dream office REIT

Dream Office REIT

Q1 Report 2022

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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
		March 31, 2022	December 31, 2021	March 31, 2021
Total properties[1]				
Number of active properties		**29**	29	28
Number of properties under development		**1**	1	2
Gross leaseable area ("GLA") (in millions of square feet)		**5.5**	5.5	5.5
Investment properties value	**$**	**2,596,240**	$ 2,569,002	$ 2,473,123
Total portfolio[2]				
Occupancy rate – including committed (period-end)		**85.0%**	85.5%	87.2%
Occupancy rate – in-place (period-end)		**81.7%**	82.9%	85.8%
Average in-place and committed net rent per square foot (period-end)	**$**	**23.25**	$ 23.25	$ 23.26
Weighted average lease term ("WALT") (years)		**5.4**	5.2	5.0

			Three months ended
		March 31, 2022	March 31, 2021
Operating results			
Net income	**$**	**52,282**	$ 10,146
Funds from operations ("FFO")[3]		**21,043**	21,309
Net rental income		**25,863**	26,271
Comparative properties net operating income ("NOI")[3][4]		**27,320**	28,710
Per unit amounts			
FFO (diluted)[3][5]	**$**	**0.39**	$ 0.38
Distribution rate		**0.25**	0.25

			As at
		March 31, 2022	December 31, 2021
Financing			
Weighted average face rate of interest on debt (period-end)[6]		**3.37%**	3.28%
Interest coverage ratio (times)[3]		**2.9**	3.0
Net total debt-to-normalized adjusted EBITDAFV ratio (years)[3]		**10.4**	9.8
Level of debt (net total debt-to-net total assets)[3]		**41.9%**	41.8%
Average term to maturity on debt (years)		**3.4**	3.6
Undrawn credit facilities, available liquidity and unencumbered assets			
Undrawn credit facilities	**$**	**271,337**	$ 192,355
Available liquidity[3]	**$**	**279,639**	$ 201,118
Unencumbered assets[3]	**$**	**169,572**	$ 178,268
Capital (period-end)			
Total number of REIT A Units and LP B Units (in millions)[7]		**52.3**	53.3
Net asset value ("NAV") per unit[3]	**$**	**32.63**	$ 31.49

(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 March 31, 2022. Properties acquired and properties under development completed subsequent to January 1, 2021 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 and the unaudited condensed consolidated financial statements of Dream Office REIT and the accompanying notes for the three months ended March 31, 2022. 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 condensed consolidated financial statements.

This management's discussion and analysis ("MD&A") is dated May 5, 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, 2021, 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; anticipated financial performance of tenants with percentage rent arrangements; 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 May 5, 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.

BUSINESS UPDATE

As at March 31, 2022, the Trust had approximately $280 million of available liquidity[(1)], $170 million of unencumbered assets[(1)] and a level of debt (net total debt-to-net total assets)[(1)] of 41.9%. As at March 31, 2022, the Trust had $2.6 billion of investment properties, $8.3 million of cash and cash equivalents, $271.3 million of undrawn credit facilities, $3.1 billion of total assets and $1.3 billion of total debt.

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 that there will continue to be demand for high-quality and 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 to be finished this year. 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 Q1 2022 contributed $3.0 million of annualized comparative properties NOI. Q3 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 $5.2 million of annualized NOI over Q1 2022. 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 European expansion and value-add strategy and the monthly distributions provide steady, predictable cash flow to the Trust at a time of uncertainty.

The effect of public health measures put in place as a response to the Omicron variant resulted in fewer property tours, lower building traffic and reduced parking lot utilization relative to Q4 2021. However, we believe that these effects are transitory and that the improvements in the latter half of 2021 will re-emerge during 2022.

During Q1 2022, the Trust executed leases totalling approximately 159,000 square feet across our portfolio. In Toronto downtown, the Trust executed 131,000 square feet of leases including a 54,000 square foot lease with a leading provider of flexible workspace for enterprise clients for a ten-year term commencing in the first half of 2023. Under the terms of the lease the Trust is entitled to a share of the tenant’s net revenues plus additional rents. The Trust expects to achieve revenues from the space equal to or higher than the equivalent market rental space on a stabilized basis. The remaining 78,000 square feet of leases were executed at a weighted average net rent of $32.07 per square foot, or 26.0% higher than the weighted average prior net rent per square foot on the same space, with a weighted average lease term of 5.2 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 28,000 square feet at a weighted average net rent of $19.42 per square foot, an increase of 0.7% from the weighted average prior net rent on the same space, with a weighted average lease term of 7.2 years. To date, the Trust has secured commitments for approximately 659,000 square feet, or 82%, of 2022 full-year natural lease expiries, consistent with pre-COVID leasing trends. In Toronto downtown, 63,000 square feet, or approximately 1.8% of the region’s gross leaseable area (“GLA”), was being held intentionally vacant for retail repositioning and property improvement purposes as at March 31, 2022 of which the Trust has deals that were subsequently completed, are conditional or are in an advanced state of negotiation totalling 19,000 square feet.

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 April 2022 as at May 5, 2022, all presented as a percentage of recurring contractual gross rent:

	Cash collected	Deferral arrangements*	Outstanding
Q2 2021	98.4%	0.3%	1.3%
Q3 2021	98.5%	0.2%	1.3%
Q4 2021	98.4%	—%	1.6%
Q1 2022	**97.8%**	**—%**	**2.2%**
April 2022	98.0%	0.1%	1.9%

* 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 manage the challenges within their businesses and be set up for long-term success when the pandemic has passed. The Canadian Emergency Rent Subsidy program ended during Q4 2021 and the Hardest-Hit Business Recovery Program was introduced. While the new program is harder for tenants to qualify for, we have not seen any significant change in rent collection patterns since its introduction. 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 ended March 31, 2022, the Trust recorded COVID-related provisions totalling approximately $0.6 million 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 ended March 31, 2022.

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. Please refer to the Trust's annual MD&A for the year ended December 31, 2021 for further details.

(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.

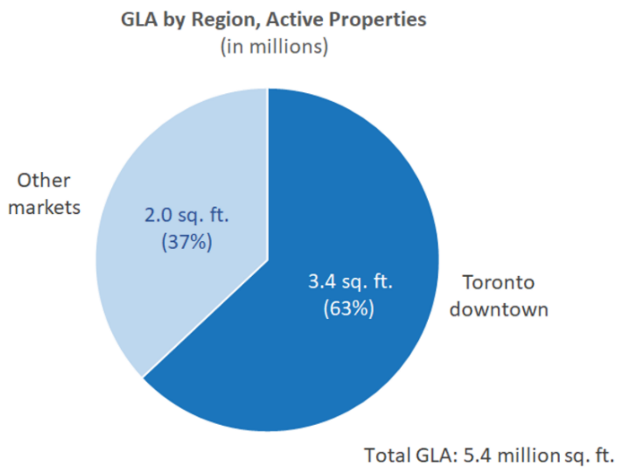
SECTION II

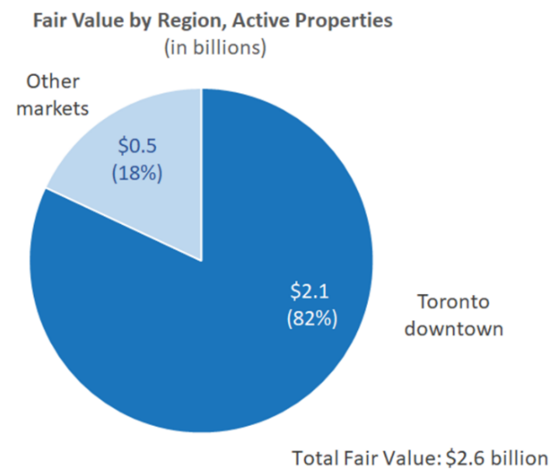
OUR PROPERTIES

At March 31, 2022, 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 March 31, 2022.





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 430 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 5.7 years.

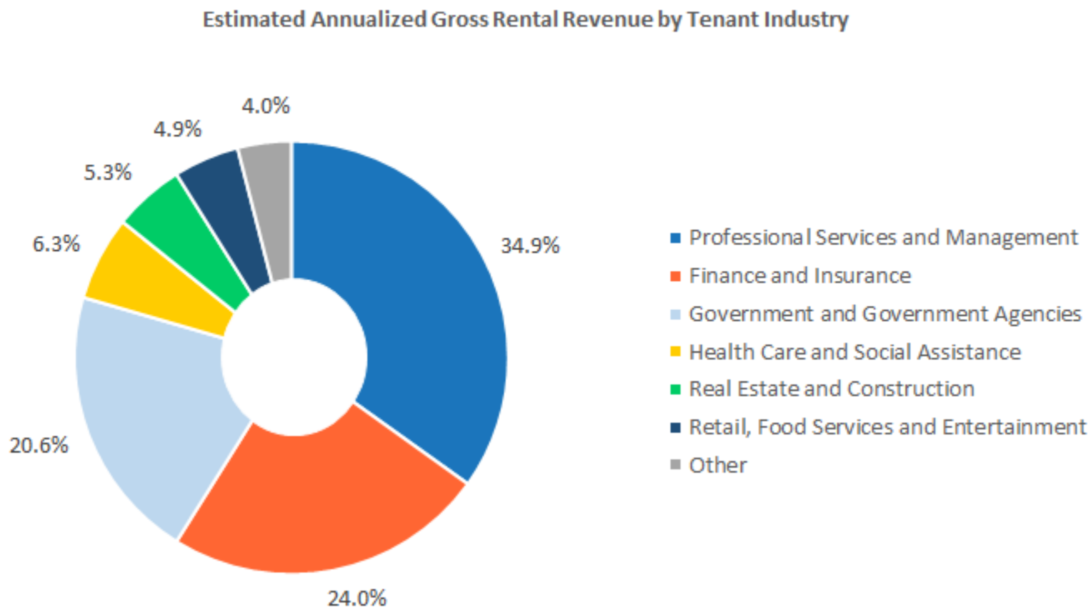
	Tenant	Gross rental revenue (%)	Owned area (thousands of sq. ft.)	Owned area (%)	Credit rating[(1)]
1	Government of Ontario	11.0	526	9.7	A+/A-1
2	Government of Canada	8.2	344	6.3	AAA/A-1+
3	International Financial Data Services	3.4	137	2.5	N/R
4	State Street Trust Company	3.3	139	2.6	AA-/A/A-1+
5	U.S. Bank National Association	2.5	185	3.4	AA-/A-1+
6	Co-operators Life Insurance	2.4	122	2.3	A-
7	Medcan Health Management Inc.	2.2	69	1.3	N/R
8	WeWork	2.1	65	1.2	CCC+
9	Veeva Software Solutions	1.4	54	1.0	N/R
10	International Language Academy of Canada	1.2	51	0.9	N/R
	Total	37.7	1,692	31.2	

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

N/R – not rated

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

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



OUR OPERATIONS

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

Performance indicators	**March 31, 2022**	December 31, 2021	March 31, 2021
Total portfolio(1)			
Occupancy rate – including committed (period-end)	**85.0%**	85.5%	87.2%
Occupancy rate – in-place (period-end)	**81.7%**	82.9%	85.8%
Average in-place and committed net rent per square foot (period-end)	**$ 23.25**	$ 23.25	$ 23.26
WALT (years)	**5.4**	5.2	5.0

(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 March 31, 2022, December 31, 2021 and March 31, 2021. 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)	**March 31, 2022**	December 31, 2021	March 31, 2021	**March 31, 2022**	December 31, 2021	March 31, 2021
Toronto downtown	**88.6**	89.6	93.9	**84.7**	87.9	93.0
Other markets	**78.9**	78.5	74.2	**76.5**	74.3	72.0
Total portfolio(1)	**85.0**	85.5	87.2	**81.7**	82.9	85.8

(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 decreased by 1.2% relative to Q4 2021 driven by net negative leasing absorption in Toronto downtown, partially offset by net positive absorption in Other markets.

In Toronto downtown, 95,000 square feet of early terminations and 42,000 square feet of expiries were partially offset by 19,000 square feet of new leasing activity and 10,000 square feet of renewals. Within the 95,000 square feet of early terminations, 80,000 square feet relates to a negotiated tenant downsize on renewal for a lease expiring in Q4 2022. The Trust has leased 54,000 square feet of the returned space for a ten-year term commencing in the first half of 2023 with a leading provider of flexible workspace for enterprise clients for its first Canadian location and is in advanced negotiations for a further 13,000 square feet of the remaining space. Under the terms of the lease the Trust is entitled to a share of the tenant's net revenues plus additional rents. The Trust expects to achieve revenues from the space equal to or higher than the equivalent market rental rate on a stabilized basis. The renewing tenant retained 82,000 of its 139,000 square feet for a period of ten years with initial rents on the retained space 36% higher than expiring rates with progressive rent steps to a 68% increase over expiring rates by the end of the term. The remaining 57,000 square feet of space is currently sublet and the Trust is in advanced negotiations with those subtenants for 45,000 square feet of the subleased space. The Trust is actively marketing the remaining 25,000 square feet to prospective tenants. In Toronto downtown, 63,000 square feet, or approximately 1.8% of the region's gross leaseable area, was being held intentionally vacant for retail repositioning and property improvement purposes as at March 31, 2022 of which the trust has deals that were subsequently completed, are conditional or are in an advanced state of negotiation totalling 19,000 square feet.

In the Other markets region, 53,000 square feet of new leasing activity and 13,000 square feet of renewals were partially offset by 23,000 square feet of expiries.

Total portfolio in-place occupancy on a year-over-year basis decreased from 85.8% at Q1 2021 to 81.7% 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 absorption in Other markets during Q4 2021 and Q1 2022.

In-place and committed occupancy decreased by 0.5% relative to the prior quarter and decreased by 2.2% year-over-year for the same reasons discussed above, partially offset by a net increase in future lease commitments of 40,000 square feet relative to the prior quarter.

The following table details the change in total portfolio in-place and committed occupancy for the three months ended March 31, 2022:

	Three months ended March 31, 2022		
	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		4,652	85.5%
Vacancy committed for future occupancy		(142)	(2.6%)
Total portfolio occupancy (in-place) at beginning of period		4,510	82.9%
Natural expiries and relocations	$ (19.48)	(65)	(1.2%)
Early terminations and bankruptcies	(26.40)	(96)	(1.7%)
Temporary leasing	—	24	0.4%
New leases	16.78	48	0.9%
Renewals and relocations	22.55	23	0.4%
Total portfolio occupancy (in-place) at end of period(1)		4,444	81.7%
Vacancy committed for future occupancy(1)		182	3.3%
Total portfolio occupancy (in-place and committed) at end of period(1)		4,626	85.0%

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

For the three months ended March 31, 2022, 71,000 square feet of leases commenced, excluding temporary leases. In Toronto downtown, 22,000 square feet of leases commenced at $35.13 per square foot, or 28.3% higher than the previous rent in the same space. In the Other markets region, 49,000 square feet of leases commenced at $11.43 per square foot or 35.5% lower than the previous rents in the same space as rental rates on new and renewed leasing rolled down to market rates. Lease commitments have increased by 40,000 square feet relative to Q4 2021 to 182,000 square feet, mainly in Toronto downtown. 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 ended March 31, 2022. 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 March 31, 2022(1)
Tenant retention ratio		35.4%
Renewal and relocation rate (per sq. ft.)	$	22.55
Expiring rate on retained tenant space (per sq. ft.)		21.53
Renewal and relocation rate to expiring rate spread (per sq. ft.)		1.02
Renewal and relocation rate to expiring rate spread (%)		4.7%

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

The renewal and relocation rate to expiring rate spread for the three months ended March 31, 2022 was 4.7% above expiring rates on 23,000 square feet of renewals.

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 March 31, 2022, December 31, 2021 and March 31, 2021.

Average in-place and committed net rents across our total portfolio remained flat at $23.25 per square foot at March 31, 2022 when compared to December 31, 2021 and decreased slightly from $23.26 per square foot at March 31, 2021.

In Toronto downtown, net rents increased quarter-over-quarter due to rent steps and higher rates on new leases. In Other markets, net rents decreased slightly relative to Q4 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, primarily in Western Canada within the Other markets region.

The following table details the average in-place and committed net rental rates in our total portfolio as at March 31, 2022, December 31, 2021 and March 31, 2021:

	Average in-place and committed net rent (per sq. ft.)(1)					
		March 31, 2022		December 31, 2021		March 31, 2021
Toronto downtown	**$**	**26.68**	$	26.55	$	25.99
Other markets		**16.68**		16.69		16.59
Total portfolio(2)	**$**	**23.25**	$	23.25	$	23.26

(1) Excludes percentage rents.

(2) 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 March 31, 2022.

The following table compares market rents in our total portfolio to the average in-place and committed net rent as at March 31, 2022:

	As at March 31, 2022				
		Market rent(1) (per sq. ft.)		Average in-place and committed net rent (per sq. ft.)(2)	Market rent/ average in-place and committed net rent
Toronto downtown	$	31.36	$	26.68	17.5%
Other markets		14.17		16.68	(15.0%)
Total portfolio(3)	$	25.05	$	23.25	7.7%

(1) Market rents include office and retail space.

(2) Excludes percentage rents.

(3) 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 ended March 31, 2022, our total portfolio average initial direct leasing costs and lease incentives were $3.90 per square foot per year representing an increase of $2.26 per square foot per year over the prior year comparative quarter. The increase in leasing costs for the quarter is primarily due a government lease renewal totalling 248,000 square feet with no associated leasing costs in the prior year comparative quarter.

	Three months ended March 31,	
Performance indicators	**2022**[(1)]	2021[(1)]
Leases that commenced during the period		
Thousands of square feet	**71**	418
Average lease term (years)	**6.2**	5.6
Initial direct leasing costs and lease incentives		
In thousands of dollars	**$ 1,727**	$ 3,836
Per square foot	**24.33**	9.18
Per square foot per year	**3.90**	1.64

(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 March 31, 2022:

(in thousands of square feet)	Temporary leases	Remainder of 2022	2023	2024	2025	2026	2027+
Toronto downtown							
Expiries	(18)	(623)	(564)	(236)	(306)	(496)	(674)
Expiring net rents at maturity	$ 11.53	$ 25.84	$ 26.64	$ 28.19	$ 27.84	$ 25.30	$ 31.35
Commencements	n/a	457	352	11	10	10	27
Commencements as a percentage of expiries	n/a	73%	62%	5%	3%	2%	4%
Other markets							
Expiries	(23)	(138)	(62)	(163)	(254)	(126)	(762)
Expiring net rents at maturity	$ 3.79	$ 21.15	$ 18.22	$ 15.76	$ 17.86	$ 21.67	$ 18.98
Commencements	n/a	92	21	9	—	—	—
Commencements as a percentage of expiries	n/a	67%	34%	6%	—	—	—
Total portfolio							
Expiries	(41)	(761)	(626)	(399)	(560)	(622)	(1,436)
Expiring net rents at maturity	$ 7.23	$ 24.99	$ 25.82	$ 23.10	$ 23.31	$ 24.56	$ 24.79
Commencements	n/a	549	373	20	10	10	27
Commencements as a percentage of expiries	n/a	72%	60%	5%	2%	2%	2%

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 the remainder of 2022 are $31.41 per square foot in Toronto downtown and $21.01 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 ended March 31, 2022, 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 ended March 31, 2022 and March 31, 2021, the Trust excludes properties under development completed subsequent to January 1, 2021 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.

	Three months ended				Change in weighted average occupancy %	Change in in-place net rents %
	March 31, 2022	March 31, 2021	Amount	Change %		
Toronto downtown	**$ 21,630**	$ 23,511	$ (1,881)	(8.0)	(8.2)	3.4
Other markets	**5,690**	5,199	491	9.4	4.3	(4.0)
Comparative properties NOI	**27,320**	28,710	(1,390)	(4.8)	(3.9)	0.5
1900 Sherwood Place	**1,289**	10	1,279			
Property under development	**(55)**	(43)	(12)			
Property management and other service fees	**431**	326	105			
COVID-related provisions and adjustments	**(602)**	169	(771)			
Straight-line rent	**129**	27	102			
Amortization of lease incentives	**(2,902)**	(2,930)	28			
Lease termination fees and other	**253**	(28)	281			
Sold properties	**—**	30	(30)			
Net rental income	**$ 25,863**	$ 26,271	$ (408)			

For the three months ended March 31, 2022, comparative properties NOI decreased by 4.8%, or $1.4 million, over the prior year comparative quarter, primarily driven by declines in weighted average occupancy in Toronto downtown and lower in-place rents in the Other markets region. Partially offsetting the declines were higher rates on renewals and new leases in Toronto downtown, higher weighted average occupancy in the Other markets region and higher parking revenues of $0.2 million across the portfolio. For the three months ended March 31, 2022, net rental income decreased by 1.6% or $0.4 million over the prior year comparative quarter.

Toronto downtown saw a decrease in comparative properties NOI of $1.9 million, or 8.0%, 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 ups and higher rates on new leases and renewals in the region. Over the course of the COVID-19 pandemic, we saw 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.

Other markets experienced an increase in comparative properties NOI of $0.5 million, or 9.4%, over the prior year comparative quarter, primarily driven by an increase in weighted average occupancy.

In Q1 2022, 357 Bay Street in Toronto downtown was reclassified from completed properties under development to comparative properties. 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.

The Trust currently has one property under development, 366 Bay Street in Toronto downtown.

Included in "COVID-related provisions and adjustments" for the three months ended March 31, 2022, are provisions for outstanding and deferred accounts receivable totalling $0.6 million (March 31, 2021 – government subsidy programs were $0.8 million, partially offset by provisions for outstanding and deferred accounts receivable totalling $0.6 million).

OUR RESULTS OF OPERATIONS

Condensed consolidated statement of comprehensive income

	Three months ended March 31,	
(in thousands of Canadian dollars)	**2022**	2021
Investment properties revenue	**$ 49,623**	$ 49,476
Investment properties operating expenses	**(23,760)**	(23,205)
Net rental income	**25,863**	26,271
Other income		
Share of net income from investment in Dream Industrial REIT	**42,899**	13,950
Share of net loss from investment in joint ventures	**(72)**	(16)
Interest and other income	**356**	504
	43,183	14,438
Other expenses		
General and administrative	**(2,535)**	(2,288)
Interest:		
Debt	**(11,259)**	(10,884)
Subsidiary redeemable units	**(1,308)**	(1,308)
Depreciation on property and equipment	**(130)**	(242)
	(15,232)	(14,722)
Fair value adjustments, internal leasing costs and net gain (loss) on transactions		
Fair value adjustments to investment properties	**19,379**	(6,139)
Fair value adjustments to financial instruments	**(20,282)**	(8,152)
Internal leasing costs and net gains on transactions	**(505)**	(356)
	(1,408)	(14,647)
Income before income taxes and discontinued operations	**52,406**	11,340
Current and deferred income taxes recovery (expense), net	**(124)**	(88)
Income from continuing operations, net of taxes	**52,282**	11,252
Loss from discontinued operations	**—**	(1,106)
Net income	**52,282**	10,146
Other comprehensive loss	**(3,615)**	(2,146)
Comprehensive income	**$ 48,667**	$ 8,000

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 ended March 31, 2022 was $49.6 million compared to $49.5 million in the prior year comparative quarter. Overall, the increase over the prior year comparative quarter was primarily due to higher rents on renewals and new leases in Toronto downtown, higher weighted average occupancy in Other markets and a lease commencement at 1900 Sherwood Place during Q3 2021 and improved transient parking revenues across our portfolio, partially offset by lower weighted average occupancy in Toronto downtown and lower in-place net rents in Other markets.

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 ended March 31, 2022 were $23.8 million compared to $23.2 million in the prior year comparative quarter. Overall, the increase in investment properties operating expenses over the prior year comparative quarter was primarily driven by higher operating costs and the effect of government support received in the prior year.

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 March 31,	
	2022	2021
Share of income	**$ 43,836**	$ 14,978
Dilution loss	**(937)**	(1,028)
Share of net income from investment in Dream Industrial REIT	**$ 42,899**	$ 13,950

Our share of income from our investment in Dream Industrial REIT before dilution adjustments increased by $28.9 million over the prior year comparative quarter primarily due to the effect of higher fair value gains during the current quarter relative to prior year comparative quarter 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 ended March 31, 2022, share of net loss from investment in joint ventures amounted to $72 thousand and mainly comprises general and administrative expenses in our investment in Alate and interest on debt, partially offset by net rental income and fair value gains 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 ended March 31, 2022, interest and other income was $0.4 million compared to $0.5 million in the prior year comparative quarter. The decrease of $0.1 million over the prior year comparative quarter was primarily due to lower interest income on our VTB mortgage receivable.

General and administrative expenses

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

	Three months ended March 31,	
	2022	2021
Salaries and benefits	**$ (922)**	$ (914)
Deferred compensation expense	**(697)**	(499)
Professional services fees, public reporting, overhead-related costs and other	**(916)**	(875)
General and administrative expenses	**$ (2,535)**	$ (2,288)

For the three months ended March 31, 2022, general and administrative expenses were $2.5 million, representing an increase of $0.2 million over the prior year comparative quarter primarily due to higher deferred compensation expenses due to a higher average unit price.

Interest expense – debt

For the three months ended March 31, 2022, interest expense on debt was $11.3 million relative to $10.9 million in the prior year comparative quarter primarily as a result of higher average debt balances.

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 ended March 31, 2022 was $1.3 million and remained consistent with the prior year comparative quarter as the distribution rate and the number of outstanding subsidiary redeemable units remained unchanged.

Depreciation on property and equipment

Depreciation on property and equipment expense for the three months ended March 31, 2022 was $0.1 million, a decrease of $0.1 million when compared to the prior year comparative quarter due to fewer depreciable information technology assets.

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 ended March 31, 2022.

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 ended March 31, 2022, the Trust recorded fair value losses totalling $20.3 million due to the remeasurement of the carrying value of subsidiary redeemable units and deferred trust units as a result of an increase in the Trust's unit price relative to December 31, 2021.

Internal leasing costs and net gains on transactions

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

	Three months ended March 31,	
	2022	2021
Internal leasing costs	**$ (517)**	$ (390)
Net recovery attributable to sale of investment properties(1)	**12**	34
Internal leasing costs and net gains on transactions	**$ (505)**	$ (356)

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

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 ended March 31, 2022, the Trust recorded a net current and deferred income taxes expense of $0.1 million relating to our sole investment property in the U.S.

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 three months ended March 31, 2022, loss from discontinued operations was $nil compared to a loss of $1.1 million in the prior year comparative quarter. Loss from discontinued operations in the prior year was due to cost of sales arising from post-closing adjustments.

Other comprehensive 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 ended March 31, 2022, other comprehensive loss amounted to $3.6 million compared to a loss of $2.1 million for the three months ended March 31, 2021. The change in other comprehensive income loss over the prior year comparative quarter was primarily driven by foreign currency translation adjustments in our investment in Dream Industrial REIT and on our U.S. property.

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 or 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 March 31,	
	2022	2021
FFO for the period	**$ 21,043**	$ 21,309
Diluted weighted average number of units(1)	**53,688**	56,768
FFO per unit – diluted	**$ 0.39**	$ 0.38

(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 March 31, 2022, diluted FFO per unit increased to $0.39 per unit relative to $0.38 per unit in Q1 2021 as NOI from our completed development at 1900 Sherwood Place in Regina (+$0.02), higher FFO from our investment in Dream Industrial REIT (+$0.02) and the effect of accretive unit repurchases under our Normal Course Issuer Bid program (+$0.01) were partially offset by lower comparative properties NOI (-$0.03) and other items (-$0.01).

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.

Related party transactions with Dream Asset Management Corporation ("DAM")

The following is a summary of costs processed by DAM and the Trust for the three months ended March 31, 2022 and March 31, 2021:

	Three months ended March 31,	
	2022	2021
Property management services fee charged by the Trust	**$ 93**	$ 68
Expenditures processed by the Trust on behalf of DAM (on a cost recovery basis)	**2,305**	2,023
Development fees charged by DAM	**(588)**	(588)
Expenditures processed by DAM on behalf of the Trust (on a cost recovery basis)	**(333)**	(267)
Net fees and reimbursements from DAM	**$ 1,477**	$ 1,236

For the three months ended March 31, 2022, total distributions and subsidiary redeemable unit interest paid and payable to DAM were $4.4 million (for the three months ended March 31, 2021 – $4.4 million).

Related party transactions with Dream Impact Trust

The following is a summary of the amounts that were charged to Dream Impact Trust for the three months ended March 31, 2022 and March 31, 2021:

	Three months ended March 31,	
	2022	2021
Property management and construction fees related to co-owned and managed properties	**$ 218**	$ 352
Costs processed on behalf of Dream Impact Trust related to co-owned and managed properties	**411**	332
Amounts charged to Dream Impact Trust under the services agreement	**223**	114
Total cost recoveries from Dream Impact Trust	**$ 852**	$ 798

Related party transactions with Dream Industrial REIT

The following is a summary of the cost recoveries from Dream Industrial REIT for the three months ended March 31, 2022 and March 31, 2021:

	Three months ended March 31,	
	2022	2021
Total cost recoveries from Dream Industrial REIT	**$ 1,978**	$ 1,324

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 ended March 31, 2022 are summarized in the following table:

					Three months ended
	January 1, 2022	Building improvements, initial direct leasing costs and lease incentives	Fair value adjustments	Amortization of lease incentives, foreign exchange and other adjustments[1]	**March 31, 2022**
Toronto downtown	$ 2,083,377	$ 7,568	$ 20,119	$ (1,802)	**$ 2,109,262**
Other markets	462,547	2,487	(740)	(1,635)	**462,659**
Active properties	2,545,924	10,055	19,379	(3,437)	**2,571,921**
Add:					
Property under development	23,078	1,241	—	—	**24,319**
Total amounts included in condensed consolidated financial statements	$ 2,569,002	$ 11,296	$ 19,379	$ (3,437)	**$ 2,596,240**

(1) Included in Other markets is a foreign currency translation adjustment totalling $(646) related to a property located in the U.S. during the quarter.

Properties under development

The Trust has one property under development at 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 three months ended March 31, 2022 and year ended December 31, 2021:

	March 31, 2022	December 31, 2021
Investment properties valued by qualified external valuation professionals (in millions)	**$ 387**	$ 628
Number of investment properties valued by qualified external valuation professionals	**4**	9
Percentage of the total investment properties valued by qualified external valuation professionals	**15%**	24%

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 March 31, 2022, the Trust recorded a fair value gain totalling $19.4 million comprising fair value gains of $20.1 million in Toronto downtown primarily due to fair value gains at four properties valued by qualified external valuation professionals and to a lesser extent favourable leasing activity and value enhancing capital expenditures at certain properties. Fair value gains in Toronto downtown were partially offset by fair value losses of $0.7 million in Other markets as a result of maintenance capital spent but not capitalized.

Assumptions used in the valuation of investment properties

Refer to Note 3 of the condensed 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 ended March 31, 2022 and March 31, 2021:

	Three months ended March 31,			
Building improvements		**2022**		2021
Recoverable	**$**	**1,215**	$	1,404
Value-add		**1,058**		1,096
Value-add additions to properties in the Bay Street corridor		**4,499**		4,033
Non-recoverable		**380**		136
Active properties		**7,152**		6,669
Add:				
Properties under development		**1,218**		8
Interest capitalized to properties under development		**23**		168
Total	**$**	**8,393**	$	6,845
Less: Interest capitalized to properties under development		**(23)**		(168)
Total amounts included in condensed consolidated financial statements	**$**	**8,370**	$	6,677

For the three months ended March 31, 2022, we incurred $7.2 million in expenditures related to building improvements in our active portfolio, the majority of which were for value-add purposes.

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 ended March 31, 2022, recoverable building improvements were $1.2 million, 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 ended March 31, 2022, value-add building improvements were $1.1 million.

As part of our transformation of our properties in the Bay Street corridor, for the three months ended March 31, 2022, the Trust invested $4.5 million in building improvements for those buildings. 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 $43.7 million had been spent between project commencement and March 31, 2022 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
	March 31, 2022	December 31, 2021
Dream Industrial REIT units held, end of period	**8,052,451**	8,052,451
Dream Industrial LP Class B limited partnership units held, end of period	**18,551,855**	18,551,855
Total units held, end of period	**26,604,306**	26,604,306
Total Dream Industrial REIT units outstanding, end of period	**272,725,025**	252,416,700
Ownership at period-end	**9.8%**	10.5%

On March 9, 2022, Dream Industrial REIT completed a public offering in which the Trust did not participate and issued 14,110,500 REIT units.

OUR FINANCING

Debt summary

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

Financing and liquidity metrics		**March 31, 2022**		December 31, 2021
Weighted average face rate of interest on debt (period-end)(1)		**3.37%**		3.28%
Interest coverage ratio (times)(2)		**2.9**		3.0
Net total debt-to-normalized adjusted EBITDAFV ratio (years)(2)		**10.4**		9.8
Level of debt (net total debt-to-net total assets)(2)		**41.9%**		41.8%
Average term to maturity on debt (years)		**3.4**		3.6
Variable rate debt as percentage of total debt		**26.3%**		24.1%
Undrawn credit facilities	**$**	**271,337**	$	192,355
Available liquidity(2)	**$**	**279,639**	$	201,118
Unencumbered assets(2)	**$**	**169,572**	$	178,268

(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 10.4 years from 9.8 years at December 31, 2021 as a result of higher net debt balances and lower adjusted EBITDAFV.

The net total debt-to-net total assets ratio marginally increased to 41.9% this quarter compared to 41.8% at December 31, 2021 as higher debt balances due to higher drawings on the revolving credit facilities which were partially offset by increases in investment property values in Toronto downtown and our investment in Dream Industrial REIT.

Our available liquidity of approximately $279.6 million comprises undrawn credit facilities totalling $271.3 million and $8.3 million of cash and cash equivalents on hand as at March 31, 2022, an increase of $78.5 million when compared to December 31, 2021 primarily due to the Trust entering into a $112.9 million unsecured non-revolving credit facility and term credit facility with the Canada Infrastructure Bank under its Commercial Building Retrofit Initiative.

Unencumbered assets as at March 31, 2022 were $169.6 million, a decrease of $8.7 million from $178.3 million at December 31, 2021, primarily due to a decrease in the unit price of our holdings of unpledged Dream Industrial REIT Units.

Liquidity and capital resources

Dream Office REIT's primary sources of capital are cash generated from operating activities, net proceeds from investment property dispositions, 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 condensed consolidated financial statements as at March 31, 2022, our current liabilities exceeded our current assets by $124.4 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 $80.7 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.

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 March 31, 2022, the Trust has $271.3 million of available liquidity. In addition, the Trust has unencumbered assets totalling $169.6 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.

Credit facilities

As at March 31, 2022, 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 March 31, 2022, the amount available under the $375 million revolving credit facility was $141.3 million, comprising $375 million of borrowing capacity less $233.7 million in drawings

As at March 31, 2022, the Trust's $20 million revolving credit facility is secured by 4,800,587 Dream Industrial LP Class B limited partnership units. As at March 31, 2022, the amount available under the $20 million revolving credit facility was $17.2 million.

Canada Infrastructure Bank credit facility

On March 31, 2022, the Trust entered into an unsecured non-revolving credit facility and term credit facility with the Canada Infrastructure Bank under its Commercial Building Retrofit Initiative. Under the facility, the Canada Infrastructure Bank will lend the trust up to $112.9 million, representing 80% of the cost of commercial property retrofits in order to achieve certain energy efficiency savings and greenhouse gas ("GHG") emission reductions. The non-revolving credit facility is available until the earlier of March 31, 2027 or the completion of all funded projects, at which point the aggregate drawings are converted to a 20-year amortizing term credit facility. During the five-year non-revolving credit facility period, the accumulated drawings bear interest at an annual fixed rate of 2.147%. Subsequent to conversion, the 20-year amortizing term credit facility will bear interest at an annual fixed rate between 1.0% and 3.0% determined at the time of conversion based on the assessed GHG emission reductions achieved in aggregate with the financed projects.

As at March 31, 2022, the amount available under the Trust's $112.9 million non-revolving Canada Infrastructure Bank credit facility was $112.9 million.

Debt maturity profile

Our current debt profile is balanced with staggered maturities over the next seven years. The following table summarizes our debt maturity profile, excluding debt in joint ventures that are equity accounted, as at March 31, 2022:

	Mortgages		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
Remainder of 2022	$ 59,880	3.49%	$ —	—	$ 59,880	3.49%
2023	250,715	3.56%	2,847	3.55%	253,562	3.56%
2024	73,369	3.44%	233,686	2.56%	307,055	2.77%
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	3.33%	$ 236,533	2.57%	$ 1,259,404	3.19%
Scheduled principal repayments on non-matured debt (2022–2029)	60,599	—	—	—	60,599	—
Subtotal before undernoted items	$ 1,083,470	3.54%	$ 236,533	2.57%	$ 1,320,003	3.37%
Unamortized financing costs	(3,437)		(940)		(4,377)	
Debt per condensed consolidated financial statements	$ 1,080,033	3.60%	$ 235,593	2.79%	$ 1,315,626	3.46%

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 condensed consolidated financial statements of the Trust as at March 31, 2022.

The Trust is contingently liable under a guarantee that was issued on debt assumed by a purchaser of an investment property totalling $51.0 million (December 31, 2021 – $51.4 million) with a weighted average term to maturity of 4.3 years (December 31, 2021 – 4.6 years). The guaranteed debt is secured by a property in British Columbia.

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 $13.7 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 condensed consolidated financial statements as at March 31, 2022.

At March 31, 2022, 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	$ 6	$ —	$ 115
Operating commitments	3,085	286	—	3,371
Fixed price contracts	222	888	1,634	2,744
Total	$ 3,416	$ 1,180	$ 1,634	$ 6,230

Since 2018, the Trust has invested US$6.9 million (December 31, 2021 – US$6.6 million) towards investments in real estate technologies through a joint venture. As at March 31, 2022, the Trust had outstanding funding commitments to the joint venture totalling US$4.7 million (December 31, 2021 – US$5.0 million).

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 received partial consideration in the form of a vendor takeback mortgage ("VTB mortgage") receivable of $34.1 million and committed to a loan facility of up to $12.5 million. The VTB mortgage and loan facility bear interest at 2.5%, mature on April 10, 2023 (after the exercise of an extension option subsequent to March 31, 2022) with options to extend to April 10, 2025 and are secured by the property. As at March 31, 2022, the Trust had funded $6.5 million under the loan facility. In April 2022, the borrower paid an extension fee totalling $0.4 million in connection with the exercise of a one-year extension option.

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 condensed consolidated financial statements.

						Unitholders' equity
			March 31, 2022			December 31, 2021
	Number of Units		**Amount**	Number of Units		Amount
Unitholders' equity	**47,029,715**	**$**	**1,857,974**	48,034,754	$	1,883,653
Deficit	**—**		**(298,149)**	—		(338,593)
Accumulated other comprehensive income (loss)	**—**		**(347)**	—		3,268
Equity per condensed consolidated financial statements	**47,029,715**		**1,559,478**	48,034,754		1,548,328
Add: LP B Units	**5,233,823**		**145,867**	5,233,823		128,909
Total equity (including LP B Units)(1)	**52,263,538**	**$**	**1,705,345**	53,268,577	$	1,677,237
NAV per unit(2)		**$**	**32.63**		$	31.49

(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 March 31, 2022, DAM held 12,766,002 REIT A Units and 5,233,823 LP B Units for a total ownership interest of approximately 34.4%.

NAV per unit

NAV per unit is calculated as 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 March 31, 2022, our NAV per unit increased to $32.63 when compared to $31.49 at December 31, 2021. The increase in NAV per unit relative to December 31, 2021 was primarily due to cash flow retention (diluted FFO net of distributions), fair value gains on investment properties in Toronto downtown for four properties valued by qualified external valuation professionals, incremental income from our investment in Dream Industrial REIT and the effect of accretive unit repurchases under our NCIB program. As at March 31, 2022, equity per the condensed consolidated financial statements was $1.6 billion.

The table below reconciles the major components of NAV per unit to total equity per the condensed consolidated financial statements:

	Total	Per unit	GLA (in millions of sq. ft.)	Occupancy – in-place and committed	WALT (years)
Investment properties					
Toronto downtown	$ 2,109,262	$ 40.36	3.4	88.6%	4.8
Other markets	462,659	8.85	2.0	78.9%	6.4
Active investment properties	2,571,921	49.21	5.4	85.0%	5.4
Mortgages	(1,069,445)	(20.46)			
Active investment properties, net of mortgages	1,502,476	28.75			
Property under development, net of mortgage	13,731	0.26			
Investment in Dream Industrial REIT	438,440	8.39			
Investments in joint ventures	28,998	0.55			
Cash and cash equivalents	8,302	0.16			
Credit facilities	(235,593)	(4.51)			
Other items	(51,009)	(0.97)			
Net asset value	$ 1,705,345	$ 32.63			
Less: LP B Units	(145,867)				
Total equity per condensed consolidated financial statements	$ 1,559,478				

Outstanding equity

The following table summarizes the changes in our outstanding equity:

For the three months ended March 31, 2022	REIT A Units	LP B Units	Total
Total units issued and outstanding at January 1, 2022	48,034,754	5,233,823	53,268,577
REIT A Units issued pursuant to Deferred Unit Incentive Plan ("DUIP")	31,124	—	31,124
Cancellation of REIT A Units under Normal Course Issuer Bid ("NCIB")	(1,036,163)	—	(1,036,163)
Total units issued and outstanding at March 31, 2022 and May 5, 2022	47,029,715	5,233,823	52,263,538
Percentage of all units	90.0%	10.0%	100.0%

As at March 31, 2022, there were 1,071,402 deferred trust units and income deferred trust units outstanding (December 31, 2021 – 984,239) under the DUIP.

Normal Course Issuer Bid

For the three months ended March 31, 2022, the Trust purchased 1,036,163 REIT A Units for cancellation under the NCIB program at a cost of $26.5 million (for the year ended December 31, 2021 – 2,640,560 REIT A Units cancelled at a cost of $61.0 million). The current NCIB program is now complete.

Weighted average number of units

The following table outlines the basic and diluted weighted average number of units for the three months ended March 31, 2022 and March 31, 2021:

	Three months ended March 31,	
Weighted average number of units(1) (in thousands)	**2022**	2021
Basic	**53,440**	56,550
Diluted	**53,688**	56,768

(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 ended March 31, 2022 and March 31, 2021, the Trust declared distributions totalling $0.25 per unit.

The following table summarizes our total distributions paid and payable (a non-GAAP financial measure) for the three months ended March 31, 2022 and March 31, 2021:

	Three months ended March 31,	
	2022	2021
Total distributions paid and payable on REIT A Units	**$ 11,838**	$ 12,661
Add: Interest on subsidiary redeemable units	**1,308**	1,308
Total distributions paid and payable[(1)]	**$ 13,146**	$ 13,969

(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 ended March 31, 2022 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
March 22, 2022	March 2022	April 14, 2022	$ 0.08333	$ 3,919
April 20, 2022	April 2022	May 13, 2022	0.08333	3,919

Cash flows from operating activities less cash interest paid on debt, net income 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 ended March 31, 2022 and March 31, 2021:

	Three months ended March 31,	
	2022	2021
Net income for the period	**$ 52,282**	$ 10,146
Cash flows generated from (utilized in) operating activities	**23,721**	26,229
Cash interest paid on debt	**(10,876)**	(10,130)
Total distributions paid and payable[1] for the period	**(13,146)**	(13,969)

(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 March 31,	
	2022	2021
Excess (shortfall) of net income over total distributions paid and payable [1][2]	**$ 39,136**	$ (3,823)
Excess (shortfall) of cash flows generated from (utilized in) operating activities less cash interest paid on debt over total distributions paid and payable[2][3]	**(301)**	2,130

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

(2) 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".

(3) Excess (shortfall) of cash flows generated from (utilized in) operating activities less cash interest paid on debt over total distributions paid and payable is calculated as cash flows generate from (utilized in) operating activities less cash interest paid on debt less total distributions paid and payable.

For the three months ended March 31, 2022, total distributions paid and payable exceeded cash flows generated (utilized in) operating activities less cash interest paid on debt by $0.3 million primarily due to the timing of leasing costs and fluctuations in working capital balances. For the three months ended March 31, 2021, total distributions paid and payable (a non-GAAP financial measure) exceeded net income by $3.8 million primarily as a result of negative fair value adjustments to investment properties and financial instruments.

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 ended March 31, 2022, the Trust earned distributions from Dream Industrial REIT totalling $4.7 million (for the three months ended March 31, 2021, $4.7 million).

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 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 credit facilities (the most directly comparable financial measure) as at March 31, 2022 and December 31, 2021:

				As at
		March 31, 2022		December 31, 2021
Undrawn credit facilities	**$**	**271,337**	$	192,355
Cash and cash equivalents		**8,302**		8,763
Available liquidity	**$**	**279,639**	$	201,118

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 condensed 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 condensed 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 ended March 31, 2022 and March 31, 2021.

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 "Total equity" reconciles NAV per unit to equity (the most directly comparable financial measure) as at March 31, 2022 and December 31, 2021.

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, they do not represent net income or cash flows generated from (utilized in) operating activities, as defined by IFRS, and are 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 rather than from investment property operations. 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 ended March 31, 2022 and March 31, 2021. 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 ended March 31, 2022 and March 31, 2021:

	Three months ended March 31,	
	2022	2021
Net income for the period	**$ 52,282**	$ 10,146
Add (deduct):		
Share of net income from investment in Dream Industrial REIT	**(42,899)**	(13,950)
Share of FFO from investment in Dream Industrial REIT	**5,847**	5,034
Depreciation and amortization	**2,986**	3,079
Costs (recovery) attributable to sale of investment properties[1]	**(12)**	1,074
Interest expense on subsidiary redeemable units	**1,308**	1,308
Fair value adjustments to investment properties	**(19,379)**	6,139
Fair value adjustments to investment properties held in joint ventures	**(23)**	(13)
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**20,340**	8,026
Internal leasing costs	**517**	390
Principal repayments on finance lease liabilities	**(13)**	(12)
Deferred income taxes expense (recovery)	**89**	88
FFO for the period	**$ 21,043**	$ 21,309
Diluted weighted average number of units[2]	**53,688**	56,768
FFO per unit – diluted	**$ 0.39**	$ 0.38

(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 ended March 31, 2022 and March 31, 2021, the Trust excludes investment properties acquired and properties under development completed after January 1, 2021 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 ended March 31, 2022 and March 31, 2021 and for the year ended December 31, 2021 in the table below:

	Three months ended		Year ended
	March 31, 2022	March 31, 2021	December 31, 2021
Net income for the period	**$ 52,282**	$ 10,146	$ 154,207
Add (deduct):			
Interest – debt	**11,259**	10,884	43,372
Interest – subsidiary redeemable units	**1,308**	1,308	5,234
Current and deferred income taxes expense (recovery), net	**124**	88	(203)
Depreciation on property and equipment	**130**	242	897
Fair value adjustments to investment properties	**(19,379)**	6,139	(47,926)
Fair value adjustments to financial instruments	**20,282**	8,152	29,922
Share of net income from investment in Dream Industrial REIT	**(42,899)**	(13,950)	(90,645)
Distributions earned from Dream Industrial REIT	**4,655**	4,655	18,622
Share of net loss from investment in joint ventures	**72**	16	340
Non-cash items included in investment properties revenue(1)	**2,773**	2,903	11,217
COVID-related provisions and adjustments	**602**	(169)	482
Lease termination fees and other	**(253)**	28	(836)
Net losses (gains) on transactions and other items(2)	**505**	1,464	3,732
Adjusted EBITDAFV for the period	**$ 31,461**	$ 31,906	$ 128,415

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

(2) Includes both continuing and discontinued operations.

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

Management believes that the trailing 12-month Adjusted EBITDAFV and trailing 12-month interest expense on debt, both of which are non-GAAP measures, are important measures in identifying longer-term trends in property operating performance and the cost of the Trust's debt. These non-GAAP measurements do not have standardized meanings and may not be comparable with similar measures presented by other income trusts.

The following tables calculate Adjusted EBITDAFV and interest expense on debt for the trailing 12-month period ended March 31, 2022:

	Trailing 12-month period ended March 31, 2022	
Adjusted EBITDAFV for the three months ended March 31, 2022(1)	$	31,461
Add: Adjusted EBITDAFV for the year ended December 31, 2021(1)		128,415
Less: Adjusted EBITDAFV for the three months ended March 31, 2021(1)		(31,906)
Trailing 12-month Adjusted EBITDAFV	$	127,970

(1) Adjusted EBITDAFV (a non-GAAP financial measure) for the respective periods 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.

	Trailing 12-month period ended March 31, 2022	
Interest expense on debt for the three months ended March 31, 2022	$	11,259
Add: Interest expense on debt for the year ended December 31, 2021		43,372
Less: Interest expense on debt for the three months ended March 31, 2021		(10,884)
Trailing 12-month interest expense on debt	$	43,747

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 trailing 12-month periods ended March 31, 2022 and December 31, 2021:

	For the trailing 12-month period ended			
		March 31, 2022		December 31, 2021
Trailing 12-month Adjusted EBITDAFV	**$**	**127,970**	$	128,415
Interest expense on debt	**$**	**43,747**	$	43,372
Interest coverage ratio (times)		**2.9**		3.0

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 March 31, 2022 and December 31, 2021:

		March 31, 2022		December 31, 2021
Non-current debt	**$**	**1,236,423**	$	1,206,734
Current debt		**79,203**		76,539
Total debt		**1,315,626**		1,283,273
Less: Cash on hand(1)		**(6,627)**		(5,556)
Net total debt	**$**	**1,308,999**	$	1,277,717
Adjusted EBITDAFV(2) – quarterly		**31,461**		32,534
Less: NOI of disposed properties for the quarter		**—**		(4)
Normalized adjusted EBITDAFV – quarterly	**$**	**31,461**	$	32,530
Normalized adjusted EBITDAFV – annualized	**$**	**125,844**	$	130,120
Net total debt-to-normalized adjusted EBITDAFV ratio (years)		**10.4**		9.8

(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 in assessing 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 in assessing the Trust's ability to take on additional debt and its ability to manage overall balance sheet risk levels.

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 March 31, 2022 and December 31, 2021:

	Amounts included in condensed consolidated financial statements			
		March 31, 2022		December 31, 2021
Non-current debt	**$**	**1,236,423**	$	1,206,734
Current debt		**79,203**		76,539
Total debt		**1,315,626**		1,283,273
Less: Cash on hand(1)		**(6,627)**		(5,556)
Net total debt	**$**	**1,308,999**	$	1,277,717
Total assets		**3,127,608**		3,065,560
Less: Cash on hand(1)		**(6,627)**		(5,556)
Net total assets	**$**	**3,120,981**	$	3,060,004
Net total debt-to-net total assets		**41.9%**		41.8%

(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.

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 secured 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 disclosed by other issuers.

The table below presents the components of unencumbered assets as at March 31, 2022 and December 31, 2021:

	As at	
	March 31, 2022	December 31, 2021
Investment properties not pledged as security for debt	**$ 39,605**	$ 39,605
Fair value of unpledged Dream Industrial REIT units(1)	**129,967**	138,663
Unencumbered assets	**$ 169,572**	$ 178,268

(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 secured 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.

QUARTERLY INFORMATION

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

Key portfolio, leasing, financing and other capital information

	2022				2021			2020
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Portfolio(1)								
Number of properties	**30**	30	30	30	30	30	30	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	**85.0%**	85.5%	84.6%	85.6%	87.2%	88.0%	88.0%	88.4%
In-place occupancy	**81.7%**	82.9%	82.7%	83.9%	85.8%	85.2%	87.8%	87.9%
Tenant retention ratio	**35.4%**	73.1%	30.7%	33.9%	82.9%	70.0%	56.0%	73.9%
Average in-place and committed net rent per square foot (period-end)	**$23.25**	$23.25	$23.08	$23.18	$23.26	$23.31	$23.15	$23.07
Financing								
Weighted average face rate of interest on debt (period-end)(3)	**3.37%**	3.28%	3.33%	3.41%	3.54%	3.56%	3.60%	3.68%
Interest coverage ratio (times)(4)	**2.9**	3.0	3.0	3.0	3.1	3.2	3.2	3.1
Net total debt-to-normalized adjusted EBITDAFV (years)(4)	**10.4**	9.8	9.4	9.5	9.3	8.8	8.4	8.1
Level of debt (net total debt-to-net total assets)(4)	**41.9%**	41.8%	40.7%	41.0%	41.2%	41.1%	39.9%	38.3%
Capital								
Total number of REIT A Units and LP B Units (in millions)(5)	**52.3**	53.3	54.9	55.9	55.9	55.9	58.0	60.5
NAV per unit(4)	**$32.63**	$31.49	$30.74	$29.09	$28.73	$28.69	$28.17	$27.61

(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

	2022				2021			2020
(in thousands of Canadian dollars)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Investment properties revenue	**$ 49,623**	$ 48,616	$ 49,690	$ 48,150	$ 49,476	$ 51,821	$ 51,312	$ 50,704
Investment properties operating expenses	**(23,760)**	(22,094)	(22,363)	(21,136)	(23,205)	(23,876)	(23,422)	(22,525)
Net rental income	**25,863**	26,522	27,327	27,014	26,271	27,945	27,890	28,179
Other income	**43,183**	26,403	22,322	28,747	14,438	19,042	13,018	5,907
Other expenses	**(15,232)**	(14,909)	(14,514)	(15,169)	(14,722)	(14,948)	(14,614)	(15,218)
Fair value adjustments, internal leasing costs and net gains (losses) on transactions	**(1,408)**	(11,123)	56,206	(15,057)	(14,647)	(17,468)	13,008	38,766
Income before income taxes and discontinued operations	**52,406**	26,893	91,341	25,535	11,340	14,571	39,302	57,634
Current and deferred income taxes recovery (expense), net	**(124)**	(15)	377	(71)	(88)	944	(13)	(32)
Income from continuing operations, net of taxes	**52,282**	26,878	91,718	25,464	11,252	15,515	39,289	57,602
Income (loss) from discontinued operations	**—**	3	(2)	—	(1,106)	36	5	(2)
Net income for the period	**52,282**	26,881	91,716	25,464	10,146	15,551	39,294	57,600
Other comprehensive income (loss)	**(3,615)**	3,973	5,408	(2,083)	(2,146)	(2,244)	(907)	(2,914)
Comprehensive income for the period	**$ 48,667**	$ 30,854	$ 97,124	$ 23,381	$ 8,000	$ 13,307	$ 38,387	$ 54,686

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 Q2 2020 and Q1 2022 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)

	2022				2021			2020
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net income for the period	**$ 52,282**	$ 26,881	$ 91,716	$ 25,464	$ 10,146	$ 15,551	$ 39,294	$ 57,600
Add (deduct):								
Share of income from investment in Dream Industrial REIT	**(42,899)**	(26,075)	(22,125)	(28,495)	(13,950)	(18,999)	(12,559)	(4,904)
Share of FFO from investment in Dream Industrial REIT	**5,847**	5,640	5,882	5,058	5,034	4,956	4,811	4,818
Depreciation, amortization and write-off of intangible assets	**2,986**	2,880	3,026	2,927	3,079	3,222	3,338	3,045
Costs (recovery) attributable to sale of investment properties(1)	**(12)**	(3)	895	24	1,074	376	12	(2,212)
Interest expense on subsidiary redeemable units	**1,308**	1,309	1,308	1,309	1,308	1,309	1,308	1,309
Fair value adjustments to investment properties	**(19,379)**	283	(58,044)	3,696	6,139	6,159	753	(20,203)
Fair value adjustments to investment properties held in joint ventures	**(23)**	3	15	31	(13)	367	—	(16)
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**20,340**	10,288	462	10,945	8,026	10,027	(14,261)	(16,865)
Internal leasing costs	**517**	543	462	380	390	728	311	370
Principal repayments on finance lease liabilities	**(13)**	(13)	(12)	(12)	(12)	(11)	(12)	(12)
Deferred income taxes expense (recovery)	**89**	15	(377)	20	88	(962)	93	206
FFO for the period(2)	**$ 21,043**	$ 21,751	$ 23,208	$ 21,347	$ 21,309	$ 22,723	$ 23,088	$ 23,136
Diluted weighted average number of units(3)	**53,688**	54,553	56,660	56,849	56,768	57,390	60,611	61,512
FFO per unit – diluted(4)	**$ 0.39**	$ 0.40	$ 0.41	$ 0.38	$ 0.38	$ 0.40	$ 0.38	$ 0.38

(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

At March 31, 2022, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Trust, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Dream Office REIT is made known to the CEO and CFO in a timely manner and information required to be disclosed by Dream Office REIT is recorded, processed, summarized and reported within the time periods specified in securities legislation, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the condensed consolidated financial statements in accordance with IFRS.

During the three months ended March 31, 2022, there have not been any changes that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

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 see below and refer to our 2021 Annual Report and latest Annual Information Form filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") (www.sedar.com).

ADDITIONAL INFORMATION

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

SECTION VI

ASSET LISTING

The following table includes supplementary information on our portfolio as at March 31, 2022:

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	58	9	4.9	82.0%
30 Adelaide Street East, Toronto	100.0%	414	8	48	6.2	93.7%
438 University Avenue, Toronto	100.0%	323	17	19	3.9	99.1%
655 Bay Street, Toronto	100.0%	306	20	14	7.0	93.2%
74 Victoria Street/137 Yonge Street, Toronto	100.0%	266	5	53	3.8	98.9%
720 Bay Street, Toronto	100.0%	248	1	248	3.8	100.0%
36 Toronto Street, Toronto	100.0%	214	34	5	2.7	84.3%
330 Bay Street, Toronto	100.0%	165	31	4	2.8	66.5%
20 Toronto Street/33 Victoria Street, Toronto	100.0%	158	15	10	4.9	96.6%
250 Dundas Street West, Toronto	100.0%	121	17	7	3.8	99.1%
80 Richmond Street West, Toronto	100.0%	102	28	2	2.7	56.9%
425 Bloor Street East, Toronto(1)	100.0%	83	7	12	8.3	100.0%
212 King Street West, Toronto	100.0%	73	9	7	3.6	89.4%
357 Bay Street, Toronto(2)	100.0%	65	1	65	13.6	100.0%
360 Bay Street, Toronto	100.0%	58	11	3	2.5	57.7%
6 Adelaide Street East, Toronto	100.0%	53	10	3	3.8	62.0%
350 Bay Street, Toronto	100.0%	53	7	5	2.8	67.5%
67 Richmond Street West, Toronto	100.0%	50	2	22	0.2	88.4%
56 Temperance Street, Toronto	100.0%	33	5	5	7.5	73.2%
Toronto downtown		**3,444**	**286**	**11**	**4.8**	**88.6%**
2200–2206 Eglinton Avenue East & 1020 Birchmount Road, Scarborough	100.0%	442	14	23	6.3	71.8%
50 & 90 Burnhamthorpe Road West, Mississauga (Sussex Centre)(3)	49.9%	326	58	9	5.9	79.3%
444 – 7th Building, Calgary	100.0%	261	9	23	4.8	78.8%
Saskatoon Square, Saskatoon	100.0%	228	10	16	8.0	71.9%
1900 Sherwood Place, Regina(4)	100.0%	206	5	38	12.4	93.4%
12800 Foster Street, Overland Park, Kansas, U.S.	100.0%	185	1	185	3.7	100.0%
Princeton Tower, Saskatoon	100.0%	136	12	5	5.8	48.1%
606 – 4th Building & Barclay Parkade, Calgary	100.0%	126	13	9	4.8	88.8%
Kensington House, Calgary	100.0%	78	16	4	4.5	87.9%
234 – 1st Avenue South, Saskatoon	100.0%	10	4	2	3.1	83.7%
Other markets		**1,998**	**142**	**13**	**6.4**	**78.9%**
Total portfolio		**5,442**	**428**	**11**	**5.4**	**85.0%**
366 Bay Street, Toronto(5)	100.0%	36	—	—	—	—
Total properties under development		**36**	**—**	**—**	**—**	**—**
Total portfolio and properties under development		**5,478**	**428**	**11**	**5.4**	**84.5%**
220 King Street West, Toronto(6)	50.0%	11	3	5	3.3	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.

Condensed consolidated balance sheets

(unaudited)
(in thousands of Canadian dollars)

	Note		**March 31, 2022**		December 31, 2021
Assets					
NON-CURRENT ASSETS					
Investment properties	3	**$**	**2,596,240**	$	2,569,002
Investment in Dream Industrial REIT	4		**438,440**		402,790
Investments in joint ventures			**28,998**		28,850
Other non-current assets			**41,232**		40,145
			3,104,910		3,040,787
CURRENT ASSETS					
Amounts receivable			**8,431**		9,937
Prepaid expenses and other assets			**5,965**		6,073
Cash and cash equivalents			**8,302**		8,763
			22,698		24,773
Total assets		**$**	**3,127,608**	$	3,065,560
Liabilities					
NON-CURRENT LIABILITIES					
Debt	5	**$**	**1,236,423**	$	1,206,734
Subsidiary redeemable units			**145,867**		128,909
Deferred Unit Incentive Plan			**26,307**		23,215
Deferred tax liabilities, net			**1,271**		1,201
Other non-current liabilities			**11,138**		11,045
			1,421,006		1,371,104
CURRENT LIABILITIES					
Debt	5		**79,203**		76,539
Amounts payable and accrued liabilities			**67,921**		69,589
			147,124		146,128
Total liabilities			**1,568,130**		1,517,232
Equity					
Unitholders' equity			**1,857,974**		1,883,653
Deficit			**(298,149)**		(338,593)
Accumulated other comprehensive income (loss)			**(347)**		3,268
Total equity			**1,559,478**		1,548,328
Total liabilities and equity		**$**	**3,127,608**	$	3,065,560

See accompanying notes to the condensed consolidated financial statements.

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

"Qi Tang"
QI TANG
Trustee

"Michael J. Cooper"
MICHAEL J. COOPER
Trustee

Condensed consolidated statements of comprehensive income

(unaudited)
(in thousands of Canadian dollars)

	Note	Three months ended March 31, 2022	2021
Investment properties revenue	6	**$ 49,623**	$ 49,476
Investment properties operating expenses		**(23,760)**	(23,205)
Net rental income		**25,863**	26,271
Other income			
Share of net income from investment in Dream Industrial REIT	4	**42,899**	13,950
Share of net loss from investment in joint ventures		**(72)**	(16)
Interest and other income		**356**	504
		43,183	14,438
Other expenses			
General and administrative		**(2,535)**	(2,288)
Interest:			
Debt		**(11,259)**	(10,884)
Subsidiary redeemable units		**(1,308)**	(1,308)
Depreciation on property and equipment		**(130)**	(242)
		(15,232)	(14,722)
Fair value adjustments, internal leasing costs and net gain on transactions			
Fair value adjustments to investment properties	3	**19,379**	(6,139)
Fair value adjustments to financial instruments	7	**(20,282)**	(8,152)
Internal leasing costs and net gains on transactions	8	**(505)**	(356)
		(1,408)	(14,647)
Income before income taxes and discontinued operations		**52,406**	11,340
Current and deferred income taxes recovery, net		**(124)**	(88)
Income from continuing operations, net of taxes		**52,282**	11,252
Loss from discontinued operations		**—**	(1,106)
Net income		**52,282**	10,146
Other comprehensive income (loss)			
Items that will be reclassified subsequently to net income:			
Unrealized loss on interest rate swaps and other, net of taxes		**9**	9
Unrealized loss on foreign currency translation, net of taxes		**(658)**	(200)
Share of other comprehensive loss from investment in Dream Industrial REIT	4	**(2,594)**	(1,656)
Items that will not be reclassified subsequently to net income:			
Share of other comprehensive loss from investment in joint ventures		**(372)**	(299)
Other comprehensive loss		**(3,615)**	(2,146)
Comprehensive income		**$ 48,667**	$ 8,000

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of changes in equity

(unaudited)
(all dollar amounts in thousands of Canadian dollars)

		Attributable to unitholders of the Trust				
Three months ended March 31, 2022	Note	**Number of REIT A Units**	**Unitholders' equity**	**Deficit**	**Accumulated other comprehensive loss**	**Total equity**
Balance at January 1, 2022		**48,034,754**	**$ 1,883,653**	**$ (338,593)**	**$ 3,268**	**$ 1,548,328**
Net income for the period		**—**	**—**	**52,282**	**—**	**52,282**
Distributions paid and payable	9	**—**	**—**	**(11,838)**	**—**	**(11,838)**
Deferred trust units exchanged for REIT A Units		**31,124**	**839**	**—**	**—**	**839**
Cancellation of REIT A Units under NCIB	10	**(1,036,163)**	**(26,508)**	**—**	**—**	**(26,508)**
Issue and cancellation costs		**—**	**(10)**	**—**	**—**	**(10)**
Other comprehensive loss		**—**	**—**	**—**	**(3,615)**	**(3,615)**
Balance at March 31, 2022		**47,029,715**	**$ 1,857,974**	**$ (298,149)**	**$ (347)**	**$ 1,559,478**

		Attributable to unitholders of the Trust				
Three months ended March 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 period		—	—	10,146	—	10,146
Distributions paid and payable	9	—	—	(12,661)	—	(12,661)
Deferred trust units exchanged for REIT A Units		36,434	744	—	—	744
Other comprehensive loss		—	—	—	(2,146)	(2,146)
Balance at March 31, 2021		50,668,030	$ 1,944,482	$ (454,180)	$ 4,784	$ 1,495,086

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of cash flows

(unaudited)
(in thousands of Canadian dollars)

	Note	Three months ended March 31, 2022	2021
Generated from (utilized in) operating activities			
Net income for the period		**$ 52,282**	$ 10,146
Non-cash items:			
Net income from investment in Dream Industrial REIT	4	**(42,899)**	(13,950)
Fair value adjustments to investment properties	3	**(19,379)**	6,139
Fair value adjustments to financial instruments	7	**20,282**	8,152
Amortization and depreciation	11	**3,032**	3,220
Other adjustments	11	**717**	1,650
Interest expense on debt		**11,259**	10,884
Interest expense on subsidiary redeemable units		**1,308**	1,308
Change in non-cash working capital	11	**(142)**	991
Investment in lease incentives and initial direct leasing costs		**(2,739)**	(2,311)
		23,721	26,229
Generated from (utilized in) investing activities			
Investment in building improvements		**(7,766)**	(7,392)
Investment in properties under development		**(484)**	(184)
Investment in property and equipment		**—**	(3)
Contributions to joint ventures		**(592)**	(1,244)
Distributions from investment in Dream Industrial REIT	4	**4,655**	4,655
Costs on disposal of investment properties		**(6)**	(38)
Advances on loan facility		**(1,216)**	(785)
Change in restricted cash		**—**	(1,092)
		(5,409)	(6,083)
Generated from (utilized in) financing activities			
Borrowings	5	**39,847**	31,423
Lump sum repayments	5	**(3,529)**	(5,000)
Principal repayments	5	**(4,389)**	(4,969)
Financing cost additions	5	**—**	(50)
Interest paid on debt		**(10,876)**	(10,130)
Interest paid on subsidiary redeemable units		**(1,308)**	(1,308)
Distributions paid on REIT A Units	9	**(11,922)**	(12,658)
Cancellation of REIT A Units under NCIB and transaction costs		**(26,518)**	—
Principal repayments on finance lease liabilities		**(13)**	(12)
		(18,708)	(2,704)
Increase (decrease) in cash and cash equivalents		**(396)**	17,442
Foreign exchange loss on cash held in foreign currency		**(65)**	(20)
Cash and cash equivalents, beginning of period		**8,763**	13,075
Cash and cash equivalents, end of period		**$ 8,302**	$ 30,497

See accompanying notes to the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

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

Note 1

ORGANIZATION

Dream Office Real Estate Investment Trust ("Dream Office REIT" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The condensed 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 condensed consolidated financial statements for the three months ended March 31, 2022 were authorized for issuance by the Board of Trustees on May 5, 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

Basis of presentation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. The condensed consolidated financial statements should be read in conjunction with the Trust's annual consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS, as issued by the IASB.

Accounting policies

The condensed consolidated financial statements have been prepared using the same significant accounting policies and methods as those used in the Trust's annual consolidated financial statements for the year ended December 31, 2021.

Critical accounting judgments, estimates and assumptions in applying accounting policies

Preparing the condensed 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 might require a material adjustment to the carrying amount of the affected asset or liability in the future. Management has applied the same methodologies in making critical accounting judgments, estimates and assumptions as disclosed in the Trust's annual consolidated financial statements for the year ended December 31, 2021.

Future accounting policy changes

Amendments to IAS 1

The IASB 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 3
INVESTMENT PROPERTIES

	Three months ended March 31, 2022			Year ended December 31, 2021		
	Active properties	**Properties under development**	**Investment properties**	Active properties	Properties under development	Investment properties
Balance, beginning of period	**$ 2,545,924**	**$ 23,078**	**$ 2,569,002**	$ 2,411,873	$ 60,006	$ 2,471,879
Additions:						
Building improvements	**7,152**	**1,218**	**8,370**	42,254	1,331	43,585
Lease incentives and initial direct leasing costs	**2,903**	**—**	**2,903**	10,764	5,945	16,709
Capitalized interest	**—**	**23**	**23**	—	383	383
Total additions to investment properties	**10,055**	**1,241**	**11,296**	53,018	7,659	60,677
Transfers, dispositions, assets classified as held for sale and other:						
Active properties transferred to properties under development during the period	**—**	**—**	**—**	(21,957)	21,957	—
Properties under development transferred to active properties during the period	**—**	**—**	**—**	66,395	(66,395)	—
Total transferred, disposed, classified as held for sale and other	**—**	**—**	**—**	44,438	(44,438)	—
Changes included in net income:						
Fair value adjustments to investment properties	**19,379**	**—**	**19,379**	48,173	(247)	47,926
Change in straight-line rent	**111**	**—**	**111**	103	216	319
Amortization and write-off of lease incentives	**(2,902)**	**—**	**(2,902)**	(11,479)	(118)	(11,597)
Total changes included in net income	**16,588**	**—**	**16,588**	36,797	(149)	36,648
Change included in other comprehensive income (loss):						
Foreign currency translation adjustment	**(646)**	**—**	**(646)**	(202)	—	(202)
Total change included in other comprehensive income (loss)	**(646)**	**—**	**(646)**	(202)	—	(202)
Balance, end of period	**$ 2,571,921**	**$ 24,319**	**$ 2,596,240**	$ 2,545,924	$ 23,078	$ 2,569,002
Change in unrealized income included in net income for the period						
Unrealized change in fair value of investment properties	**$ 19,379**	**$ —**	**$ 19,379**	$ 48,173	$ (247)	$ 47,926

Investment properties includes $12,557 (December 31, 2021 – $12,446) 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 three months ended March 31, 2022 and December 31, 2021:

	March 31, 2022	**December 31, 2021**
Investment properties valued by qualified external valuation professionals	**$ 386,879**	$ 627,605
Number of investment properties valued by qualified external valuation professionals	**4**	9
Percentage of the total investment properties valued by qualified external valuation professionals	**15%**	24%

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 March 31, 2022 and December 31, 2021 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.

As at March 31, 2022, the Trust valued 27 properties using the cap rate method, a property under development and a property with redevelopment potential using the discounted cash flow method and a property with redevelopment potential using the direct comparison approach (December 31, 2021 – 27 properties were valued using the cap rate method, two properties using the discounted cash flow method and one property using the direct comparison approach).

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

As at March 31, 2022, 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.

The critical valuation metrics by segment as at March 31, 2022 and December 31, 2021 are set out below:

	March 31, 2022		December 31, 2021	
	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	7.23
Total portfolio	**4.50–8.25**	**5.16**	4.50–8.25	5.16

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 March 31, 2022:

	Impact of change to weighted average cap rates	
	+25 bps	–25 bps
Increase (decrease) in value	$ (115,000)	$ 127,230

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

As at March 31, 2022, one investment property under development and a property with redevelopment potential were valued using the discounted cash flow method.

The critical valuation metrics as at March 31, 2022 and December 31, 2021 are set out below:

	March 31, 2022		December 31, 2021	
	Range	**Weighted average**	Range	Weighted average
Discount rates (%)	**5.75–6.50**	**6.34**	5.75–6.50	6.35
Terminal cap rates (%)	**4.25–5.25**	**4.46**	4.25–5.25	4.45
Market rental rates (in dollars per square foot)[1]	**$ 31.00–47.00**	**$ 43.67**	$ 31.00–47.00	$ 43.80

(1) 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 March 31, 2022, leasing cost assumptions for new and renewed leasing were within the range of $7.50 and $40.00 per square foot (December 31, 2021 – $7.50 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 March 31, 2022.

	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	$ (17,890)	$ 18,982	$ (12,809)	$ 14,366

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 March 31, 2022.

	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	$ 3,564	$ (3,684)	$ (795)	$ 795

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 4

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".

	Three months ended March 31, 2022	Year ended December 31, 2021
Balance, beginning of period	**$ 402,790**	$ 333,937
Distributions earned	**(4,655)**	(18,622)
Share of income	**43,836**	85,441
Dilution gain (loss)	**(937)**	5,204
Share of other comprehensive loss	**(2,594)**	(3,170)
Balance, end of period	**$ 438,440**	$ 402,790
Dream Industrial REIT units held, end of period	**8,052,451**	8,052,451
Dream Industrial LP Class B limited partnership units held, end of period(1)(2)	**18,551,855**	18,551,855
Total units held, end of period	**26,604,306**	26,604,306
Ownership as a percentage of total units outstanding, end of period	**9.8%**	10.5%

(1) 4,800,587 Dream Industrial LP Class B limited partnership units are pledged as security for the $20,000 revolving credit facility as at March 31, 2022 and December 31, 2021.

(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 March 31, 2022 and December 31, 2021.

On March 9, 2022, Dream Industrial REIT completed a public offering in which the Trust did not participate and issued 14,110,500 REIT units.

The fair value of the Trust's interest in Dream Industrial REIT of $429,393 (December 31, 2021 – $458,126) was determined using the Dream Industrial REIT closing unit price of $16.14 per unit at period-end multiplied by the number of units held by the Trust as at March 31, 2022.

While the Trust's holdings of Dream Industrial REIT units and Dream Industrial LP Class B limited partnership units represent 9.8% of Dream Industrial REIT's total outstanding units, the Trust has assessed the nature of the services provided under the services agreement and the participation of senior management on the board of Dream Industrial REIT and determined that the Trust has the ability to exercise significant influence over the operating, financing and investing activities of Dream Industrial REIT and therefore continues to apply the equity method of accounting to this investment in an associate.

Note 5

DEBT

	March 31, 2022	December 31, 2021
Mortgages[(1)(2)]	**$ 1,080,033**	$ 1,084,097
Credit facilities[(2)(3)(4)]	**235,593**	199,176
Total	**1,315,626**	1,283,273
Less: Current portion	**(79,203)**	(76,539)
Non-current debt	**$ 1,236,423**	$ 1,206,734

(1) Net of financing costs of $3,437 (December 31, 2021 – $3,763).

(2) Secured by charges on specific investment properties.

(3) Secured by certain Dream Industrial LP Class B limited partnership units.

(4) Net of financing costs of $940 (December 31, 2021 – $1,039).

Continuity of debt

The following tables provide a continuity of debt for the three months ended March 31, 2022 and December 31, 2021:

	Three months ended March 31, 2022		
	Mortgages	**Credit facilities**	**Total**
Balance as at January 1, 2022	**$ 1,084,097**	**$ 199,176**	**$ 1,283,273**
Cash items:			
Borrowings	**—**	**39,847**	**39,847**
Lump sum repayments	**—**	**(3,529)**	**(3,529)**
Principal repayments	**(4,389)**	**—**	**(4,389)**
Non-cash items:			
Amortization of financing costs	**325**	**99**	**424**
Balance as at March 31, 2022	**$ 1,080,033**	**$ 235,593**	**$ 1,315,626**

	Year ended December 31, 2021		
	Mortgages	Revolving credit facilities	Total
Balance 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 and write-offs of financing costs and fair value adjustments.

Credit facilities

The Trust has three credit facilities: (i) a $375,000 revolving credit facility; (ii) a $20,000 revolving credit facility, and (iii) a non-revolving credit facility. The details of each 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.

Canada Infrastructure Bank credit facility

On March 31, 2022, the Trust entered into an unsecured non-revolving credit facility and term credit facility with the Canada Infrastructure Bank under its Commercial Building Retrofit Initiative. Under the facility, the Canada Infrastructure Bank will lend the trust up to $112,870, representing 80% of the cost of commercial property retrofits in order to achieve certain energy efficiency savings and greenhouse gas ("GHG") emission reductions. The non-revolving credit facility is available until the earlier of March 31, 2027 or the completion of all funded projects at which point the aggregate drawings are converted to a 20-year amortizing term credit facility. During the 5-year non-revolving credit facility period, the accumulated drawings bear interest at an annual fixed rate of 2.147%. Subsequent to conversion, the 20-year amortizing term credit facility bears interest at an annual fixed rate between 1.0% and 3.0%, determined at the time of conversion based on the assessed GHG emission reductions achieved in aggregate with the financed projects.

The amounts available and drawn under the credit facilities as at March 31, 2022 and December 31, 2021 are summarized in the tables below:

						March 31, 2022
Facility	Maturity date	Interest rates on drawings	**Face interest rate**	**Borrowing capacity**	**Drawings**	**Amount available**
Formula-based maximum not to exceed $375,000[1]	September 30, 2024	BA + 1.70% or prime + 0.70%	**2.56%**	**$ 375,000**	**$ (233,686)**	**$ 141,314**
Formula-based maximum not to exceed $20,000[2]	March 31, 2023	BA + 2.00% or prime + 0.85%	**3.55%**	**20,000**	**(2,847)**	**17,153**
Canada Infrastructure Bank credit facility	March 31, 2027[3]	2.147%	**2.15%**	**112,870**	**—**	**112,870**
			2.57%	**$ 507,870**	**$ (236,533)**	**$ 271,337**

(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.

(3) Non-revolving availability period. Subsequent to the availability period, this non-revolving credit facility will convert to a 20-year amortizing term credit facility.

							December 31, 2021
Facility	Maturity date	Interest rates on drawings	Face interest rate	Borrowing capacity	Drawings	Letters of credit	Amount available
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 was secured by five investment properties and 13,751,268 Dream Industrial LP Class B limited partnership units.

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

n/a – not applicable

Note 6
INVESTMENT PROPERTIES REVENUE

	Three months ended March 31,	
	2022	2021
Rental revenue	**$ 30,649**	$ 31,814
CAM and parking services revenue	**18,543**	17,336
Property management and other service fees	**431**	326
Total	**$ 49,623**	$ 49,476

Note 7
FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Three months ended March 31,	
	2022	2021
Remeasurement of carrying value of subsidiary redeemable units	**$ (16,958)**	$ (7,118)
Remeasurement of carrying value of deferred trust units	**(3,324)**	(1,034)
Total	**$ (20,282)**	$ (8,152)

Note 8
INTERNAL LEASING COSTS AND NET GAINS ON TRANSACTIONS

	Three months ended March 31,	
	2022	2021
Internal leasing costs	**$ (517)**	$ (390)
Net recovery attributable to sale of investment properties, net(1)	**12**	34
Total	**$ (505)**	$ (356)

(1) Consists of recoveries net of transaction costs, commissions and other expenses incurred in relation to the disposal of investment properties.

Note 9
DISTRIBUTIONS

Dream Office REIT's Declaration of Trust, as amended and restated, endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. For the three months ended March 31, 2022 and March 31, 2021, the Trust declared distributions totalling $0.25 per unit.

The following table summarizes distribution payments for the three months ended March 31, 2022 and March 31, 2021:

	Three months ended March 31,	
	2022	2021
Paid in cash	**$ (11,922)**	$ (12,658)
Add: Payable at December 31, 2021 (December 31, 2020)	**4,003**	4,219
Deduct: Payable at March 31, 2022 (March 31, 2021)	**3,919**	(4,222)
Total distributions paid and payable	**$ (11,838)**	$ (12,661)

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

Date distribution announced	Month of distribution	Date distribution was paid or is payable	Distribution per REIT A Unit	Total distribution paid or payable
March 22, 2022	March 2022	April 14, 2022	$ 0.08333	$ 3,919
April 20, 2022	April 2022	May 13, 2022	0.08333	3,919

Note 10
NORMAL COURSE ISSUER BID ("NCIB")

For the three months ended March 31, 2022 the Trust purchased 1,036,163 REIT A Units under the NCIB at a cost of $26,508. The Trust's current NCIB program is now complete.

Note 11

SUPPLEMENTARY CASH FLOW INFORMATION

The following table summarizes the components of amortization and depreciation under operating activities:

		Three months ended March 31,	
	Note	**2022**	2021
Amortization and write-off of lease incentives	3	**$ 2,902**	$ 2,978
Depreciation of property and equipment		**130**	242
Total amortization and depreciation		**$ 3,032**	$ 3,220

The following table summarizes the components of other adjustments under operating activities:

	Three months ended March 31,	
	2022	2021
Deferred unit compensation expense	**$ 697**	$ 499
Straight-line rent adjustment	**(129)**	(27)
Deferred income taxes recovery	**89**	88
Costs (recovery) attributable to sale of investment properties, net(1)	**(12)**	1,074
Share of net loss from investments in joint ventures	**72**	16
Total other adjustments	**$ 717**	$ 1,650

(1) Includes both continuing and discontinued operations.

The following table summarizes the components of changes in non-cash working capital:

	Three months ended March 31,	
	2022	2021
Decrease in amounts receivable	**$ 1,511**	$ 2,766
Decrease in prepaid expenses and other assets	**108**	711
Increase in other non-current assets	**—**	(19)
Decrease in amounts payable and accrued liabilities	**(1,867)**	(2,353)
Increase (decrease) in other non-current liabilities	**106**	(114)
Change in non-cash working capital	**$ (142)**	$ 991

Note 12

SEGMENTED INFORMATION

For the three months ended March 31, 2022 and March 31, 2021, the Trust's reportable operating segments of its investment properties and results of operations were segmented geographically, namely Toronto downtown and Other markets. Following a change in the composition of its reportable segments, the Trust restates comparative periods to reflect the current period presentation. The chief operating decision-maker measures and evaluates the performance of the Trust based on net operating income, on a comparative portfolio basis, as presented by geographical location below, with the performance of assets held for sale, properties under development and sold properties evaluated separately. In addition, properties acquired and properties under development completed subsequent to January 1, 2021 are also considered separately in order to enhance regional comparability between periods. Accordingly, revenue and expenses for those 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 and related government support, straight-line rent adjustments and amortization of lease incentives.

The chief operating decision-maker also evaluates the changes in fair value adjustments to investment properties, capital expenditures and investment properties balances on an active portfolio basis, as presented by geographical location below. Accordingly, properties under development, held for sale or sold are included in "Not segmented" for segment disclosure.

The Trust does not allocate interest expense to its segments since leverage is viewed as a corporate function. The decision as to where to incur debt is largely based on minimizing the overall 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 are not allocated to the segments.

Three months ended March 31, 2022		Toronto downtown		Other markets		Segment total		Not segmented(1)	Total
Operations									
Investment properties revenue	$	**38,311**	$	**11,332**	$	**49,643**	$	**(20)** $	**49,623**
Investment properties operating expenses		**(16,681)**		**(5,642)**		**(22,323)**		**(1,437)**	**(23,760)**
Net rental income (segment income)	$	**21,630**	$	**5,690**	$	**27,320**	$	**(1,457)** $	**25,863**

(1) Includes revenue, expenses and fair value adjustments related to properties held for sale, properties under development and completed properties under development, acquired properties and sold properties at period-end, property management and other service fees, corporate amounts, lease termination fees, bad debt expense, straight-line rent and amortization of lease incentives.

Three months ended March 31, 2021		Toronto downtown		Other markets		Segment total		Not segmented(1)	Total
Operations									
Investment properties revenue	$	40,276	$	10,861	$	51,137	$	(1,661) $	49,476
Investment properties operating expenses		(16,765)		(5,662)		(22,427)		(778)	(23,205)
Net rental income (segment income)	$	23,511	$	5,199	$	28,710	$	(2,439) $	26,271

(1) Includes revenue, expenses and fair value adjustments related to properties held for sale, properties under development and completed properties under development, acquired properties and sold properties at period-end, property management and other service fees, corporate amounts, lease termination fees, bad debt expense, straight-line rent and amortization of lease incentives.

Three months ended March 31, 2022		Toronto downtown		Other markets		Segment total		Not segmented(1)		Total
Capital expenditures(2)	$	**7,568**	$	**2,487**	$	**10,055**	$	**1,241**	$	**11,296**
Fair value adjustments to investment properties		**20,119**		**(740)**		**19,379**		**—**		**19,379**
Investment properties		**2,109,262**		**462,659**		**2,571,921**		**24,319**		**2,596,240**

(1) Includes activity of properties under development.

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

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
Fair value adjustments to investment properties		(7,798)		55,971		48,173		(247)		47,926
Investment properties		2,083,377		462,547		2,545,924		23,078		2,569,002

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

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

Note 13

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.

Related party transactions with Dream Asset Management Corporation ("DAM")

The following table summarizes expenditures processed by DAM and the Trust for the three months ended March 31, 2022 and March 31, 2021:

	Three months ended March 31,			
		2022		2021
Property management services fee charged by the Trust	$	**93**	$	68
Expenditures processed by the Trust on behalf of DAM (on a cost recovery basis)		**2,305**		2,023
Development fees charged by DAM		**(588)**		(588)
Expenditures processed by DAM on behalf of the Trust (on a cost recovery basis)		**(333)**		(267)
Net fees and reimbursements from DAM	$	**1,477**	$	1,236

The following table summarizes the amounts due from (to) DAM as at March 31, 2022 and December 31, 2021:

		March 31, 2022		December 31, 2021
Amounts due from DAM	**$**	**856**	$	1,282
Amounts due to DAM		**(921)**		(1,140)
Net amounts due from (to) DAM	**$**	**(65)**	$	142

Related party transactions with Dream Impact Trust

The following table summarizes the amounts that were charged to Dream Impact Trust for the three months ended March 31, 2022 and March 31, 2021:

	Three months ended March 31,			
		2022		2021
Property management and construction fees related to co-owned properties	**$**	**218**	$	352
Costs processed on behalf of Dream Impact Trust related to co-owned and managed properties		**411**		332
Amounts charged to Dream Impact Trust under the services agreement		**223**		114
Total cost recoveries from Dream Impact Trust	**$**	**852**	$	798

Amounts due from Dream Impact Trust as of March 31, 2022 were $338 (December 31, 2021 – $274).

Related party transactions with Dream Industrial REIT

The following table summarizes the cost recoveries from Dream Industrial REIT for the three months ended March 31, 2022 and March 31, 2021:

	Three months ended March 31,			
		2022		2021
Total cost recoveries from Dream Industrial REIT	**$**	**1,978**	$	1,324

Amounts due from Dream Industrial REIT relating to the Services Agreement as of March 31, 2022 were $472 (December 31, 2021 – $916).

Distributions and interest receivable from (payable to) related parties

		March 31, 2022		December 31, 2021
Distributions receivable from Dream Industrial REIT(1)	**$**	**1,552**	$	1,552
Distributions payable to DAM(2)		**(1,064)**		(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 March 31, 2022 and December 31, 2021.

(2) Distributions payable to DAM are in relation to the 12,766,002 REIT A Units held by DAM as at March 31, 2022 (December 31, 2021 – 12,410,002 REIT A Units).

(3) Subsidiary redeemable interest payable to DAM is in relation to the 5,233,823 subsidiary redeemable units held by DAM as at March 31, 2022 and December 31, 2021.

For the three months ended March 31, 2022, total distributions and subsidiary redeemable interest paid and payable to DAM were $4,440 (for the three months ended March 31, 2021 – $4,411).

Note 14

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 condensed consolidated financial statements as at March 31, 2022.

The Trust is contingently liable under a guarantee that was issued on debt assumed by a purchaser of an investment property totalling $51,046 (December 31, 2021 – $51,442) with a weighted average term to maturity of 4.3 years (December 31, 2021 – 4.6 years). The guaranteed debt is secured by a property in British Columbia.

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 $13,689. 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 condensed consolidated financial statements as at March 31, 2022.

At March 31, 2022, 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	$ 6	$ —	$ 115
Operating commitments	3,085	286	—	3,371
Fixed price contracts	222	888	1,634	2,744
Total	$ 3,416	$ 1,180	$ 1,634	$ 6,230

Since 2018, the Trust has invested US$6,889 (December 31, 2021 – US$6,604) towards investments in real estate technologies through a joint venture. As at March 31, 2022, the Trust had outstanding funding commitments to the joint venture totalling US$4,715 (December 31, 2021 – US$5,000).

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 $41,169 to the development project.

As part of the sale of a property in Calgary in 2018, the Trust received partial consideration in the form of a vendor takeback mortgage ("VTB mortgage") receivable of $34,100 and committed to a loan facility of up to $12,500. The VTB mortgage and loan facility bear interest at 2.5%, mature on April 10, 2023 (after the exercise of an extension option subsequent to March 31, 2022) with options to extend to April 10, 2025 and are secured by the property. As at March 31, 2022, the Trust had funded $6,464 under the loan facility. In April 2022, the borrower paid an extension fee totalling $406 in connection with the exercise of a one-year extension option.

Note 15

FINANCIAL INSTRUMENTS

Fair value of financial instruments

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Trust maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust's policy is to recognize transfers 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 during the period.

Financial instruments where the carrying value does not approximate fair value are noted below:

		March 31, 2022		December 31, 2021	
	Note	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets					
Investment in Dream Industrial REIT	4	**$ 438,440**	**$ 429,393**	$ 402,790	$ 458,126
Non-current vendor takeback mortgage receivable and construction loan facility		**40,564**	**37,268**	39,348	38,093
Financial liabilities					
Mortgages	5	**1,080,033**	**1,045,848**	1,084,097	1,097,634
Credit facilities	5	**235,593**	**236,533**	199,176	200,215

Amounts receivable, cash and cash equivalents, tenant security deposits and amounts payable and accrued liabilities are carried at amortized cost, which approximates fair value due to their short-term nature. As at March 31, 2022, the carrying value of the current vendor takeback mortgage receivable approximates fair value. Subsidiary redeemable units and the Deferred Unit Incentive Plan are carried at amortized cost, which approximates fair value as they are readily redeemable financial instruments.

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