2019)	**4,219**	4,686
Deduct: Payable at December 31, 2021 (December 31, 2020)	**(4,003)**	(4,219)
Total distributions paid and payable	**$ (49,949)**	$ (54,140)

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 21, 2021	December 2021	January 14, 2022	$ 0.08333	$ 4,003
January 20, 2022	January 2022	February 15, 2022	0.08333	3,968
February 16, 2022	February 2022	March 15, 2022	0.08333	TBD

TBD – to be determined

Note 24

SUPPLEMENTARY CASH FLOW INFORMATION

The components of amortization and depreciation under operating activities include:

	Note	Year ended December 31, 2021	2020
Amortization and write-off of lease incentives	4	**$ 11,597**	$ 11,684
Depreciation of property and equipment		**897**	1,087
Amortization and write-off of intangible assets		**—**	840
Total amortization and depreciation		**$ 12,494**	$ 13,611

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

	Note	Year ended December 31, 2021	2020
Deferred unit compensation expense	11, 18	**$ 2,711**	$ 2,371
Straight-line rent adjustment		**(236)**	397
Deferred income taxes recovery	12	**(254)**	(829)
Costs (recovery) attributable to sale of investment properties, net(1)	21, 22	**1,990**	(1,876)
Share of net loss from investments in joint ventures	6	**340**	197
Costs (gain) on debt extinguishment	21	**(33)**	1
Total other adjustments		**$ 4,518**	$ 261

(1) Includes both continuing and discontinued operations.

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

	Year ended December 31, 2021	2020
Decrease (increase) in amounts receivable	**$ (3,576)**	$ 7,405
Increase in prepaid expenses and other assets	**(59)**	(1,023)
Decrease (increase) in other non-current assets	**(87)**	148
Increase (decrease) in amounts payable and accrued liabilities	**9,582**	(13,984)
Decrease in other non-current liabilities	**(612)**	(476)
Change in non-cash working capital	**$ 5,248**	$ (7,930)

Note 25

SEGMENTED INFORMATION

For the years ended December 31, 2021 and December 31, 2020, 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, 2020 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, 2021	Toronto downtown	Other markets	Segment total	Not segmented[1]	Total
Operations					
Investment properties revenue	**$ 150,661**	**$ 44,407**	**$ 195,068**	**$ 864**	**$ 195,932**
Investment properties operating expenses	**(62,093)**	**(21,999)**	**(84,092)**	**(4,706)**	**(88,798)**
Net rental income (segment income)	**$ 88,568**	**$ 22,408**	**$ 110,976**	**$ (3,842)**	**$ 107,134**
Fair value adjustments to investment properties	**$ (7,798)**	**$ 55,971**	**$ 48,173**	**$ (247)**	**$ 47,926**

(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, 2020	Toronto downtown	Other markets	Segment total	Not segmented[1]	Total
Operations					
Investment properties revenue	$ 161,704	$ 46,730	$ 208,434	$ (1,849)	$ 206,585
Investment properties operating expenses	(64,734)	(21,997)	(86,731)	(6,912)	(93,643)
Net rental income (segment income)	$ 96,970	$ 24,733	$ 121,703	$ (8,761)	$ 112,942
Fair value adjustments to investment properties	$ 60,133	$ (43,801)	$ 16,332	$ 1,665	$ 17,997

(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, 2021	Toronto downtown	Other markets	Segment total	Not segmented[1]	Total
Capital expenditures[2]	**$ 37,922**	**$ 15,096**	**$ 53,018**	**$ 7,659**	**$ 60,677**
Investment properties	**2,083,377**	**462,547**	**2,545,924**	**23,078**	**2,569,002**

(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, 2020	Toronto downtown	Other markets	Segment total	Not segmented[1]	Total
Capital expenditures[2]	$ 43,171	$ 16,819	$ 59,990	$ 1,952	$ 61,942
Investment properties	2,060,751	389,170	2,449,921	21,958	2,471,879

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

(2) 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.

The Trust and DAM, a subsidiary of Dream Unlimited Corp, are parties to a Shared Services Agreement. Under the 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 Shared Services Agreement includes 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 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.

Related party transactions with DAM

The following table summarizes expenditures processed by DAM and the Trust for the years ended December 31, 2021 and December 31, 2020:

	Year ended December 31, 2021	2020
Property management services fee charged by the Trust	**$ 302**	$ 225
Expenditures processed by the Trust on behalf of DAM (on a cost recovery basis)	**8,787**	8,595
Development fees charged by DAM	**(2,353)**	(2,353)
Expenditures processed by DAM on behalf of the Trust (on a cost recovery basis)	**(1,405)**	(1,580)
Net fees and reimbursements from DAM	**$ 5,331**	$ 4,887

The following table summarizes the amounts due from (to) DAM as at December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Amounts due from DAM	**$ 1,282**	$ 894
Amounts due to DAM	**(1,140)**	(852)
Net amounts due from (to) DAM	**$ 142**	$ 42

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, pursuant to 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, 2021 and December 31, 2020:

	Year ended December 31, 2021	2020
Property management and construction fees related to co-owned properties	**$ 833**	$ 990
Costs processed on behalf of Dream Impact Trust related to co-owned properties	**1,270**	1,055
Amounts charged to Dream Impact Trust under the services agreement	**552**	332
Total cost recoveries from Dream Impact Trust	**$ 2,655**	$ 2,377

Amounts due from Dream Impact Trust as of December 31, 2021 were $274 (December 31, 2020 – $204).

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,	
	2021	2020
Total cost recoveries from Dream Industrial REIT	**$ 5,979**	$ 6,169

Amounts due from Dream Industrial REIT relating to the Services Agreement as of December 31, 2021 were $916 (December 31, 2020 – $1,352).

Amounts due to Dream Industrial REIT as of December 31, 2021 were $nil (December 31, 2020 – $375).

Distributions and interest receivable from (payable to) related parties

	December 31, 2021	December 31, 2020
Distributions receivable from Dream Industrial REIT[1]	**$ 1,552**	$ 1,552
Distributions payable to DAM[2]	**(1,034)**	(1,034)
Subsidiary redeemable interest payable to DAM[3]	**(436)**	(436)

(1) Distributions receivable from Dream Industrial REIT are 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, 2021 and December 31, 2020.

(2) Distributions payable to DAM are in relation to the 12,410,002 REIT A Units held by DAM as at December 31, 2021 and December 31, 2020.

(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, 2021 and December 31, 2020.

For the year ended December 31, 2021, total distributions and subsidiary redeemable interest paid and payable to DAM were $17,643 (for the year ended December 31, 2020 – $17,548).

Compensation of key management personnel and trustees

Compensation of key management personnel and trustees for the years ended December 31, 2021 and December 31, 2020 is as follows:

	Year ended December 31,	
	2021	2020
Compensation and benefits	**$ 1,897**	$ 2,218
Unit-based awards[1]	**2,311**	2,787
Total	**$ 4,208**	$ 5,005

(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 a mortgage by purchasers of a disposed investment property, 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, 2021.

The Trust is contingently liable under a guarantee that was issued on debt assumed by a purchaser of an investment property totalling $51,442 (December 31, 2020 – $57,326) with a weighted average term to maturity of 4.6 years (December 31, 2020 – 5.2 years). The guaranteed debt is secured by a property in British Columbia. During the year ended December 31, 2021, a guaranteed mortgage totalling $4,271 secured by a property in Ontario was repaid by the purchaser at maturity.

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 $13,527. 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, 2021.

At December 31, 2021, 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	$ 109	$ 33	$ —	$ 142
Operating commitments	3,680	840	—	4,520
Fixed price contracts	214	857	1,618	2,689
Total	$ 4,003	$ 1,730	$ 1,618	$ 7,351

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, 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, 2021 and December 31, 2020.

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, 2021 and December 31, 2020. For the years ended December 31, 2021 and December 31, 2020, there were no events of default on any of the Trust's obligations under its 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, 2021 was 24% of the Trust's total debt (December 31, 2020 – 15%). 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			
		Amounts as at	-25 bps		+25 bps	
		December 31, 2021	Income	Equity	Income	Equity
Financial assets						
Cash and cash equivalents[1]	$	8,763	$ (22)	$ (22)	$ 22	$ 22
Financial liabilities						
Fixed rate debt due to mature in 2022 and total variable debt	$	370,859	$ 927	$ 927	$ (927)	$ (927)

(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, 2021 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, 2021, current liabilities exceeded current assets by $121,355 (December 31, 2020 – current liabilities exceeded current assets by $155,718). The Trust's main sources of liquidity are its cash and cash equivalents on hand, revolving credit facilities and unencumbered assets. The Trust is able to use its 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 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 revolving credit facilities. As of December 31, 2021, the Trust has $8,763 of cash on hand and $192,355 available on its revolving credit facilities. In addition, the Trust has additional assets which could be pledged as security for further borrowings with a fair value totalling $178,268 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, 2021, the Government of Ontario represented 10.9% 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 VTB 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, 2021, the trade receivables balance, net of ECL provisions, consisted of 26% for leases of office space to government entities, 48% for leases of office space to non-government tenants, 9% for leases of retail space and 17% 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, 2021, the Trust has recorded ECL provisions totalling 2,087 (December 31, 2020 – $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, 2021, 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, 2021 is the impact of the Canada Emergency Wage Subsidy program totalling $1,605 (December 31, 2020 – $1,982) that the Trust qualified for during the year.

As at December 31, 2021, the Trust has assessed the expected credit losses associated with its VTB 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, 2021 and December 31, 2020.

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 either the income approach or the direct comparison approach. Both of these methods rely upon significant unobservable inputs and so these measurements are classified as Level 3 in the fair value hierarchy as summarized in the tables below.

		Carrying value as at	Fair value as at December 31, 2021		
	Note	**December 31, 2021**	**Level 1**	**Level 2**	**Level 3**
Investment properties	4	**$ 2,569,002**	**$ —**	**$ —**	**$ 2,569,002**

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

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:

(i) considering current contracted sales prices for properties that are available for sale;

(ii) obtaining appraisals from qualified external professionals on a rotational basis for select properties; and

(iii) using internally prepared valuations applying either the income approach or the comparable sales 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 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, 2021	Fair value as at December 31, 2021 Level 1	Level 2	Level 3
Investment in Dream Industrial REIT	5	**$ 402,790**	**$ 138,663**	**$ 319,463**	**$ —**
Non-current VTB mortgage receivable	7	**39,348**	**—**	**—**	**38,093**
Mortgages	9	**1,084,097**	**—**	**—**	**1,097,634**
Revolving credit facilities	9	**199,176**	**—**	**200,215**	**—**

	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	$ 105,890	$ 243,957	$ —
Non-current VTB mortgage receivable	7	37,132	—	—	33,756
Mortgages	9	1,012,572	—	—	1,059,142
Revolving credit facilities	9	181,577	—	183,000	—

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 DUIP 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, 2021 and December 31, 2020, 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, 2021 and December 31, 2020 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

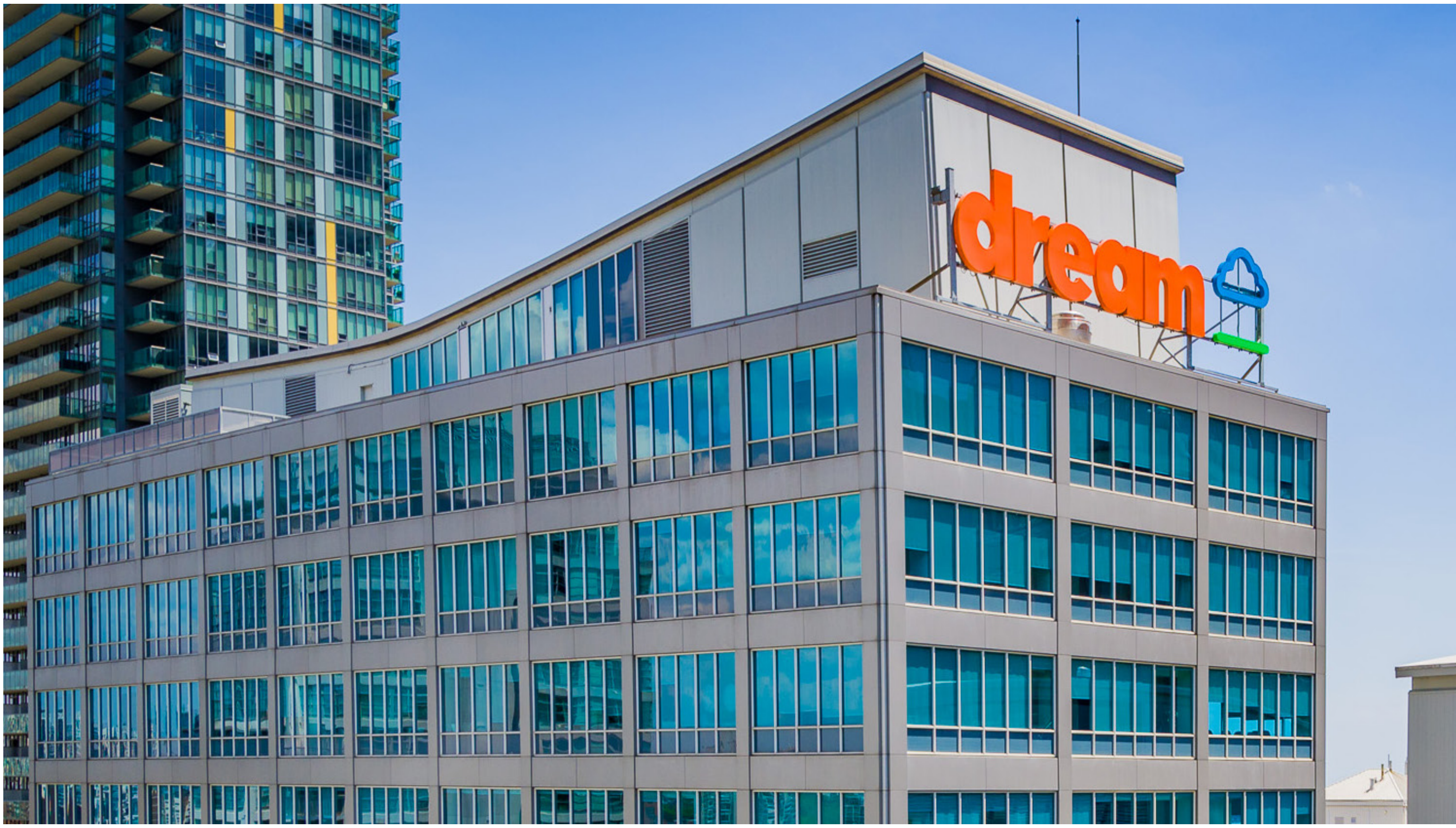
The fair value of mortgages as at December 31, 2021 and December 31, 2020 are determined by discounting the expected cash flows of each mortgage using market discount rates. The discount rates are determined using the Government of Canada benchmark bond yield for instruments of similar maturity adjusted 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.

Revolving credit facilities

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 revolving credit facilities fluctuates with changes in market rates, the fair value of the 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.

(This page left intentionally blank)

80 Richmond Street,
Toronto, ON


dream

Corporate Information

HEAD OFFICE

Dream Office
Real Estate Investment Trust
30 Adelaide Street East, Suite 301
Toronto, Ontario M5C 3H1
Phone: (416) 365-3535
Fax: (416) 365-6565

INVESTOR RELATIONS

Phone: (416) 365-3535
Toll free: 1 877 365-3535
Email: officeinfo@dream.ca
Website: www.dreamofficereit.ca

TRANSFER AGENT

(for change of address, registration
or other unitholder enquiries)
Computershare Trust
Company of Canada
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Phone: (514) 982-7555 or 1 800 564-6253
Fax: (416) 263-9394 or 1 888 453-0330
Website: www.computershare.com
Email: service@computershare.com

AUDITOR

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600
Toronto, Ontario M5J 0B2

CORPORATE COUNSEL

Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place, Suite 6200
Toronto, Ontario M5X 1B8

STOCK EXCHANGE LISTING

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

For more information, please visit
dreamofficereit.ca

Corporate Office

30 Adelaide Street East, Suite 301
Toronto, Ontario M5C 3H1
Phone: 416.365.3535
Fax: 416.365.6565
Website: www.dreamofficereit.ca
Email: officeinfo@dream.ca